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

Income statement

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

Earnings per share

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

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

Statement of comprehensive income

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

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

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

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

III. Group Statement of Changes in Total Equity

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

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

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

For further details, see Note 30 Total equity.

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

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

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

IV. Group Cash Flow Statement

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

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

V. Notes to the Group Financial Statements of Erste Group

A. GENERAL INFORMATION

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

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

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

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

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

B. SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION

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

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

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

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

b) BASIS OF CONSOLIDATION

Subsidiaries

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

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

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

Erste Group Bank AG is a member of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector. As of the balance sheet date, almost all of Austria's savings banks, in addition to Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG, formed part of this Haftungsverbund. The provisions of the agreement governing the Haftungsverbund are implemented by the steering company Haftungsverbund GmbH. Erste Group Bank AG always holds indirectly at least 51% of the subscribed capital of the steering company, through Erste Bank der oesterreichischen Sparkassen AG. Two of the four members of the steering company's management, including the CEO, who has the casting vote, are appointed by Erste Bank der oesterreichischen Sparkassen AG. The steering company is vested with the power to monitor the common risk policies of its mem-

bers. If a member encounters serious financial difficulties – and specific key indicators are continually monitored – the steering company has the mandate to provide support measures and/or to intervene, as required, in the business management of the affected member savings bank. As Erste Group Bank AG owns the controlling interest in the steering company, it exercises control over the members of the cross-guarantee system.

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

Investments in associates

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

Acquisitions in 2013

Erste Group did not make any significant acquisitions during 2013.

Disposals in 2013

Public Company 'Erste Bank' (Erste Bank Ukraine)

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

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

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

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

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

Acquisitions in 2012

Banca Comercială Română SA

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

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

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

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

c) ACCOUNTING AND MEASUREMENT METHODS

Foreign currency translation

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

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

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

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

Financial instruments – recognition and measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Erste Group uses the fair value option in case of some hybrid financial liabilities, if:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Embedded derivatives

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

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

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

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

Reclassifications of financial assets

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

Derecognition of financial assets and financial liabilities

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

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

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

Repurchase and reverse repurchase agreements

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

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

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

Securities lending and borrowing

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

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

Impairment of financial assets and credit risk losses of contingent liabilities

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

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

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

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

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

(i) Financial assets carried at amortised cost

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

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

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

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

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

(ii) Available-for-sale financial assets

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

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

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

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

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

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

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

Hedge accounting

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

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

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

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

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

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

Offsetting financial instruments

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

Determination of fair value

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

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

Leasing

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

Erste Group as a lessor

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

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

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

Erste Group as a lessee

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

Business combinations and goodwill

(i) Business combinations

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

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

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

(ii) Goodwill and goodwill impairment testing

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

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

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

The estimation of future earnings distributable to shareholders is based on financial plans for the CGUs as agreed by the management while taking into account the fulfilment of the respective regulatory capital requirements. The planning period is five years. Any forecasted earnings beyond the planning period are derived

on the basis of the last year of the planning period and a long-term growth rate. The present value of such perpetual earnings growing at a stable rate (referred to as terminal value) takes into consideration macroeconomic parameters and economically sustainable cash flows for each CGU. Values for the long-term growth rates are disclosed in Note 19.2 Intangible assets in the subsection 'Development of goodwill'.

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

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

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

Property and equipment

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

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

The estimated useful lives are as follows:

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

Land is not depreciated.

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

Investment property

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

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

Property Held for Sale (Inventory)

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

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

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

Intangible assets

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

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

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

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

The estimated useful lives are as follows:

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

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

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

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

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

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

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

Non-current assets and disposal groups held for sale

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

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

held for sale are presented on the balance sheet under the line item 'Liabilities associated with assets held for sale'.

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

Financial guarantees

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

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

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

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

Defined employee benefit plans

Defined employee benefit plans operated by Erste Group are for pensions, severance and jubilee benefits.

The defined benefit pension plans relate only to retired employees. The pension obligations for current employees were transferred to external pension funds in previous years. Remaining with Erste Group is a defined-benefit obligation for entitlements of former employees who were already retired as of 31 December 1998 before the pension reform took effect, and for those former employees who retired only in 1999 but remained entitled to a direct pension from Erste Group under individual agreements. Also included are entitlements to resulting survivor pensions.

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

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

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

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

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. On the balance sheet, provisions are reported under the line item 'Other provisions'. They include credit risk loss provisions for contingent liabilities (particularly financial guarantees and loan commitments) as well as provisions for litigation and restructuring. Expenses or income from allocation or release relating to credit risk loss provisions for contingent liabilities are presented under the income statement line item 'Risk provisions for loans and advances'. All other expenses or income related to provisions are reported under the line item 'Other operating result'.

Taxes

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

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

Treasury shares and contracts on treasury shares

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

Fiduciary assets

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

Dividends on ordinary shares

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

Recognition of income and expenses

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

(i) Net interest income

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

Interest and similar income mainly includes interest income on loans and advances to credit institutions and customers, on balances with central banks and on bonds and other interest-bearing securities in all portfolios. Interest and similar expenses mainly include interest paid on deposits by banks and customer deposits, deposits of central banks, debt securities in issue and subordinated debt. In addition, net interest income includes interest on derivative financial instruments held in the banking book.

Also reported in interest and similar income is current income from shares and other equity-related securities (especially dividends) as well as income from other investments in companies categorised as available for sale. Such dividend income is recognised when the right to receive the payment is established.

Net interest income also includes rental income and the corresponding depreciation charge from investment properties. Such rental income constitutes income from operating leases and is recognised on a straight-line basis over the lease term.

Income from associates recorded by applying the equity method (share of profit or loss in associates) is also included in the total of the net interest income. Impairment losses, reversal of impairment losses, and realised gains and losses on investments in associates accounted for using the equity method are reported under the line item 'Other operating result'.

(ii) Risk provisions for loans and advances

This item includes allocations to and releases of specific and portfolio risk provisions for loans and advances and for contingent liabilities bearing credit risk. Also reported in this item are direct write-offs of loans and advances as well as recoveries on written-off loans removed from the balance sheet. Furthermore

allocations to and releases of portfolio risk provisions for held-to-maturity investments with respect to incurred but not reported losses are part of this item.

(iii) Net fee and commission income
Erste Group earns fee and commission income from a diverse range of services that it provides to its customers.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include lending fees, guarantee fees, commission income from asset management, custody and other management and advisory fees as well as fees from insurance brokerage, building society brokerage and foreign exchange transactions.

Fee income earned from providing transaction services, such as arranging the acquisition of shares or other securities or the purchase or sale of businesses, is recognised upon completion of the underlying transaction.

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

(v) General administrative expenses
General administrative expenses represent the following expenses accrued in the reporting period: personnel and other administrative expenses, as well as depreciation and amortisation, apart from amortisation of customer relationships and impairment of goodwill, which are reported under 'Other operating result'.

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and levies. They also include expenses and income for severance payment, pension and jubilee obligations (covering service cost, net interest cost and remeasurements of jubilee obligations).

Other administrative expenses include information technology expenses, expenses for office space, office operating expenses, advertising and marketing, expenditures for legal and other consultants as well as sundry other administrative expenses.

(vi) Other operating result
Other operating result reflects all other income and expenses not directly attributable to Erste Group's ordinary activities. This especially includes impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment and intangible assets. Also included here are amortisation and impairment of customer relationships and any impairment losses on goodwill.

In addition, other operating result encompasses the following: expenses for other taxes, including special banking and transaction taxes and for deposit insurance contributions; income from the release of and expenses for allocations to other provisions; impairment losses (and their reversal if any) on investments in associates accounted for using the equity method; and realised gains and losses from the disposal of investments accounted for using the equity method.

In the case of sales of non-impaired loans and advances or repurchases of financial liabilities that are measured at amortised cost, gains and losses are reported under 'Other operating result'.

(vii) Result from financial instruments
Result from financial instruments consists of the following line items in the income statement:

- *Result from financial instruments – at fair value through profit or loss:* changes in the clean price of assets and liabilities designated at fair value through profit or loss are reported here. Furthermore, this item contains changes in the clean prices of derivatives that are related to financial liabilities designated at fair value through profit or loss. Designation of such liabilities at fair value was chosen to eliminate or reduce an accounting mismatch between the liability and the derivative.
- *Result from financial assets – available for sale:* realised gains and losses from selling as well as impairment losses and reversals of impairment losses from financial assets available for sale are reported in this item. However, interest and dividend elements for these assets and reversals of impairment losses on equity instruments are not part of this item.
- *Result from financial assets – held to maturity:* impairment losses and reversals of impairment losses as well as occasional selling gains and losses from financial assets held to maturity are reported in this item. However, this item does not include incurred but not reported losses recognised for financial assets held to maturity on portfolio level, which are part of the item 'Risk provisions for loans and advances'.

d) SIGNIFICANT ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

The consolidated financial statements contain amounts that have been determined on the basis of judgements and by the use of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. As a consequence of the uncertainty associated with these assumptions and estimates,

actual results could in future periods lead to adjustments in the carrying amounts of the related assets or liabilities. The most significant uses of judgements, assumptions and estimates are as follows:

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgement is required to establish fair values. Disclosures for valuation models, the fair value hierarchy and fair values of financial instruments can be found in Note 40 Fair value of assets and liabilities.

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

Disclosures concerning impairment are provided in Note 38 Risk management in the 'Credit risk' subsection entitled – 'Non-performing credit risk exposure, risk provisions and collateral'. The development of loan loss provisions is described in Note 15 Risk provisions for loans and advances.

Impairment of non-financial assets
Erste Group reviews its non-financial assets at each balance sheet date to assess whether there is an indication of impairment loss that should be recorded in the income statement. Furthermore, cash-generating units to which goodwill is allocated are tested for impairment on a yearly basis. Judgement and estimates are required to determine the value in use and fair value less costs of disposal by estimating the timing and amount of future expected cash flows and the discount rates. Assumptions and estimates used for impairment on non-financial assets calculations are described in the parts 'Business combinations and goodwill' and 'Impairment of non-financial assets (property and equipment, investment property, intangible assets)' in the Accounting Policies discussion under the Notes. Inputs used for goodwill impairment testing and their sensitivities can be found in Note 19.2 Intangible assets in the section 'Development of goodwill'.

Deferred tax assets
Deferred tax assets are recognised in respect of tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. Disclosures concerning deferred taxes are in Note 20 Tax assets and liabilities.

Defined benefit obligation plans
The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Assumptions, estimates and sensitivities used for the defined benefit obligation calculations as well as related amounts are disclosed in Note 27a Long-term employee provisions.

Provisions
Recognition of provisions requires judgement with respect to whether Erste Group has a present obligation as a result of a past event and whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Furthermore, estimates are necessary with respect to the amount and timing of future cash flows when determining the amount of provisions. Provisions are disclosed in Note 27 Provisions and further details on provisions for contingent credit liabilities in Note 38.5 Credit risk. Legal proceedings that do not meet the criteria for recognition of provisions are described in Note 43 Contingent liabilities.

Leases
From Erste Group's perspective as a lessor, judgement is required to distinguish whether a given lease is a finance or operating lease based on the transfer of substantially all the risk and rewards from the lessor to the lessee. Disclosures concerning leases are in Note 33 Leases.

e) APPLICATION OF AMENDED AND NEW IFRS/IAS

The accounting policies adopted are consistent with those used in the previous financial year except for standards and interpretations that became effective for financial years beginning on or after 1 January 2013. As regards new standards and interpretations and their amendments, only those that are relevant for the business of Erste Group are listed below.

Effective standards and interpretations

The following standards and their amendments have been mandatory since 2013:

- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income
- IAS 19 (revised 2011) Employee Benefits
- Amendments to IFRS 7 – Offsetting Financial Assets and Liabilities
- IFRS 13 Fair Value Measurement
- Annual improvements to IFRSs (issued in 2012)

Application of these standards had no material effect on the recognition and measurement methods of Erste Group. However, there were the following presentation and disclosure impacts:

- Amendments to IAS 1 bring new rules on how OCI items and their tax effects are grouped in the statement of comprehensive income
- Application of IAS 19 (revised 2011) leads to a new column 'Remeasurement of net liability of defined benefit plans' in the statement of changes in equity and additional disclosures (e.g. sensitivity analysis) in Note 27a Long-term employee provisions
- Amendments to IFRS 7 result in new disclosures for offsetting in the area of derivatives and repo transactions in Note 37 Offsetting
- Application of IFRS 13 results in enhanced disclosures about fair value measurements for financial instruments and non-financial assets in Note 40 Fair value of assets and liabilities

Standards and interpretations not yet effective

The standards and interpretations shown below were issued by the IASB but are not yet effective. Thereof, the following standards and amendments have been endorsed by the EU:

- Amendments to IAS 36 – Recoverable Amounts Disclosures for Non-financial Assets
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting
- IAS 27 (revised 2011) Separate Financial Statements
- IAS 28 (revised 2011) Investments in Associates and Joint Ventures
- Amendments to IAS 32 – Offsetting Financial Assets and Liabilities
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities

Although they have been endorsed by the EU, Erste Group decided not to apply them before they become effective.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions
Amendments to IAS 19 were issued in November 2013 and are effective for annual periods beginning on or after 1 July 2014.

The amendments clarify that contributions from employees or third parties that are linked to service must be attributed to periods of service using the same attribution method as used for the gross benefit. However, the contribution may be recognised as a reduction in the service cost if the amount of the contributions is independent of the number of years of service.

Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

IAS 27 (revised 2011) Separate Financial Statements
The revised IAS 27 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. As adopted by the European Union, however, the revised IAS 27 becomes effective, at the latest, as from the commencement date of the first financial year starting on or after 1 January 2014.

After revision, only the part relevant for individual financial statements was kept in IAS 27. This is due to the fact that IFRS 10 has become a new standard relevant for consolidated financial statements. This resulted in a change of the name of IAS 27.

The revised IAS 27 is not expected to have a significant impact on Erste Group's financial statements.

IAS 28 (revised 2011) Investments in Associates and Joint Ventures
The revised IAS 28 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. As adopted by the European Union, however, the revised IAS 28 becomes effective, at the latest, as from the commencement date of the first financial year starting on or after 1 January 2014.

Joint ventures are added to the scope of the revised IAS 28, which also results in a change in the name of the standard. This is due to the fact that under IFRS 11 the equity method is the only way of including joint ventures in the consolidated financial statements.

The revised IAS 28 is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IAS 32 – Offsetting Financial Assets and Liabilities
Amendments to IAS 32 were issued in December 2011 and are effective for annual periods beginning on or after 1 January 2014.

The amendments clarify the meaning of the terms 'currently' and 'settlement on net basis'.

The amendments are not expected to have a significant impact on Erste Group's financial statements.

Amendments to IAS 36 – Recoverable Amounts Disclosures for Non-financial Assets
Amendments to IAS 36 were issued in May 2013 and are effective for annual periods beginning on or after 1 January 2014.

The amendments require an entity to disclose the recoverable amount of an individual asset (including goodwill) or a cash-generating unit for which the entity has recognised or reversed an impairment loss during the reporting period. Additional disclosures are required if the recoverable amount is determined based on fair value less costs of disposal.

Application of these amendments will result in new disclosures concerning recoverable amounts.

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting
Amendments to IAS 39 were issued in June 2013 and are effective for annual periods beginning on or after 1 January 2014.

Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative were novated, provided certain criteria are met.

Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

IFRS 9: Financial Instruments
IFRS 9 relating to the classification and measurement of financial assets was issued in November 2009 then supplemented by regulation for financial liabilities in October 2010. In November 2013, apart for hedge accounting was issued. Currently, IFRS 9 is available for application, but there is no effective date.

IFRS 9 introduces two classification criteria for financial assets: 1) an entity's business model for managing the financial assets, and 2) the contractual cash flow characteristics of the financial assets. As a result, a financial asset is measured at amortised cost only if both the following conditions are met: a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All financial assets that do not fulfil these conditions are measured at fair value with changes recognised in profit or loss. For investments in equity instruments that are not held for trading, an entity may make an irrevocable election at initial recognition to measure them at fair value with changes recognised in other comprehensive income.

Based on changes in the business model, an entity shall reclassify all affected assets from fair value to the amortised cost category or vice versa.

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

This standard will have a significant effect on balance sheet items and measurement methods for financial instruments. As IFRS 9 has not yet been published in its final version, its impact cannot be quantified.

IFRS 10 Consolidated Financial Statements
IFRS 10 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. As adopted by the European Union, however, IFRS 10 becomes effective, at the latest, as from the commencement date of the first financial year starting on or after 1 January 2014. It replaces IAS 27, 'Consolidated and Separate Financial Statements' and interpretation SIC-12, 'Consolidation – Special Purpose Entities'.

IFRS 10 defines the principle of control for all entities, including those that were previously considered special purpose entities under SIC-12. An investor controls an investee when the investor is exposed or has rights to variable returns from the investee and has the ability to affect these returns through its power over the investee. The assessment of control is based on all facts and circumstances, and the conclusion is reassessed if there are changes in these facts and circumstances.

Furthermore, IFRS 10 addresses other issues such as control with less than majority voting rights, control solely through rights other than voting rights, and delegated decision rights. Parts dealing with consolidation procedures, non-controlling interests and loss of control were taken over into IFRS 10 from IAS 27.

IFRS 10 also brings clarification in the area of protective rights, which normally do not lead to control of a subsidiary. During 2013, Erste Group undertook a thorough review aimed at assessing whether its rights arising from the provisions of the agreement governing the cross-guarantee system of the Austrian savings bank sector (Haftungsverbund) are substantive and not merely protective, in light of the forthcoming control criteria provided by IFRS 10. As a result of this review, several relevant provisions of the Haftungsverbund have been revised and will come into effect on 1 January 2014. Therefore, the adoption by Erste Group of IFRS 10 on 1 January 2014 will not trigger any modification of Group's IFRS scope of consolidation in respect of the member savings banks of the Haftungsverbund.

At the same time, as a result of adopting IFRS 10 on 1 January 2014, Erste Group will enlarge its consolidation scope by a number of investment funds managed by Erste Group subsidiaries (notably Erste-SparInvest Kapitalanlagegesellschaft m.b.H.) and have the Group as investor via one or more of its subsidiaries (notably savings banks). Based on SIC 12 'Consolidation – Special Purpose Entities', these funds did not meet the consolidation criteria up to 31 December 2013.

Also, as at the date of publication of these financial statements, an analysis of the impact of adopting IFRS 10 on the accounting treatment of the pension funds managed by Group subsidiaries is still in process and expected to be completed by the end of the

first quarter of 2014, based on ongoing regulatory and/or statutory developments.

IFRS 11 Joint Arrangements
IFRS 11 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. As adopted by the European Union, however IFRS 11 becomes effective, at the latest, as from the commencement date of the first financial year starting on or after 1 January 2014. It supersedes IAS 31, 'Interests in Joint Ventures', and SIC-13, 'Jointly-controlled Entities – Nonmonetary Contributions by Venturers'.

The core principle of IFRS 11 is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for these rights and obligations in accordance with that type of joint arrangement. IFRS 11 classifies joint arrangements as either joint ventures or joint operations. IFRS 11 requires the use of the equity method of accounting for joint ventures by eliminating the option to use the proportionate consolidation method. A joint operator recognises its assets, liabilities, revenues and expenses separately in relation to its interest in the arrangement.

As Erste Group did not apply the proportionate consolidation method allowed in IAS 31, application of this standard is not expected to have a significant impact on Erste Group's financial statements.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. As adopted by the European Union, however, IFRS 12 becomes effective, at the latest, as from the commencement date of the first financial year starting on or after 1 January 2014.

The objective of IFRS 12 is to require the disclosure of information enabling users of financial statements to evaluate the nature of, and risks associated with, an investor's interests in other entities as well as the effects of those interests on the investor's financial position, financial performance and cash flows. Disclosures are provided separately for subsidiaries, joint operations, joint ventures, associates and unconsolidated structured entities. IFRS 12 is a comprehensive disclosures standard. Therefore, there are no specific disclosure requirements in IFRS 10, IFRS 11 and IAS 28.

Application of this standard is not expected to have a significant impact on Erste Group's financial statements. However, it will result in new disclosures especially in the area of non-controlling interests. No disclosures are expected for unconsolidated structured entities.

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition guidance
Amendments to IFRS 10, IFRS 11 and IFRS 12 were issued in June 2012 and their effectiveness is aligned with the effective date of the standards.

The amendments change the transition guidance to provide further relief from retrospective application.

Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities
Amendments to IFRS 10, IFRS 12 and IAS 27 were issued in October 2012 and are effective for annual periods beginning on or after 1 January 2014.

The amendments provide an exemption from consolidation of subsidiaries under IFRS 10 for entities that meet the definition of an investment entity, such as certain investment funds. Instead, such entities will measure their investments in subsidiaries at fair value through profit or loss.

Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Annual Improvements to IFRSs 2010-2012 and 2011-2013 Cycle
In December 2013, the IASB issued two sets of amendments to various standards. The amendments are effective for annual periods beginning on or after 1 July 2014.

Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

IFRIC 21 Levies
IFRIC 21 was issued in May 2013 and is effective for annual periods beginning on or after 1 January 2014.

The interpretation addresses when a liability for a levy imposed by a government is recognised. The liability is recognised progressively if the obligating event occurs over a period of time. If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

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

1) Net interest income

in EUR million	2013	2012
Interest income		
Lending and money market transactions with credit institutions	1,161.2	944.5
Lending and money market transactions with customers	5,072.7	5,957.8
Bonds and other interest-bearing securities	1,028.6	1,383.9
Other interest income	15.9	7.3
Similar income		
Equity-related securities	50.7	56.1
Investments		
Non-consolidated subsidiaries	9.5	17.4
Other investments	21.0	20.1
Investment properties and operating lease	73.1	73.2
Interest and similar income	**7,432.6**	**8,460.3**
Interest income from financial assets - at fair value through profit or loss	218.1	334.8
Total interest and similar income	**7,650.8**	**8,795.1**
Interest expenses		
Deposits by banks	(438.8)	(642.3)
Customer deposits	(1,279.7)	(1,741.1)
Debt securities in issue	(862.1)	(926.5)
Subordinated liabilities	(166.3)	(204.9)
Other	(4.8)	(2.8)
Interest and similar expenses	**(2,751.7)**	**(3,517.6)**
Interest expenses from financial liabilities - at fair value through profit or loss	(62.8)	(58.6)
Total interest and similar expenses	**(2,814.5)**	**(3,576.2)**
Income from equity method investments	**21.8**	**16.4**
Total	**4,858.1**	**5,235.3**

In interest income, an amount of EUR 73.1 million (2012: EUR 73.2 million) was reported as income from investment properties and operating leases (net position consisting of rental income and depreciation). Without these items, Total interest and similar income would reach EUR 7,576.9 million (2012: EUR 8,721.9 million). Net interest income also contains the item Income from equity method investments in the amount of EUR 21.8 million (2012: EUR 16.4 million). Without the above items, the net interest income would be EUR 4,763.2 million (2012: EUR 5,145.7 million).

Rental income from investment properties that are classified in accordance with IAS 40 totalled EUR 79.3 million (2012: EUR 87.6 million).

For financial assets or liabilities that are not measured at fair value through profit or loss, the total interest income amounted to EUR 6,484.2 million (2012: EUR 7,555.1 million) and the total interest expense to EUR (2,549.2) million (2012: EUR (3,236.5) million). Net interest income for these items is therefore EUR 3,935.0 million (2012: EUR 4,318.6 million).

2) Risk provisions for loans and advances

in EUR million	2013	2012
Allocation to risk provisions for loans and advances	(3,538.2)	(3,203.7)
Release of risk provisions for loans and advances	1,913.9	1,364.0
Direct write-offs of loans and advances	(257.3)	(237.3)
Recoveries on written-off loans and advances	118.2	97.0
Total	**(1,763.4)**	**(1,980.0)**

3) Net fee and commission income

in EUR million	2013	2012
Lending business	256.8	263.4
Payment transfers	903.5	862.3
Card business	210.7	202.2
Securities business	411.7	356.9
Investment fund transactions	222.0	195.2
Custodial fees	69.1	39.7
Brokerage	120.6	122.0
Insurance brokerage	99.7	99.3
Building society brokerage	22.9	31.2
Foreign exchange transactions	23.1	25.2
Investment banking business	30.6	20.4
Other	61.7	62.1
Total	**1,810.0**	**1,720.8**

4) Net trading result

in EUR million	2013	2012
Securities and derivatives trading	60.6	74.2
Foreign exchange transactions	232.5	199.2
Total	**293.1**	**273.4**

From cash flow and fair value hedges, an amount of EUR 7.4 million (2012: EUR (21.0) million) is reported under the line item 'Net trading result'.

5) General administrative expenses

in EUR million	2013	2012
Personnel expenses	(2,232.4)	(2,284.1)
Other administrative expenses	(1,068.8)	(1,106.1)
Depreciation and amortisation	(352.3)	(366.5)
Total	**(3,653.5)**	**(3,756.7)**

Personnel expenses

in EUR million	2013	2012
Wages and salaries	(1,706.2)	(1,737.0)
Compulsory social security contributions	(440.0)	(433.3)
Long-term employee provisions	(48.0)	(70.4)
Other personnel expenses	(38.2)	(43.4)
Total	**(2,232.4)**	**(2,284.1)**

Personnel expenses include expenses of EUR 49.5 million (2012: EUR 52.0 million) for defined contribution plans, of which EUR 0.9 million (2012: EUR 0.9 million) relates to members of the management board.

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

	2013	2012
Employed by Erste Group	**46,843**	**49,537**
Domestic	**15,810**	**16,111**
Haftungsverbund savings banks	7,329	7,433
Abroad	**31,033**	**33,426**
Banca Comercială Română Group	7,418	8,690
Česká spořitelna Group	10,629	10,760
Slovenská sporiteľňa Group	4,247	4,200
Erste Bank Hungary Group	2,770	2,639
Erste Bank Croatia Group	2,551	2,615
Erste Bank Serbia	929	937
Erste Bank Ukraine	374	1,569
Other subsidiaries and foreign branch offices	2,115	2,016

Other administrative expenses

in EUR million	2013	2012
IT expenses	(258.9)	(250.0)
Expenses for office space	(256.4)	(280.1)
Office operating expenses	(138.7)	(145.6)
Advertising/marketing	(164.0)	(184.7)
Legal and consulting costs	(138.2)	(130.5)
Sundry administrative expenses	(112.6)	(115.2)
Total	**(1,068.8)**	**(1,106.1)**

Operating expenses (including repair and maintenance) for 'Investment properties' held for rental income totalled EUR 2.8 million (2012: EUR 3.6 million).

Depreciation and amortisation

in EUR million	2013	2012
Software and other intangible assets	(146.8)	(149.4)
Real estate used by the Group	(84.1)	(85.7)
Office furniture and equipment and sundry property and equipment	(121.3)	(131.4)
Total	**(352.3)**	**(366.5)**

Amortisation of customer relationships is included in the item 'Other operating result' instead of under 'Depreciation and amortisation'.

6) Other operating result

in EUR million	2013	2012
Other operating income	352.8	842.8
Other operating expenses	(1,434.7)	(1,567.1)
Total	**(1,081.9)**	**(724.3)**
Result from real estates/movables/properties/software	(50.4)	(73.0)
Allocation/release of other provisions/risks	(40.3)	25.9
Expenses for deposit insurance contributions	(77.2)	(80.7)
Amortisation of customer relationships	(65.2)	(69.2)
Other taxes	(329.7)	(269.1)
Impairment of goodwill	(383.0)	(514.9)
Result from repurchases of liabilities measured at amortised cost	5.5	413.4
Result from other operating expenses/income	(141.5)	(156.7)
Total	**(1,081.9)**	**(724.3)**

Operating expenses (including repair and maintenance) for 'Investment properties' not held for rental income totalled EUR 3.5 million (2012: EUR 24.6 million).

The amount of impairment loss on assets held for sale recognised in the result from real estate/moveables/properties/software is EUR (2.9) million (2012: EUR (69.8) million).

Banking tax in the amount of EUR 256.6 million was recognised in the year 2013 (2012: EUR 244.0 million). Moreover, additional transaction and other banking related taxes in the amount of EUR 54.4 million was imposed by the Hungarian government.

In line item 'Result from other operating expenses/income' an amount of EUR 76.6 million was recognised for disposal of Erste Bank Ukraine in 2013.

7) Result from financial instruments – at fair value through profit or loss

in EUR million	2013	2012
Gain / (loss) from measurement / sale of financial assets designated for fair value through profit or loss	10.5	40.0
Gain / (loss) from measurement / sale of financial liabilities designated for fair value through profit or loss	(23.6)	(97.5)
Gain / (loss) from derivatives used for Fair Value Option	(63.2)	53.9
Total	**(76.3)**	**(3.6)**

The amounts of the fair value changes that are attributable to changes in own credit risk can be found in the Notes 24 Customer deposits, 25 Debt securities in issue and 29 Subordinated liabilities.

8) Result from financial assets – available for sale

in EUR million	2013	2012
Gain / (loss) from sale of financial assets available for sale	28.7	121.9
Impairment / reversal of impairment of financial assets available for sale	(42.2)	(65.7)
Total	**(13.5)**	**56.2**

During the reporting period, the amount of EUR 14.5 million was reclassified from 'Other comprehensive income' and recognised as expense in 'Result from Financial assets – available for sale' (2012: income EUR 262.0 million).

The carrying amount of investments in equity instruments measured at cost that were sold during the period was EUR 1.9 million (2012: EUR 9.9 million). The resulting gain on sale was EUR 1.0 million (2012: EUR 6.7 million).

9) Result from financial assets – held to maturity

in EUR million	2013	2012
Income		
Income from sale of financial assets held to maturity	7.4	7.7
Reversal of impairment loss of financial assets held to maturity	7.9	0.0
Expenses		
Loss from sale of financial assets held to maturity	(0.2)	(14.3)
Impairment of financial assets held to maturity	(13.6)	(13.3)
Total	**1.5**	**(19.9)**

10) Taxes on income

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

in EUR million	2013	2012
Current tax expense / income	(311.1)	(314.5)
current period	(284.8)	(294.2)
prior period	(26.3)	(20.3)
Deferred tax expense / income	132.6	144.3
current period	117.8	126.2
prior period	14.7	18.1
Total	**(178.5)**	**(170.2)**

Tax effects relating to each component of other comprehensive income:

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

in EUR million	2013	2012
Pre-tax profit/loss	374.3	801.2
Income tax expense for the financial year at the domestic statutory tax rate (25%)	(93.6)	(200.3)
Impact of different foreign tax rates	40.5	43.4
Impact of tax-exempt earnings of investments and other tax-exempt income	132.3	150.4
Tax increases due to non-deductible expenses, additional business tax and similar elements	(99.2)	(32.9)
Impact of the goodwill impairment loss recognized at Group level, added back to theoretical tax	(95.8)	(109.4)
One-off release of loan loss risk provision related deferred tax liabilities	127.7	0.0
Net impact of non-valued fiscal losses for the year	(97.0)	(19.3)
Impact of non-valuation of carried forward fiscal losses and of temporary deductible differences previously valued	(81.9)	0.0
Tax income not attributable to the reporting period	(11.5)	(2.2)
Total	**(178.5)**	**(170.2)**

In June 2013, deferred tax liabilities in amount of EUR 127.7 million have been released by Banca Comerciala Romana, as a result of risk provision-related taxable differences converting from temporary to permanent due to updates in local fiscal regulations and interpretations.

On the other hand, Group's effective tax expense for the full year 2013 has been adversely impacted by current fiscal loss related deferred tax assets which could not be recognised and by write-offs of deferred tax assets which had been recognised as at the end of prior year.

Some of the comparative figures for the year 2012 have been adjusted in order to ensure alignment to the more detailed presentation of the tax reconciliation for the current year, for the purpose of enhancing its informative value.

in EUR million	2013 Before-tax amount	2013 Tax benefit	2013 Net-of-tax amount	2012 Before-tax amount	2012 Tax benefit	2012 Net-of-tax amount
Available for sale-reserve (including currency translation)	(114.3)	27.6	(86.8)	975.9	(199.7)	776.2
Cash flow hedge-reserve (including currency translation)	(71.9)	17.4	(54.6)	(3.4)	4.6	1.2
Remeasurement of net liability of defined pension plans	(6.7)	2.3	(4.5)	(45.9)	11.2	(34.7)
Currency translation	(241.4)	0.0	(241.4)	16.2	0.0	16.2
Other comprehensive income	**(434.4)**	**47.2**	**(387.2)**	**942.8**	**(183.9)**	**758.9**

11) Appropriation of profit

It will be proposed at the Annual General Meeting of Erste Group Bank AG that shareholders be paid a dividend of EUR 0.20 per share or EUR 85,960,000.00 in total. Shareholders of participation capital will be paid a dividend of 8% per annum till 7 August 2013; this amounts to EUR 84,659,712.00. In 2013, a dividend of EUR 0.40 per share was paid (in total EUR 157,827,458.80), as well as a dividend to shareholders of participation capital in the amount of EUR 141,099,520.00 for the financial year 2012. In 2012, EUR 141,099,520.00 was paid out to shareholders of participation capital and no dividend per share was paid for the financial year 2011. The total profit of Erste Group Bank AG distributable under Austrian accounting regulations is EUR 170.6 million (2012: EUR 298.9 million).

12) Cash and balances with central banks

in EUR million	2013	2012
Cash in hand	2,327	2,342
Balances with central banks	6,343	7,398
Total	**8,670**	**9,740**

A portion of 'Balances with central banks' represents mandatory reserve deposits that are not available for use in the day-to-day operations of Erste Group.

13) Loans and advances to credit institutions

in EUR million	2013	2012
Loans and advances to domestic credit institutions	621	1,029
Loans and advances to foreign credit institutions	8,441	8,045
Total	**9,062**	**9,074**

14) Loans and advances to customers

Loans and advances to customers classified regionally

in EUR million	2013	2012
Loans and advances to domestic customers	63,016	65,615
Loans and advances to foreign customers	64,681	66,313
Total	**127,698**	**131,928**

Loans and advances to customers broken down by asset classes

in EUR million	2013	2012
Public sector	6,864	6,493
Commercial customers	63,735	69,855
Private customers	56,793	54,792
Unlisted securities	306	788
Total	**127,698**	**131,928**

15) Risk provisions for loans and advances

Development in risk provisions 2013

in EUR million	2012	Acquisition/ disposal of subsidiaries	Currency translation	Allo-cations	Use	Releases	Interest income from impaired loans	Reclassifi-cation	2013
Specific loan loss provisions	**6,940**	**0**	**30**	**2,977**	**(1,160)**	**(1,357)**	**(270)**	**(4)**	**7,156**
Loans and advances to credit institutions	61	0	0	2	(7)	(2)	0	0	54
Loans and advances to customers	6,879	0	30	2,975	(1,153)	(1,355)	(270)	(4)	7,102
Portfolio loan loss provisions	**704**	**0**	**(11)**	**343**	**0**	**(377)**	**0**	**(5)**	**654**
Loans and advances to credit institutions	6	0	(8)	16	0	(20)	0	8	1
Loans and advances to customers	695	0	(3)	326	0	(356)	0	(11)	651
Financial assets - held to maturity	3	0	0	2	0	0	0	(2)	2
Risk provisions for loans and advances[1)]	**7,644**	**0**	**19**	**3,321**	**(1,160)**	**(1,734)**	**(270)**	**(10)**	**7,810**

1) Risk provisions for loans and advances are recognised on the balance sheet as a deduction from assets.

Development in risk provisions 2012

in EUR million	2011	Acquisition/ disposal of subsidiaries	Currency translation	Allo-cations	Use	Releases	Interest income from impaired loans	Reclassifi-cation[2)]	2012
Specific loan loss provisions	**6,113**	**12**	**75**	**2,785**	**(1,056)**	**(738)**	**(201)**	**(50)**	**6,940**
Loans and advances to credit institutions	64	0	0	1	(3)	(1)	0	0	61
Loans and advances to customers	6,049	12	75	2,784	(1,053)	(737)	(201)	(50)	6,879
Portfolio loan loss provisions	**914**	**1**	**6**	**273**	**0**	**(479)**	**0**	**(11)**	**704**
Loans and advances to credit institutions	9	0	(1)	13	0	(15)	0	0	6
Loans and advances to customers	891	1	7	260	0	(458)	0	(6)	695
Financial assets - held to maturity	14	0	0	0	0	(6)	0	(5)	3
Risk provisions for loans and advances[1)]	**7,027**	**13**	**81**	**3,058**	**(1,056)**	**(1,217)**	**(201)**	**(61)**	**7,644**

1) Risk provisions for loans and advances are recognised on the balance sheet as a deduction from assets.
2) Due to classification of Erste Bank Ukraine as a disposal group, risk provisions of Erste Bank Ukraine in the amount of EUR 67 million were presented within 'Assets held for sale' in 2012 and accordingly reclassified from risk provisions.

Impairment loss for financial instruments

in EUR million	2013	2012	Position in Statement of Comprehensive income[1)]
Loans and advances to credit institutions	23.5	16.6	Risk provisions for loans and advances (Note 2)
Loans and advances to customers	3,552.5	3,278.7	Risk provisions for loans and advances (Note 2)
Financial assets - available for sale	54.2	75.3	Result from financial assets - available for sale (Note 8)
Financial assets - held to maturity	15.6	13.3	Result from financial assets - held to maturity (Note 9), Risk provisions for loans and advances (Note 2)
Contingent credit risk liabilities	217.5	145.7	Risk provisions for loans and advances (Note 2)

1) Amounts presented under these items are not directly reconcilable with Notes 2, 8 and 9 as under Note 15 only impairment losses consisting of allocation of risk provisions and direct write-off expenses are considered. Notes 2, 8 and 9 comprise profit or loss impairment effects consisting of allocation, release of risk provisions, direct write-off expenses and income on loss and advances written off (including contingent credit risk liabilities in Note 2).

Loans and receivables and investment held to maturity 2013

in EUR million	Balance sheet positions (gross carrying amount)	Specific loan loss provisions	Portfolio loan loss provisions	Net carrying amount
Loans and advances to credit institutions	9,062	(54)	(1)	9,007
Loans and advances to customers	127,698	(7,102)	(651)	119,945
Financial assets - held to maturity	17,781	n/a	(2)	17,779
Risk provisions for loans and advances	(7,810)	7,156	654	0
Total	**146,731**	**0**	**0**	**146,731**

Loans and receivables and investment held to maturity 2012

in EUR million	Balance sheet positions (gross carrying amount)	Specific loan loss provisions	Portfolio loan loss provisions	Net carrying amount
Loans and advances to credit institutions	9,074	(61)	(6)	9,007
Loans and advances to customers	131,928	(6,879)	(695)	124,354
Financial assets - held to maturity	18,975	n/a	(3)	18,972
Risk provisions for loans and advances	(7,644)	6,940	704	0
Total	**152,332**	**0**	**0**	**152,332**

16) Derivative financial instruments according to risk classes

in EUR million	2013 Notional amount	2013 Fair value Positive	2013 Fair value Negative	2012 Notional amount	2012 Fair value Positive	2012 Fair value Negative
Derivatives held for trading						
Interest rate	151,475	4,463	4,546	235,342	8,655	8,517
Equity	734	50	13	731	22	7
Foreign exchange	29,601	746	653	33,039	1,083	688
Credit	331	0	6	606	6	9
Commodity	252	2	4	496	5	8
Other	84	8	1	147	4	0
Total derivatives held for trading	**182,478**	**5,269**	**5,223**	**270,361**	**9,775**	**9,229**
Derivatives held in banking book						
Fair value hedges						
Interest rate	30,693	1,866	594	28,450	2,394	695
Equity	0	0	0	0	0	0
Foreign exchange	3,051	2	10	321	11	12
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	70	2	1	27	3	0
Total fair value hedges	**33,814**	**1,870**	**605**	**28,798**	**2,408**	**707**
Cash flow hedges						
Interest rate	4,866	73	32	2,434	102	0
Equity	0	0	0	0	0	0
Foreign exchange	443	1	7	1,553	2	0
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	20	1	1	0	0	0
Total cash flow hedges	**5,328**	**74**	**40**	**3,987**	**104**	**0**
Other derivatives						
Interest rate	21,175	720	608	15,749	853	719
Equity	1,860	41	40	1,009	37	40
Foreign exchange	14,353	252	141	15,784	89	165
Credit	496	9	8	580	10	4
Commodity	44	4	5	56	13	13
Other	313	45	63	106	0	1
Total other derivatives	**38,240**	**1,072**	**864**	**33,284**	**1,002**	**942**
Total derivatives in banking book	**77,382**	**3,016**	**1,509**	**66,069**	**3,514**	**1,649**
Total derivatives	**259,861**	**8,285**	**6,731**	**336,430**	**13,289**	**10,878**

17) Securities

					Financial assets							
	Loans and advances to customers and credit institutions		Trading assets		At fair value through profit or loss		Available for sale		Held to maturity		Total	
in EUR million	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Bonds and other interest-bearing securities	**831**	**1,312**	**5,668**	**4,872**	**322**	**526**	**18,554**	**20,226**	**17,781**	**18,975**	**43,156**	**45,911**
Listed	0	0	3,448	4,404	286	467	16,754	18,924	17,033	18,216	37,520	42,011
Unlisted	831	1,312	2,220	468	36	59	1,800	1,302	748	759	5,636	3,900
Equity-related securities	**0**	**0**	**273**	**306**	**207**	**190**	**1,622**	**1,725**	**0**	**0**	**2,102**	**2,221**
Listed	0	0	86	104	151	190	874	573	0	0	1,112	867
Unlisted	0	0	186	202	56	0	748	1,152	0	0	991	1,354
Equity holdings	0	0	0	0	0	0	405	467	0	0	405	467
Total	**831**	**1,312**	**5,941**	**5,178**	**529**	**716**	**20,581**	**22,418**	**17,781**	**18,975**	**45,663**	**48,599**

Investment funds are disclosed within equity-related securities.

Held-to-maturity financial assets include bonds and other interest-bearing securities that are quoted in active markets and are intended to be held to maturity.

The carrying amount of investments in equity instruments measured at cost is EUR 341 million (2012: EUR 376 million). Of this, Erste Group intends to dispose of investments in carrying the amount of EUR 82 million through direct sales.

Securities lending and repurchase transactions are disclosed in Note 36 Transfers of financial assets – repurchase transactions and securities lending.

During the financial year 2013, three bond investments with a carrying amount of EUR 29.1 million were reclassified from the category HtM to AfS, of which EUR 25.6 million were sold up to 31 December 2013. The reclassification was determined by significant deterioration of the issuer's creditworthiness, which triggered a reassessment of the original intention to hold those investments until maturity.

A total negative effect of EUR 9.8 million was recognised in the income statement during the year. Of this effect, a total amount of EUR 3.0 million was reflected in the item 'Result from financial assets – held to maturity' representing impairment loss recognised prior to the reclassification, and a total amount of EUR 6.8 million in the item 'Result from financial assets – available for sale' representing the impact of remeasurement and partial sale.

18) Equity method investments

in EUR million	2013	2012
Credit institutions	93	94
Financial institutions	3	0
Non-credit institutions	111	80
Total	**208**	**174**

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

in EUR million	2013	2012
Total assets	3,278	2,662
Total liabilities	2,716	2,262
Income	436	350
Profit/loss	60	43

As of 31 December 2013 and 31 December 2012, none of Erste Group's investments accounted for using the equity method published price quotations.

19) Movements in fixed assets schedule

19.1) Property, equipment and other assets

A) AT COST

in EUR million	Property and equipment					
	Land and buildings (used by the Group)	Office and plant equipment/ other fixed assets	IT assets (hardware)	Property and equipment	Investment properties	Movable other property[1)]
Balance as of 1 Jan 2012	**2,917**	**1,200**	**720**	**4,837**	**1,620**	**62**
Additions in current year (+)	128	80	44	253	43	267
Disposals (-)	(110)	(70)	(63)	(243)	(116)	(8)
Acquisition of subsidiaries (+)	0	0	0	0	0	0
Disposal of subsidiaries (-)	0	(1)	0	(2)	(52)	0
Reclassifications (+/-)	4	(5)	6	5	1	0
Assets held for sale (+/-)	(85)	(9)	(5)	(99)	(9)	0
Currency translation (+/-)	8	4	1	14	23	(1)
Balance as of 31 Dec 2012	**2,863**	**1,199**	**704**	**4,766**	**1,510**	**321**
Additions in current year (+)	133	62	54	249	42	175
Disposals (-)	(156)	(250)	(96)	(502)	(37)	(98)
Acquisition of subsidiaries (+)	15	1	0	17	82	25
Disposal of subsidiaries (-)	0	0	(1)	(1)	(100)	0
Reclassifications (+/-)	0	0	0	0	0	0
Assets held for sale (+/-)	0	0	0	0	0	0
Currency translation (+/-)	(72)	(21)	(17)	(110)	(53)	(4)
Balance as of 31 Dec 2013	**2,783**	**990**	**645**	**4,418**	**1,444**	**419**

1) Movable other property is part of 'Other Assets' on the balance sheet.

B) ACCUMULATED DEPRECIATION

	Property and equipment					
in EUR million	Land and buildings (used by the Group)	Office and plant equipment/ other fixed assets	IT assets (hardware)	Property and equipment	Investment properties	Movable other property[1)]
Balance as of 1 Jan 2012	**(1,019)**	**(879)**	**(578)**	**(2,476)**	**(481)**	**(18)**
Amortisation and depreciation (-)	(86)	(80)	(63)	(229)	(34)	(10)
Disposals (+)	37	62	58	158	50	1
Acquisition of subsidiaries (+)	0	0	0	0	(1)	(88)
Disposal of subsidiaries (+)	0	1	0	1	18	5
Impairment (-)	(25)	(1)	0	(26)	(36)	(4)
Reversal of impairment (+)	7	0	0	7	2	3
Reclassifications (+/-)	(4)	0	(3)	(6)	0	0
Assets held for sale (+/-)	31	7	5	43	1	1
Currency translation (+/-)	(4)	(4)	0	(9)	(6)	0
Balance as of 31 Dec 2012	**(1,063)**	**(894)**	**(581)**	**(2,538)**	**(487)**	**(110)**
Amortisation and depreciation (-)	(84)	(69)	(52)	(204)	(27)	(73)
Disposals (+)	78	181	86	345	32	48
Acquisition of subsidiaries (-)	(6)	(1)	0	(6)	(38)	(19)
Disposal of subsidiaries (+)	0	0	0	0	36	0
Impairment (-)	(4)	(1)	(1)	(7)	(26)	(3)
Reversal of impairment (+)	0	0	0	0	1	0
Reclassifications (+/-)	0	0	0	1	0	0
Assets held for sale (+/-)	0	0	0	0	0	0
Currency translation (+/-)	25	14	10	47	15	2
Balance as of 31 Dec 2013	**(1,053)**	**(769)**	**(538)**	**(2,361)**	**(494)**	**(156)**

1) Movable other property is part of 'Other Assets' on the balance sheet.

C) CARRYING AMOUNTS

	Property and equipment					
in EUR million	Land and buildings (used by the Group)	Office and plant equipment/ other fixed assets	IT assets (hardware)	Property and equipment	Investment properties	Movable other property[1)]
Balance as of 31 Dec 2012	**1,800**	**305**	**123**	**2,228**	**1,023**	**211**
Balance as of 31 Dec 2013	**1,729**	**221**	**107**	**2,057**	**951**	**263**

1) Movable other property is part of 'Other Assets' on the balance sheet.

Carrying amount of investment properties includes investment properties under operating leases in amount of EUR 184 million (2012: EUR 325 million).

In the reporting period, borrowing costs of EUR 3.6 million (2012: EUR 6.5 million) were capitalised. The related interest rate was at 2.8% (2012: range between 0.7% to 2.9%).

The carrying amount of expenditure recognised in the items fixed assets and investment properties during their construction is EUR 11.2 million (2012: EUR 39.4 million). The contractual commitments for purchase of fixed assets and investment properties are EUR 301.3 million (2012: EUR 277.2 million).

19.2) Intangible assets

A) AT COST

	Intangible assets						
in EUR million	Goodwill	Customer relation-ships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 1 Jan 2012	**3,981**	**776**	**299**	**1,258**	**251**	**495**	**7,060**
Additions in current year (+)	0	0	0	102	27	34	163
Disposals (-)	0	0	0	(35)	(10)	(2)	(47)
Acquisition of subsidiaries (+)	0	0	0	0	0	0	0
Disposal of subsidiaries (-)	0	0	0	0	0	0	0
Reclassifications (+/-)	0	0	0	9	3	(12)	0
Assets held for sale (+/-)	0	0	0	(27)	0	0	(27)
Currency translation (+/-)	(31)	(4)	(8)	10	2	3	(29)
Balance as of 31 Dec 2012	**3,950**	**772**	**291**	**1,317**	**273**	**518**	**7,120**
Additions in current year (+)	0	3	0	128	64	13	208
Disposals (-)	0	0	0	(172)	0	(97)	(269)
Acquisition of subsidiaries (+)	0	0	0	2	0	0	2
Disposal of subsidiaries (-)	(21)	0	0	0	0	0	(22)
Reclassifications (+/-)	0	0	0	0	0	0	0
Assets held for sale (+/-)	0	0	0	0	0	0	0
Currency translation (+/-)	(4)	(3)	(2)	(37)	(5)	(24)	(75)
Balance as of 31 Dec 2013	**3,924**	**771**	**289**	**1,237**	**333**	**411**	**6,965**

B) ACCUMULATED DEPRECIATION

	Intangible assets						
in EUR million	Goodwill	Customer relation-ships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 1 Jan 2012	**(1,809)**	**(343)**	**0**	**(838)**	**(221)**	**(317)**	**(3,528)**
Amortisation and depreciation (-)	0	(69)	0	(113)	(18)	(23)	(223)
Disposals (+)	0	0	0	31	10	2	43
Acquisition of subsidiaries (+)	0	0	0	0	0	0	0
Disposal of subsidiaries (+)	0	0	0	0	0	0	0
Impairment (-)	(515)	0	0	0	0	0	(515)
Reversal of impairment (+)	0	0	0	0	0	0	0
Reclassifications (+/-)	0	0	0	0	0	0	0
Assets held for sale (+/-)	0	0	0	10	0	0	10
Currency translation (+/-)	0	0	0	(6)	0	(7)	(13)
Balance as of 31 Dec 2012	**(2,324)**	**(412)**	**0**	**(916)**	**(229)**	**(345)**	**(4,226)**
Amortisation and depreciation (-)	0	(65)	0	(115)	(11)	(21)	(212)
Disposals (+)	0	0	0	173	0	78	251
Acquisition of subsidiaries (-)	0	0	0	0	0	0	(1)
Disposal of subsidiaries (+)	21	0	0	0	0	0	21
Impairment (-)	(383)	(3)	0	(10)	(2)	0	(398)
Reversal of impairment (+)	0	0	0	0	0	0	0
Reclassifications (+/-)	0	0	0	0	0	0	0
Assets held for sale (+/-)	0	0	0	0	0	0	0
Currency translation (+/-)	0	0	0	20	(6)	25	39
Balance as of 31 Dec 2013	**(2,685)**	**(480)**	**0**	**(847)**	**(248)**	**(263)**	**(4,525)**

C) CARRYING AMOUNTS

	Intangible assets						
in EUR million	Goodwill	Customer relation-ships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 31 Dec 2012	**1,626**	**359**	**291**	**401**	**44**	**173**	**2,894**
Balance as of 31 Dec 2013	**1,239**	**291**	**289**	**390**	**85**	**147**	**2,441**

As of 31 December 2013, customer relationships included the customer relationships of Banca Comercială Română at EUR 199.0 million (2012: EUR 253.4 million), the customer relationship and distribution network of Erste Card Club d.d. Croatia at EUR 6.1 million (2012: EUR 10.7 million), as well as the customer relationships of Ringturm Kapitalanlagegesellschaft m.b.H at EUR 61.1 million (2012: EUR 68.5 million). The remaining amortisation period of customer relationships in Banca Comercială Română is 3.7 years, in Erste Card Club d.d. Croatia 0.6 years, and in Ringturm Kapitalanlagegesellschaft m.b.H 14.8 years.

The item 'Brand' as of 31 December 2013 consisted of the brand of Banca Comercială Română, at EUR 288.8 million (2012: EUR 290.6 million).

Development of goodwill

The changes in the carrying amount of goodwill, as well as gross amounts and accumulated impairment losses of goodwill, for the years ended 31 December 2013 and 2012 are shown below by country of subsidiary:

in EUR million	Romania	Czech Republic	Slovakia	Hungary	Croatia	Austria	Other countries	Total
Balance as of 1 Jan 2012	**1,101**	**544**	**226**	**0**	**114**	**187**	**0**	**2,172**
Acquisitions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Impairment losses	(470)	0	0	0	0	(45)	0	(515)
Exchange rate changes	(31)	0	0	0	0	0	0	(31)
Balance as of 31 Dec 2012	**600**	**544**	**226**	**0**	**114**	**142**	**0**	**1,626**
Gross amount of goodwill	2,249	544	226	313	114	363	141	3,950
Cumulative impairment	(1,649)	0	0	(313)	0	(221)	(141)	(2,324)
Balance as of 1 Jan 2013	**600**	**544**	**226**	**0**	**114**	**142**	**0**	**1,626**
Acquisitions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Impairment losses	(283)	0	0	0	(52)	(48)	0	(383)
Exchange rate changes	(4)	0	0	0	0	0	0	(4)
Balance as of 31 Dec 2013	**313**	**544**	**226**	**0**	**61**	**94**	**0**	**1,239**
Gross amount of goodwill	2,245	544	226	313	114	363	120	3,924
Cumulative impairment	(1,932)	0	0	(313)	(52)	(269)	(120)	(2,685)

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

The gross amounts of the goodwill elements presented above are the amounts as determined at the time of the related acquisitions, less accumulated amortisations up to 31 December 2004, including the effects of exchange rate changes.

The goodwill elements having non-nil carrying amounts as of 31 December 2012 have been assessed for impairment on a quarterly basis throughout the year 2013. Thus, the goodwill impairment assessment for the year 2013 addressed the following subsidiaries (cash generating units):

- Banca Comercială Română SA ('BCR')
- Česká spořitelna a.s. ('CSAS')
- Erste & Steiermarkische Bank d.d., Erste Bank Croatia ('EBC')
- Slovenská sporiteľňa a.s. ('SLSP')
- Steiermärkische Bank und Sparkassen Aktiengesellschaft ('STMK')
- Erste Group Bank AG – Girocredit ('GIRO')

The analysis per subsidiary (cash generating unit) of both the carrying goodwill as of 31 December 2013 (1 January 2013) and of the impairment losses recognised for the year 2013 (2012) is presented in the table below. The table also summarizes the key elements of the approach taken in designing and performing the goodwill impairment test as of the end of 2013.

in EUR million	BCR	CSAS	EBC	SLSP	STMK	GIRO
Carrying amount of goodwill as of 1 January 2013	600	544	114	226	57	85
Effect of exchange rate changes for the year 2013	(4)	0	0	0	0	0
Basis upon which recoverable amount has been determined	Value in Use (discounted cash flow model based)					
Key input parameters into the discounted cash flow model	Risk Free Rate, Terminal Growth Rate, β Factor, Market Risk Premium					
Description of approach to determining value assigned to risk free rate	Risk Free Rate has been set at 2.73% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 29 November 2013.					
Description of approach to determining values assigned to terminal growth rate	For Austrian CGUs: Terminal Growth Rate has been equated to 1.00% reflecting expected Austrian annual average long-term inflation rate. For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3.00%, representing the recommended cap level for the Terminal Growth Rate, as per the report ESMA/2013/2 "European Enforcers Review of Impairment of Goodwill and Other Intangible Assets in the IFRS Financial Statements" published by the European Securities and Markets Authority (ESMA).					
Description of approach to determining values assigned to β factor	Set as the median value of a group of levered β factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Bloomberg as of the reference date 29 November 2013. Thus, the β values used have been set at 1.223 for Austrian tested entities and 1.218 for non-Austrian (CEE) tested entities.					
Description of approach to determining values assigned to market risk premium	Set at 6.0% throughout relevant Group's CGUs based on publicly available evaluations by Austrian Chamber of Chartered Accountants and Tax Advisers (Kammer der Wirtschaftstreuhänder).					
Period of cash flow projection (years)	5 years (2014 - 2018); extrapolation to perpetuity based on Terminal Growth Rate.					
Discount rate applied to cash flow projections (pre-tax)	15.76%	13.96%	16.98%	14.67%	11.70%	15.30%
Amount of goodwill impairment loss recognised in profit or loss for the year 2013	(283)	0	(52)	0	(17)	(31)
Post-impairment carrying amount of Goodwill as of 31 December 2013	313	544	61	226	40	54
Recoverable amount (value in use) as of 31 December 2013 (100%)	2,516	5,680	1,037	2,099	1,227	54

In respect of the assessed cash generating units located outside the Eurozone, an inflation differential rate of 1% per annum has been considered in the determination of the discount rates applicable to the related 2014-2018 cash flow projections.

The comparative subsidiary-level summary as of 31 December 2012 is presented below:

in EUR million	ASK	BCR	CSAS	EBC	SLSP	SSK	STMK	GIRO
Carrying amount of goodwill as of 1 January 2012	23	1,101	544	114	226	22	57	85
Effect of exchange rate changes for the year 2012	0	(31)	0	0	0	0	0	0
Basis upon which recoverable amount has been determined	Value in use (discounted cash flow model)							
Key input parameters into the discounted cash flow model	Risk free rate, terminal growth rate, β factor, market risk premium							
Description of approach to determining value assigned to risk free rate	Risk free rate has been set at 2.4% p.a. across relevant Erste Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as of the reference date 30 November 2012							
Description of approach to determining values assigned to terminal growth rate	For Austrian CGUs: Terminal growth rate has been set to 1.0% reflecting expected the Austrian annual average long-term inflation rate. For non-Austrian (CEE) CGUs: Terminal growth rate has been set to expected annual growth rate necessary for convergence to the economic level of the euro area, considering projections for each related national banking system until reaching a mature level similar to that of the euro area's saturated market.							
Description of approach to determining values assigned to β factor	Set as the median value of a group of levered β factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Bloomberg as of the reference date 30 November 2012. Thus, the β values used have been set at 1.0922 for Austrian tested entities and 1.2476 for non-Austrian (CEE) tested entities.							
Description of approach to determining values assigned to market risk premium	Set at 6.0% across relevant Group's CGUs based on publicly available evaluations by Austrian Chamber of Chartered Accountants and Tax Advisers (Kammer der Wirtschaftstreuhänder).							
Period of cash flow projection (years)	5 years (2013 - 2017); extrapolation to perpetuity based on terminal growth rate							
Terminal growth rate used to extrapolate cash flow projection beyond projection	1.0%	5.1%	2.5%	4.3%	3.0%	1.0%	1.0%	1.0%
Discount rate applied to cash flow projections (pre-tax)	11.7%	15.8%	14.0%	17.4%	14.8%	11.4%	10.3%	10.53%
Amount of goodwill impairment loss recognised in profit or loss for the year 2012	(23)	(470)	0	0	0	(22)	0	0
Post-impairment carrying amount of Goodwill as of 31 December 2012	0	600	544	114	226	0	57	85
Recoverable amount (value in use) as of 31 December 2012 (100%)	554	2,667	6,875	1,019	1,988	193	1,384	328

In connection with those tested cash-generating units for which no goodwill impairment loss was determined as existing as of 31 December 2013, the table below summarises the outcome of the sensitivity analysis performed to determine by how much the key input parameters into the applied discounted cash flow models would need to vary adversely in order to cause the unit's calculated recoverable amount to decrease down to its related carrying amount:

in EUR million	CSAS	SLSP
Amount by which recoverable amount exceeds carrying amount	1,296	614
Risk free rate increase that would cause recoverable amount to equal carrying amount (basis points)	282	374
Terminal growth rate decrease that would cause recoverable amount to equal carrying amount (basis points)	(1,122)	(1,360)
β factor increase that would cause recoverable amount to equal carrying amount (coefficient value)	0.471	0.623
Market risk premium increase that would cause recoverable amount to equal carrying amount (basis points)	232	307

As of 31 December 2012, the comparative sensitivity analysis figures were as follows:

in EUR million	CSAS	EBC	SLSP	STMK	GIRO
Amount by which recoverable amount exceeds carrying amount	2,648	3	563	6	243
Risk free rate increase that would cause recoverable amount to equal carrying amount (basis points)	655	4	363	13	1,938
Terminal growth rate decrease that would cause recoverable amount to equal carrying amount (basis points)	(3,799)	(14)	(1,187)	(45)	(11,740)
β factor increase that would cause recoverable amount to equal carrying amount (coefficient value)	1.0913	0.0069	0.6050	0.0283	3.2278
Market risk premium increase that would cause recoverable amount to equal carrying amount (basis points)	525	3	291	16	1,773

20) Tax assets and liabilities

in EUR million	Tax assets 2013	Tax assets 2012	Tax liabilities 2013	Tax liabilities 2012	Net variance 2013		
					Total	Through profit or loss	Through other comprehensive income
Temporary differences relate to the following items:							
Loans and advances to credit institutions and customers	212	227	(107)	(263)	141	118	0
Financial assets - available for sale	62	53	(169)	(236)	76	12	28
Property and equipment	17	36	(24)	(21)	(22)	(22)	0
Amortisation of investments in subsidiaries (tax-effective in subsequent years)	217	241	0	0	(24)	(24)	0
Financial liabilities at amortized cost (deposits and bond issues)	47	2	(2)	(25)	47	47	0
Long-term employee provisions	88	123	(9)	0	(44)	(46)	2
Sundry provisions	60	34	(8)	2	15	15	0
Carry forward of tax losses	202	208	0	0	(6)	(6)	0
Customer relationships and brand	11	11	(103)	(117)	14	29	0
Other	379	259	(323)	(202)	19	11	17
Effect of netting gross deferred tax position	(576)	(537)	576	537	0	0	0
Total deferred taxes	**719**	**658**	**(169)**	**(324)**	**215**	**133**	**47**
Current taxes	**100**	**128**	**(85)**	**(53)**	**(59)**	**(59)**	**0**
Total taxes	**819**	**785**	**(254)**	**(377)**	**156**	**74**	**47**

Out of the total net amount of EUR 215 million representing the year-on-year variance in Group's consolidated net deferred tax position, an amount of EUR 133 million is reflected as net deferred tax income in Group's income statement for the year 2013, whilst an amount of EUR 47 million reflects as favorable impact in Group's other comprehensive income for the year. The remaining EUR 35 million are attributable to other categories of variances in the consolidated net deferred tax position, notably due to direct movements through equity, foreign exchange differences, and changes in the consolidation scope.

The EUR 133 million net deferred tax income for the year can be further analysed per EUR 139 million net deferred tax income resulting from origination or reversal of temporary differences and EUR 6 million net deferred tax expense due to the net decrease in the recognised deferred tax assets from tax losses carried forward.

The most significant single element having contributed to the EUR 133 million net deferred tax income for the year is the EUR 128 million one-off release of loan risk provision-related deferred tax liabilities effected by Banca Comercială Română in June 2013, based on updates and clarifications of the relevant fiscal regulations.

Group's consolidated deferred tax asset position in amount of EUR 719 million as of 31 December 2013 is expected to be recoverable in the foreseeable future. This expectation has resulted from year-end recoverability assessments undertaken by Group's entities, either at individual level, or at relevant taxation sub-group level. Such assessments involved comparing net temporary deductible differences and available fiscal losses at year-end versus fiscal profit forecasts for time horizons from 5 to 10 years, depending on the fiscal jurisdiction and applicable facts and circumstances.

In compliance with IAS 12.39, no deferred tax liabilities were recognised for temporary differences relating to investments in subsidiaries in the amount of EUR 1,138 million (31 December 2012: EUR 997 million - prior year amount adjusted due to the availability of more detailed data), as they are not expected to reverse in the foreseeable future.

As of 31 December 2013, no deferred tax assets were recognized for tax losses carried forward and deductible temporary differences in total amount of EUR 4,690 million, of which EUR 2,414 related to tax losses carried forward (31 December 2012: EUR 4,074 million, of which EUR 1,821 million related to tax losses carried forward), as they are not expected to be realized in the foreseeable future. The figure includes an amount of EUR 1,378 million (31 December 2012: EUR 1,374 million) representing temporary differences in connection with investments in subsidiaries for which no deferred tax assets have been recognised in accordance with IAS 12.44.

21) Assets held for sale and liabilities associated with assets held for sale

in EUR million	2013	2012
Assets held for sale	75	708
Liabilities associated with assets held for sale	0	339

As of the end of 2013, 'Assets held for sale' include mainly properties. As of 31 December 2012, the disposal group held for sale (Erste Bank Ukraine), which was sold in the financial year 2013, was also presented under the balance sheet items 'Assets held for sale' and 'Liabilities associated with assets held for sale'.

22) Other assets

in EUR million	2013	2012
Accrued commissions	83	119
Deferred income	212	198
Sundry assets	2,294	2,021
Total	**2,590**	**2,338**

'Sundry assets' consist mainly of clearing items from the settlement of securities and payment transactions and as well as advanced payments for assets under construction.

23) Deposits by banks

in EUR million	2013	2012
Deposits by banks - domestic credit institutions	4,234	8,770
Deposits by banks - foreign credit institutions	12,892	13,052
Total	**17,126**	**21,822**

24) Customer deposits

Classification by region

in EUR million	2013	2012
Loans and advances to domestic customers	61,953	61,466
Loans and advances to foreign customers	60,489	61,587
Total	**122,442**	**123,053**

Classification by liability-class

in EUR million	2013	2012
Savings deposits	**54,502**	**56,289**
Other deposits		
Public sector	5,780	4,338
Commercial customers	24,631	26,177
Other deposits	37,530	36,249
Total other deposits	**67,941**	**66,764**
Total	**122,442**	**123,053**

Customer deposits include a total of EUR 460 million (2012: EUR 632 million) of liabilities to which the fair value option was applied. As of 31 December 2013, the total amount repayable on these liabilities at maturity was EUR 466 million (2012: EUR 629 million). The difference between the fair value of the customer deposits to which the fair value option was applied and the amount repayable at maturity totalled EUR (6) million (2012: EUR 3 million). Fair value changes that are attributable to changes in own credit risk amount to EUR (3.3) million for reporting period 2013 (2012: EUR (5.4) million); the cumulative amount of the fair value changes at 31 December 2013 attributable to the changes in own credit risk is EUR 1.7 million (2012: EUR (5.4) million).

25) Debt securities in issue

in EUR million	2013	2012
Bonds	15,489	16,117
Certificates of deposit	811	376
Other certificates of deposits/ name certificates	1,900	2,199
Mortgage and municipal bonds	9,519	10,732
Asset backed securities	267	0
Other	0	3
Total	**27,986**	**29,427**

In 1998, Erste Group Bank AG launched a debt issuance programme (DIP) amounting to EUR 30 billion. The DIP is a programme for issuing debt instruments in various currencies and with a wide array of available structures and maturities. In 2013, 106 new issues with a total volume of approximately EUR 1.5 billion were issued under the DIP.

Furthermore, in July 2010 a programme to offer bonds to retail customers and an equity-linked programme were implemented. In 2013, 117 new retail issues with a total volume of EUR 593.5 million were floated.

The Euro Commercial Paper and Certificates of Deposit Programme from August 2008 has an overall volume of EUR 10 billion. In all, 62 issues amounting to EUR 2.8 billion were placed in 2013. Issues totalling approximately EUR 2.8 billion were redeemed over the same period.

In December 2013, Erste Group Bank AG securitised part of EBV Leasing's auto lease portfolio with a volume of EUR 266.9 million structured in four tranches with ratings from AAA to BB+.

Furthermore, Namenspfandbriefe and Namensschuldverschreibungen, Schuldscheindarlehen and other issues that were not part of the above programmes were issued with a volume of EUR 623.5 million.

'Debt securities in issue' includes EUR 1,604 million (2012: EUR 1,641 million) in liabilities to which the fair value option was applied. As of 31 December 2013, the total amount repayable on these liabilities at maturity was EUR 1,673 million (2012: EUR 1,552 million). The difference between the fair value of the debt securities for which the fair value option was applied and the amount repayable at maturity was EUR (69) million (2012: EUR 89 million). Fair value changes attributable to changes in own credit risk amount to EUR (44.4) million for the reporting period 2013 (2012: EUR (35.4) million), the cumulative amount of the fair value changes at 31 December 2013 attributable to the changes in own credit risk is EUR (61.5) million (2012: EUR (5.4) million).

26) Trading liabilities

in EUR million	2013	2012
Debt instruments	52	63
Trading liabilities	336	418
Total	**388**	**481**

27) Provisions

in EUR million	2013	2012
Long-term employee provisions	1,032	1,096
Sundry provisions	415	392
Total	**1,448**	**1,488**

a) Long-term employee provisions

in EUR million	Pensions	Severance payments	Jubilee payments	Total
Present value of long-term employee benefit obligations, 31 Dec 2009	**887**	**409**	**72**	**1,368**
Present value of long-term employee benefit obligations, 31 Dec 2010	**833**	**405**	**73**	**1,311**
Present value of long-term employee benefit obligations, 31 Dec 2011	**825**	**397**	**73**	**1,295**
Increase from acquisition of subsidiaries	0	0	0	0
Decrease from disposal of subsidiaries	0	0	0	0
Settlements	0	0	0	0
Curtailments	0	0	0	0
Service cost	0	14	4	18
Interest cost	38	18	3	59
Payments	71	39	5	115
Exchange rate difference	0	0	0	0
Components recognised in other comprehensive income (Remeasurements)				
Actuarial gains/losses arising from changes in demographic assumptions	0	0	0	0
Actuarial gains/losses arising from changes in financial assumptions	0	0	0	0
Actuarial gains/losses arising from changes from experience assumptions	31	20	0	51
Actuarial gains/losses recognised in income	0	0	1	1
Present value of long-term employee benefit obligations, 31 Dec 2012	**823**	**410**	**76**	**1,309**
Obligations covered by plan assets	0	184	29	213
Obligations covered by provisions	0	226	47	273
Less fair value of plan assets	**0**	**184**	**29**	**213**
Provisions as of 31 Dec 2012	**823**	**226**	**47**	**1,096**
Present value of long-term employee benefit obligations, 31 Dec 2012	**823**	**410**	**76**	**1,309**
Increase from acquisition of subsidiaries	0	0	0	0
Decrease from disposal of subsidiaries	0	0	0	0
Settlements	0	0	0	0
Curtailments	0	(6)	0	(6)
Service cost	(1)	13	5	17
Interest cost	29	15	3	47
Payments	71	38	6	115
Exchange rate difference	0	1	0	1
Components recognised in other comprehensive income (Remeasurements)				
Actuarial gains/losses arising from changes in demographic assumptions	0	0	0	0
Actuarial gains/losses arising from changes in financial assumptions	0	0	0	0
Actuarial gains/losses arising from changes from experience assumptions	7	0	0	7
Actuarial gains/losses recognised in income	0	0	2	2
Present value of long-term employee benefit obligations, 31 Dec 2013	**787**	**395**	**76**	**1,258**
Obligations covered by plan assets	0	194	32	226
Obligations covered by provisions	0	201	44	245
Less fair value of plan assets	**0**	**194**	**32**	**226**
Provisions as of 31 Dec 2013	**787**	**201**	**44**	**1,032**

Actuarial assumptions

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

in %	2013	2012
Interest rate	3.65	3.65
Expected increase in retirement benefits	2.0	2.0

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

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

in %	2013	2012
Interest rate	3.65	3.65
Average increase in salary (incl. career trend and collective agreement trend)	2.9	2.9

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

The effects of CEE countries are insignificant compared to Austrian entities for which the data is in the table. Interest rates in the following ranges were used for these countries 2.72% (previously: 2.51%) to 5.75% (previously: 6.25%).

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

in EUR million	Severance payments	Jubilee payments	Total
Fair value of plan assets as of 31 Dec 2011	**182**	**12**	**194**
Addition	0	17	17
Interest income on plan assets	7	0	7
Contributions by the employer	11	1	12
Benefits paid	(22)	(1)	(23)
Return on plan assets recognised in other comprehensive income (excluding amounts already recognised in interest income) - remeasurements	6	0	6
Return on plan assets recognised in P&L	0	0	0
Fair value of plan assets as of 31 Dec 2012	**184**	**29**	**213**
Addition	13	3	16
Interest income on plan assets	7	1	8
Contributions by the employer	9	3	12
Benefits paid	(19)	(4)	(23)
Return on plan assets recognised in other comprehensive income (excluding amounts already recognised in interest income) - remeasurements	0	0	0
Return on plan assets recognised in P&L	0	0	0
Fair value of plan assets as of 31 Dec 2013	**194**	**32**	**226**

In 2013, the expected contributions for the severance and jubilee benefit obligations will amount to EUR 10.9 million (2012: EUR 10.8 million).

The following table presents the portfolio structure of the plan assets.

in EUR million	2013	2012
Debt instruments	172	169
Shares	36	30
Others	18	14
Total	**226**	**213**

All equity and debt instruments are quoted in an active market.

In 2013, the actual gain (loss) on plan assets amounted to EUR 7.8 million (2012: EUR 14.5 million).

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

in EUR million	2013	2012
Curtailments	6	0
Service cost	(12)	(14)
Net interest	(36)	(49)
Total	**(42)**	**(63)**

The whole amount is included in the income statement under the line item 'General administrative expenses'.

In 2013 the cumulative amount of remeasurements recognised in other comprehensive income was EUR (388.6) million (2012: EUR (382.1) million).

Sensitivity to Key Assumption

The following table presents, how the reasonably possible changes of individual parameters effect post-employment benefit obligations as of year-end 2013.

in EUR million	Pensions	Severance payments	Total
Change in discount rate + 1.0 %	719	334	1,053
Change in discount rate (1.0) %	852	418	1,270
Change in future salary increases + 0.5 %	783	394	1,177
Change in future salary increases (0.5) %	783	352	1,135
Change in future benefit increases + 0.5 %	840	382	1,222
Change in future benefit increases (0.5) %	725	382	1,107

Impact on Cash Flows

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

in EUR million	Pensions	Severance payments	Total
2014	68	12	80
2015	66	12	78
2016	64	13	77
2017	61	19	80
2018	58	29	87
2019-2023	250	215	465

Duration

The following table presents the weighted average duration of the defined-benefit obligations as of year-end 2013.

in EUR million	Pensions	Severance payments	Total
Duration	8.23	10.87	9.08

b) Sundry provisions

Sundry provisions 2013

in EUR million	2012	Acquisition/ disposal of subsidiaries	Currency translation	Allocations	Use	Releases	Reclassification	2013
Provisions for contingent credit risk liabilities	186	0	(2)	217	(13)	(180)	11	219
Provisions for legal proceedings and litigations[1)]	146	0	(3)	57	(7)	(29)	7	172
Other provisions[1)]	60	0	0	22	(45)	(8)	(5)	24
Total	**392**	**0**	**(5)**	**297**	**(65)**	**(217)**	**13**	**415**

1) For a more detailed presentation, provisions for legal proceedings and provisions for litigations were reclassified from other risk provisions and other provisions and constitute a separate item now.

Sundry provisions 2012

in EUR million	2011	Acquisition/ disposal of subsidiaries	Currency translation	Allocations	Use	Releases	Reclassification[2)]	2012
Provisions for contingent credit risk liabilities	316	0	2	146	(46)	(147)	(56)	215
Other provisions[1)]	163	0	(2)	20	(26)	(46)	68	177
Total	**479**	**0**	**0**	**166**	**(72)**	**(193)**	**12**	**392**

1) Other provisions consist mainly of provisions for litigation. It is considered highly likely that use will be made of other sundry provisions next year.
2) Other risk provisions in the amount of EUR 67 million were reclassified into other sundry provisions as a result of an analysis of legal cases related to the lending business.

28) Other liabilities

in EUR million	2013	2012
Deferred income	280	326
Accrued commissions	24	17
Sundry liabilities	2,350	2,734
Total	**2,654**	**3,077**

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

29) Subordinated liabilities

in EUR million	2013	2012
Subordinated issues and deposits	3,752	3,653
Supplementary capital	1,218	1,292
Hybrid issues	363	378
Total	**5,333**	**5,323**

Subordinated liabilities include EUR 275 million (2012: EUR 279 million) in liabilities to which the fair value option was applied. As of 31 December 2013, the total amount repayable on these liabilities at maturity was EUR 273 million (2012: EUR 273 million). The difference between the fair value of the subordinated liabilities for which the fair value option was applied and the amount repayable at maturity was EUR 2 million (2012: EUR 6 million). Fair value changes that are attributable to changes in own credit risk amount to EUR (6.1) million for reporting period 2013 (2012: EUR (2.4) million); the cumulative amount of the fair value changes at 31 December 2013 attributable to the changes in own credit risk is EUR 5.5 million (2012: EUR 15.3 million).

30) Total equity

in EUR million	2013	2012
Subscribed capital	860	2,547
Share capital	860	790
Participation capital	0	1,757
Additional paid-in capital	7,037	6,472
Retained earnings	3,428	3,836
Owners of the parent	**11,324**	**12,855**
Non-controlling interests	3,457	3,483
Total[1)]	**14,781**	**16,338**

1) Details on equity are provided in Section III, Statement of Changes in Total Equity.

As of 31 December 2013, subscribed capital (also known as registered capital) consists of 429,800,000 (2012: 394,568,647) voting bearer shares (ordinary shares). The pro rata amount of registered capital, per no-par value share, was EUR 2.00. Additional paid-in capital (or share premium) represents the amount by which the issue price of the shares exceeded their par value. Retained earnings and other reserves represent accumulated net profit brought forward, as well as income and expenses recognised in other comprehensive income.

Participation capital

In April 2009, Erste Group Bank AG issued participation capital for subscription. Within the context of this offer, Erste Group Bank AG placed EUR 540 million of participation capital with private and institutional investors. In March 2009, the Republic of Austria subscribed to EUR 1.0 billion of participation capital and in May 2009, another EUR 224 million of participation certificates. In total, the participation capital issued in measures to strengthen the bank at that time amounted to EUR 1.76 billion. The participation capital securities are perpetual and non-transferable. The notional amount of each participation capital security is EUR 1,000.00. Erste Group is entitled to repay the participation capital securities only if the repayment amount would not be below 100% (or 150% after 1 January 2019) of the nominal amount.

Participation capital participates in losses of Erste Group in the same manner as does share capital, but the holders of participation capital have no voting rights. The participation capital securities confer no conversion right for ordinary shares of Erste Group.

Dividend payments to holders of participation capital securities are made prior to distributions of dividends to shareholders of Erste Group. Erste Group is not obliged to make up for any dividends that were not paid as a result of losses. The dividend on the participation capital is 8.0% per annum for the business years 2009 to 2013. For the business years starting from 2014, the dividend is stepped up as follows: 2014, 8.5% p.a.; 2015, 9.0% p.a.; 2016, 9.75%; and from 2017, a 1 percentage point increase each year. However, the dividend must never exceed the 12-month EURIBOR plus 10% per annum.

Redemption of participation capital and implementation of a capital increase

The management and supervisory boards of Erste Group Bank AG resolved on 24 June 2013 to fully redeem the outstanding participation capital of EUR 1.76 billion, of which EUR 1.205 billion was held by the Republic of Austria and EUR 559 million by private investors, in the third quarter of 2013. The full redemption took place on 8 August 2013.

Against this backdrop, a capital increase against cash contributions was implemented with gross proceeds of approximately EUR 660.6 million. The capital increase was carried out by offering qualified institutional investors new shares by way of an accelerated bookbuilding offer ('pre-placement to institutional investors') followed by a subscription offering to existing shareholders of Erste Group Bank AG ('subscription offering').

On 2 July 2013, Erste Group Bank AG successfully placed 35.2 million new shares by way of an accelerated bookbuilding offering with gross proceeds of EUR 660.6 million.

On 2 July 2013, the management board, with the consent of the supervisory board, set the offer price for the accelerated bookbuilding offering and the subscription price for the subsequent subscription offering at EUR 18.75 per share and resolved to issue 35,231,353 new shares, to increase the share capital from EUR 789,137,294 by EUR 70,462,706 to EUR 859,600,000 and to offer existing shareholders subscription rights a ratio of 4 new shares for each 45 shares held. The supervisory board also approved the amendments to the Articles resulting from the above resolutions. The capital increase and the amendments to the Articles were entered into the Companies Register on 4 July 2013.

In February 2012, SIF Muntenia and SIF Banat-Crisana contributed 486,418,882 shares of BCR to Erste Group Bank AG in kind. A total of 3,801,385 new Erste Group Bank AG shares were issued to the two SIFs and the share capital of the company was accordingly increased by EUR 7,602,770. This transaction was part of the purchase of a non-controlling interest in BCR by Erste Group Bank AG that started in 2011 and finished in 2012.

Changes in number of shares and participation capital securities

Shares in units	2013	2012
Shares outstanding as of 1 January	**375,715,367**	**371,443,804**
Acquisition of treasury shares	(13,131,830)	(22,556,758)
Disposal of treasury shares	17,262,044	23,026,936
Capital increases due to ESOP and MSOP	0	0
Capital increase	35,231,353	3,801,385
Shares outstanding as of 31 December	**415,076,934**	**375,715,367**
Treasury shares	14,723,066	18,853,280
Number of shares as of 31 December	**429,800,000**	**394,568,647**
Weighted average number of shares outstanding	411,553,048	391,631,603
Dilution due to MSOP/ESOP	0	2,192,326
Dilution due to options	0	0
Weighted average number of shares taking into account the effect of dilution	411,553,048	393,823,929

Participation capital securities in units	2013	2012
Participation capital securities outstanding as of 1 January	**1,763,694**	**1,763,274**
Acquisition of own participation capital securities	(1,768,437)	(5,167)
Disposal of own participation capital securities	4,743	5,587
Participation capital securities outstanding as of 31 December	**0**	**1,763,694**
Participation capital securities	0	50
Number of participation capital securities as of 31 December	**0**	**1,763,744**

Transactions and shares held by the management board and supervisory board

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

Managing board member	31.12.2012	Additions	Disposals	31.12.2013
Andreas Treichl	184,640	0	20,000	164,640
Franz Hochstrasser	25,260	0	10,000	15,260
Herbert Juranek	656	0	0	656
Gernot Mittendorfer	2,100	0	0	2,100
Manfred Wimmer (until 8/2013)	18,132	0	18,132	0
Andreas Gottschling (since 9/2013)	0	0	0	0

Supervisory board members held the following numbers of Erste Group Bank AG shares:

Supervisory board member	31.12.2012	Additions	Disposals	31.12.2013
Friedrich Rödler	1,702	0	0	1,702
Georg Winckler	2,500	0	0	2,500
Jan Homan	4,400	0	0	4,400
Wilhelm Rasinger	15,303	0	0	15,303
Theresa Jordis (until 29.7.2013)	2,900	0	2,900	0
John James Stack	32,761	0	0	32,761
Werner Tessmar-Pfohl (until 16.5.2013)	1,268	0	1,268	0
Andreas Lachs	52	0	0	52
Friedrich Lackner	500	0	0	500
Bertram Mach	95	0	0	95
Barbara Smrcka (until 29.7.2013)	281	0	281	0
Karin Zeisel	35	0	0	35

As of 31 December 2013, supervisory board members did not hold options in Erste Group Bank AG shares. Persons related to members of the management board or supervisory board held 3,786 shares of Erste Group Bank AG as of 31 December 2013.

Remaining authorised and contingent capital as of 31 December 2013

Clause 5 of the articles of association authorises the management board until 12 May 2015, subject to approval by the supervisory board, to increase – if necessary in several tranches – the subscribed capital of Erste Group Bank AG up to EUR 97,332,768.00 by issuing up to 48,666,384 shares as follows (type of share, issue price, terms of issue, and – if intended – exclusion of subscription rights are assigned by the management board with approval by the supervisory board): by issuing of shares by cash contributions without exclusion of subscription rights of existing shareholders; if, however, the capital increase is used for the issue of shares to employees, management or members of the management board of Erste Group Bank AG or a subsidiary while excluding the subscription rights of existing shareholders, by issuing of shares by contribution in kind while excluding the subscription rights of existing shareholders.

Under clause 6.3 of the articles of association, based on decisions of the management board taken from 2002 to 2010, there is contingent capital of EUR 21,923,264.00, which may be utilised by issuing up to 10,961,632 bearer or registered shares at an issue price of at least EUR 2.00 (payable in cash) while excluding the subscription rights of existing shareholders. This contingent capital is used for granting options to other staff, other management and members of the management board of the entity or of one of its related undertakings.

Under clause 6.4 of the articles of association, the company has contingent capital of EUR 124,700,000.00 available, which may be utilised by issuing up to 62,350,000 bearer shares. This contingent capital can be used for granting conversion or subscription rights to holders of convertible bonds.

Under clause 7 of the articles of association, currently no authority for granting contingent capital is available.

31) Segment reporting

The following segment report reflects the results of the segments within Erste Group. The segment information below is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal reporting information that is regularly reviewed by the chief operating decision maker to assess the performance of the segments and make decisions regarding the allocation of resources to the reportable segments.

Within Erste Group, the function of the chief operating decision maker is exercised by the management board.

Erste Group's Segments

The following segments represent Erste Group's management approach as reflected in its internal management reporting systems in 2013. Thus the segment report of Erste Group consists of four segments:

Retail & SME comprises the business activities that are the responsibility of the Retail and Corporate network across our geographical operations. Targeted customers are mainly private individuals, SMEs, freelancers, small public sector companies and small financial institutions.

Group Corporate & Investment Banking consists of the large corporate business, the commercial real estate business especially from Erste Group Bank AG and Erste Group Immorent AG. Moreover, the equity capital market (from the second quarter of 2012 onwards) as well as the investment banking activities in Central and Eastern Europe and the international business covering all investment and lending activities outside of the Group's core market (branches located in London, Hong Kong, New York, Stuttgart and Berlin) are included in this segment.

Group Markets (GM) comprises the divisional business units Group Treasury and Capital Markets (except Equity Capital Markets, which was allocated to the segment Group Corporate & Investment Banking from the second quarter of 2012 onwards) and includes the treasury activities of Erste Group Bank AG, the CEE subsidiaries, foreign branch offices in Hong Kong, New York, Berlin and Stuttgart as well as the business from Erste Asset Management. The focus in the Group Markets segment is on client-oriented capital market business. In the case of institutional clients, Group Markets covers the full client relationship and all interactions with the clients. Group Markets is the internal trading unit for all classic treasury (such as FX, commodities and money market) and capital market products (such as bonds, interest rate derivatives, credit and equity products).

Group Corporate Center (GCC) consists of all non-core and centrally managed business activities such as:

- Corporate Center of Erste Group, which mainly consists of dividends and the corresponding refinancing costs from participations whereas the majority of dividends (fully consolidated subsidiaries) are eliminated in the same segment. General administrative expenses which are not allocated to other operating segments and extraordinary items such as impairments on participations, banking tax etc. are also included.
- Asset and Liability Management of Erste Group Bank AG
- Non-core financial institutions located in Central and Eastern Europe
- Internal service providers for the whole Erste Group, such as Facility Management, IT, procurement etc. which operate on a non-profit basis, allocate their non-interest expenses to the recipient of the service. Service level agreements determine the allocation of revenues/expenses based on different allocation keys (e.g. price per unit, fixed prices, defined percentage key).
- Free Capital of Erste Group, defined as the difference between of the average IFRS shareholder's equity and the average allocated economic equity.
- Goodwill impairment in 2013 amounted in total to EUR 380.8 million (in 2012: EUR 514.9 million), of which in 2013 EUR 281.0 million were dedicated to Banca Comercială Română, EUR 52.2 million to Erste Bank Croatia and EUR 47.6 million to Austrian participations (in 2012: EUR 469.4 million for Banca Comercială Română and EUR 45.5 million for Austrian participations).
- Customer list amortisation for the customer relationships at Banca Comercială Română, Erste Card Club d.d. and Ringturm KAG totalling EUR 65.2 million for 2013 (EUR 69.2 million for 2012).
- Banking tax from Erste Group Bank AG in the amount of EUR 147.5 million (EUR 146.9 million for 2012). Banking tax from all other participations is mainly disclosed in the segment Retail & SME and to a minor extent also in the segments Group Markets and Group Corporate and Investment Banking.
- A negative one-off impact from the sale of Erste Bank Ukraine in the amount of EUR 76.6 million is included in this segment in 2013 (2012: with reference to the selling of Erste Bank Ukraine, see chapter Significant Accounting Policies/Disposals in 2013, the impairment loss for non-current assets in the disposal group and the provision for onerous contract amounted to EUR 75.0 million).

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

Information on geographical areas

Geographical areas are defined according to the different market environments in which Erste Group is operating. Based on the locations of the banking and other financial institution participations, the geographical areas consist of two core markets, Austria and Central and Eastern Europe.

For the purpose of the segment reporting by geographical areas segment profit or loss and other information are presented based on the location of the booking entity. In case of a partial group, the disclosure is according to the location of the mother entity.

In line with the internal reporting to Erste Group's management board the Retail & SME segment is divided into the following geographical areas:

- **Austria** consisting of Erste Bank Oesterreich AG and participations as well as savings banks in the cross-guarantee system.
- **Central & Eastern Europe** consisting of Retail & SME business activities in the Czech Republic, Romania, Slovakia, Hungary, Croatia, Serbia and Ukraine (sold as of 29 April 2013).

Measurement

The profit and loss statement of the reportable segments is based on the measures reported to the Erste Group management board for the purpose of allocating resources to the segment and assessing its performance. The sum of the segments together with the reconciliation, which is presented in the 'Intragroup elimination' column of this segment report, add up to the consolidated financial statement.

Segment report for Erste Group is based on IFRS.

Accounting standards and methods as well as measurements used for the segment report are the same as for the consolidated financial statement of accounting.

Capital consumption per segment is regularly reviewed by the management of Erste Group, therefore the average allocated equity is disclosed for each segment. The average allocated equity is determined by the credit risk, market risk and operational risk. Erste Group discloses average credit risk weighted assets per segment as they are regularly reviewed by the chief operating decision maker.

For measuring and assessing the profitability of segments, Erste Group uses the **return on equity** defined as Net profit/loss for the year attributable to the owners of the parent in relation to the average allocated equity of the respective segment.

In addition, the **cost/income ratio** is calculated for each segment as Operating expense (General administrative expenses) in relation to Operating income (total of Net interest income, Net fee and commission income, and Net trading result).

in EUR million	Retail & SME 2013	Retail & SME 2012	Group Corporate & Investment Banking 2013	Group Corporate & Investment Banking 2012	Group Markets 2013	Group Markets 2012	Group Corporate Centre 2013	Group Corporate Centre 2012	Intra-group elimination 2013	Intra-group elimination 2012	Total Erste Group 2013	Total Erste Group 2012
Net interest income	4,044.8	4,318.5	401.4	495.9	212.5	183.7	251.8	303.9	(52.4)	(66.7)	4,858.1	5,235.3
thereof income from associates accounted for at-equity[2]	11.1	8.9	(0.2)	(0.6)	0.0	0.0	10.8	8.0	0.0	0.0	21.8	16.4
Risk provisions for loans and advances	(1,239.4)	(1,629.4)	(530.5)	(347.2)	12.2	0.0	(5.6)	(3.4)	0.0	0.0	(1,763.4)	(1,980.0)
Net fee and commission income	1,633.5	1,591.5	116.6	87.1	134.3	124.7	68.0	299.8	(142.4)	(382.3)	1,810.0	1,720.8
Net trading result	159.0	97.6	17.1	4.4	116.0	202.9	(33.4)	(57.0)	34.4	25.5	293.2	273.4
General administrative expenses	(3,067.1)	(3,215.2)	(191.7)	(196.9)	(221.0)	(215.9)	(561.6)	(550.9)	387.9	422.2	(3,653.5)	(3,756.7)
thereof depreciation and amortization[2]	(273.5)	(284.3)	(17.5)	(14.5)	(19.0)	(17.9)	(44.9)	(49.8)	2.6	0.0	(352.3)	(366.5)
Other operating result[2]	(323.5)	(328.2)	(42.7)	(38.4)	(0.4)	(1.1)	(487.8)	(357.9)	(227.4)	1.3	(1,081.9)	(724.3)
Result from financial instruments AfS/FV/HtM[2]	(23.0)	84.5	(15.9)	(63.2)	(0.1)	3.1	(49.3)	8.3	0.0	0.0	(88.3)	32.7
Pre-tax profit/loss	**1,184.3**	**919.3**	**(245.6)**	**(58.3)**	**253.4**	**297.4**	**(817.9)**	**(357.2)**	**0.0**	**0.0**	**374.3**	**801.2**
Taxes on income	(180.8)	(246.1)	17.3	4.4	(50.9)	(61.7)	35.9	133.2	0.0	0.0	(178.5)	(170.2)
Net profit/loss for the year	**1,003.5**	**673.2**	**(228.3)**	**(53.9)**	**202.5**	**235.7**	**(782.0)**	**(224.0)**	**0.0**	**0.0**	**195.8**	**631.0**
attributable to												
non-controlling interests	123.8	134.2	(4.1)	1.7	5.4	8.1	9.7	3.5	0.0	0.0	134.8	147.5
owners of the parent	**879.7**	**539.0**	**(224.2)**	**(55.6)**	**197.1**	**227.6**	**(791.7)**	**(227.5)**	**0.0**	**0.0**	**61.0**	**483.5**
Average risk-weighted assets	67,237	70,311	19,806	20,830	2,429	2,697	(1,225)	9	0.0	0.0	88,247	93,847
Average attributed equity	4,848	4,919	1,972	2,085	386	350	5,316	5,395	0.0	0.0	12,521	12,748
Cost/income ratio	**52.5%**	**53.5%**	**35.8%**	**33.5%**	**47.8%**	**42.2%**	**196.0%**	**100.8%**	**241.7%**	**99.7%**	**52.5%**	**52.0%**
ROE[1]	**18.1%**	**11.0%**	**n.a**	**n.a**	**51.1%**	**65.0%**	**n.a**	**n.a**	**n.a.**	**n.a.**	**0.5%**	**3.8%**
Total impairments[2]	**(1,339.6)**	**(1,716.2)**	**(598.8)**	**(394.7)**	**12.1**	**(0.9)**	**(397.8)**	**(596.8)**	**0.0**	**0.0**	**(2,324.0)**	**(2,708.7)**
thereof Risk Provisions for loans and advances[2]	(1,239.4)	(1,629.4)	(530.5)	(347.2)	12.2	0.0	(5.6)	(3.4)	0.0	0.0	(1,763.4)	(1,980.0)
thereof impairments for financial assets[2]	(47.3)	(18.4)	(26.4)	(44.7)	(0.1)	(0.9)	(2.4)	(15.0)	0.0	0.0	(76.2)	(79.1)
thereof impairments of goodwill[2]	(2.2)	(0.4)	0.0	0.0	0.0	0.0	(380.8)	(514.5)	0.0	0.0	(383.0)	(514.9)
thereof Other impairments/reversals[2]	(50.6)	(68.0)	(41.9)	(2.8)	0.0	0.0	(8.9)	(63.9)	0.0	0.0	(101.4)	(134.8)

1) ROE = return on equity = Net profit/loss attributable to owners of the parent divided by average attributed equity. Negative values are replaced with n.a.
2) 2012 comparatives were amended by introduction of the new items. “Other operating result” and “Result from financial instruments AfS/FV/HtM” were presented in total under the item “Other result” in 2012 annual report.

in EUR million	Erste Bank Oesterreich 2013	Erste Bank Oesterreich 2012	Saving banks 2013	Saving banks 2012	Total Austria 2013	Total Austria 2012	Central and Eastern Europe 2013	Central and Eastern Europe 2012	Total Retail & SME 2013	Total Retail & SME 2012
Net interest income	610.5	617.8	908.4	940.0	1,518.9	1,557.8	2,525.9	2,760.7	4,044.8	4,318.5
thereof income from associates accounted for at-equity[2]	0.0	0.0	0.0	0.0	0.0	0.0	11.1	8.9	11.1	8.9
Risk provisions for loans and advances	(70.3)	(96.2)	(235.9)	(225.9)	(306.2)	(322.1)	(933.2)	(1,307.3)	(1,239.4)	(1,629.4)
Net fee and commission income	341.9	339.0	427.8	398.0	769.6	737.0	863.9	854.5	1,633.5	1,591.5
Net trading result	9.3	(4.2)	20.1	19.9	29.4	15.7	129.6	81.9	159.0	97.6
General administrative expenses	(594.0)	(614.7)	(938.0)	(932.2)	(1,532.0)	(1,546.9)	(1,535.1)	(1,668.3)	(3,067.1)	(3,215.2)
thereof depreciation and amortization[2]	(22.5)	(22.4)	(57.1)	(53.6)	(79.6)	(75.9)	(193.9)	(208.4)	(273.5)	(284.3)
Other operating result[2]	(21.2)	(8.2)	0.6	(24.9)	(20.6)	(33.1)	(302.9)	(295.1)	(323.5)	(328.2)
Result from financial instruments AfS/FV/HtM[2]	(18.4)	21.6	7.6	27.4	(10.8)	49.0	(12.2)	35.5	(23.0)	84.5
Pre-tax profit/loss	**257.8**	**255.1**	**190.6**	**202.3**	**448.3**	**457.4**	**736.0**	**461.9**	**1,184.3**	**919.3**
Taxes on income	(67.6)	(55.8)	(65.0)	(61.5)	(132.6)	(117.3)	(48.3)	(128.8)	(180.8)	(246.1)
Net profit/loss for the year	**190.2**	**199.3**	**125.6**	**140.8**	**315.8**	**340.1**	**687.7**	**333.1**	**1,003.5**	**673.2**
attributable to										
non-controlling interests	5.8	6.9	102.8	119.3	108.5	126.2	15.2	8.0	123.8	134.2
owners of the parent	**184.4**	**192.4**	**22.8**	**21.5**	**207.2**	**213.9**	**672.5**	**325.1**	**879.7**	**539.0**
Average risk-weighted assets	12,672	13,045	22,413	23,444	35,085	36,489	32,153	33,821	67,237	70,311
Average attributed equity	1,282	1,284	399	370	1,681	1,654	3,167	3,264	4,848	4,919
Cost/income ratio	**61.8%**	**64.5%**	**69.2%**	**68.7%**	**66.1%**	**67.0%**	**43.6%**	**45.1%**	**52.5%**	**53.5%**
ROE[1]	**14.4%**	**15.0%**	**5.7%**	**5.8%**	**12.3%**	**12.9%**	**21.2%**	**10.0%**	**18.1%**	**11.0%**
Total impairments[2]	**(97.3)**	**(101.8)**	**(254.2)**	**(240.4)**	**(351.5)**	**(342.2)**	**(988.1)**	**(1,374.0)**	**(1,339.6)**	**(1,716.2)**
thereof Risk Provisions for loans and advances[2]	(70.3)	(96.2)	(235.9)	(225.9)	(306.2)	(322.1)	(933.2)	(1,307.3)	(1,239.4)	(1,629.4)
thereof impairments for financial assets[2]	(23.9)	(5.8)	(12.1)	(12.5)	(36.0)	(18.4)	(11.4)	0.0	(47.3)	(18.4)
thereof impairments of goodwill[2]	0.0	0.0	0.0	0.0	0.0	0.0	(2.2)	(0.4)	(2.2)	(0.4)
thereof Other impairments/reversals[2]	(3.1)	0.2	(6.3)	(2.0)	(9.3)	(1.7)	(41.3)	(66.3)	(50.6)	(68.0)

1) ROE = return on equity = Net profit/loss attributable to owners of the parent divided by average attributed equity. Negative values are replaced with n.a.
2) 2012 comparatives were amended by introduction of the new items. “Other operating result” and “Result from financial instruments AfS/FV/HtM” were presented in total under the item “Other result”in 2012 annual report.

in EUR million	Czech Republic 2013	Czech Republic 2012	Romania 2013	Romania 2012	Slovakia 2013	Slovakia 2012	Hungary 2013	Hungary 2012	Croatia 2013	Croatia 2012	Serbia 2013	Serbia 2012	Ukraine 2013[3]	Ukraine 2012	Total CEE 2013	Total CEE 2012
Net interest income	986.3	1,113.8	574.4	572.4	429.5	424.9	256.5	335.2	234.3	253.7	38.7	37.1	6.2	23.6	2,525.9	2,760.7
thereof income from associates accounted for at-equity[2]	0.0	(0.1)	0.8	0.0	9.9	8.5	0.0	0.0	0.4	0.5	0.0	0.0	0.0	0.0	11.1	8.9
Risk provisions for loans and advances	(119.2)	(139.6)	(386.5)	(737.2)	(39.2)	(53.4)	(206.1)	(215.0)	(168.6)	(137.4)	(9.6)	(9.0)	(4.0)	(15.7)	(933.2)	(1,307.3)
Net fee and commission income	407.6	447.2	144.3	120.3	106.0	110.0	123.6	91.9	67.8	65.6	13.4	13.3	1.2	6.2	863.9	854.5
Net trading result	44.0	19.9	56.1	70.5	5.4	2.8	15.1	(15.9)	9.9	9.4	2.6	2.4	(3.3)	(7.2)	129.6	81.9
General administrative expenses	(644.8)	(691.9)	(314.4)	(355.9)	(238.2)	(236.0)	(164.7)	(169.5)	(127.8)	(132.8)	(35.2)	(33.6)	(10.1)	(48.6)	(1,535.1)	(1,668.3)
thereof depreciation and amortization[2]	(77.6)	(86.2)	(41.5)	(43.1)	(44.6)	(44.6)	(17.3)	(17.3)	(9.4)	(9.1)	(2.2)	(1.9)	(1.4)	(6.3)	(193.9)	(208.4)
Other operating result[2]	(35.0)	(121.4)	(69.9)	(50.6)	(41.4)	(37.6)	(131.5)	(72.7)	(24.0)	(10.9)	(1.5)	(1.7)	0.4	(0.2)	(302.9)	(295.1)
Result from financial instruments AfS/FV/HtM[2]	(15.2)	28.2	3.6	1.9	0.1	(0.1)	(0.6)	(0.2)	(0.3)	7.9	0.0	0.0	0.1	(2.2)	(12.2)	35.5
Pre-tax profit/loss	**623.7**	**656.2**	**7.6**	**(378.6)**	**222.2**	**210.6**	**(107.7)**	**(46.2)**	**(8.6)**	**55.5**	**8.3**	**8.5**	**(9.4)**	**(44.1)**	**736.0**	**461.9**
Taxes on income	(126.3)	(135.7)	124.8	65.3	(48.3)	(41.0)	(1.1)	(8.9)	4.2	(9.8)	(1.5)	1.5	0.0	(0.2)	(48.3)	(128.8)
Net profit/loss for the year	**497.3**	**520.5**	**132.5**	**(313.3)**	**173.9**	**169.6**	**(108.9)**	**(55.1)**	**(4.4)**	**45.7**	**6.8**	**10.0**	**(9.4)**	**(44.3)**	**687.7**	**333.1**
attributable to																
non-controlling interests	3.7	2.5	4.6	(19.0)	0.0	0.3	0.0	0.0	6.4	22.0	0.5	2.2	0.0	0.0	15.2	8.0
owners of the parent	**493.6**	**518.0**	**127.9**	**(294.3)**	**173.8**	**169.3**	**(108.9)**	**(55.1)**	**(10.8)**	**23.7**	**6.3**	**7.8**	**(9.4)**	**(44.3)**	**672.5**	**325.1**
Average risk-weighted assets	12,612	12,521	6,819	8,156	3,857	4,148	3,960	3,775	3,814	4,040	597	493	493	688	32,153	33,821
Average attributed equity	1,307	1,266	662	779	410	430	407	386	274	288	53	42	54	74	3,167	3,264
Cost/income ratio	**44.8%**	**43.8%**	**40.6%**	**46.6%**	**44.0%**	**43.9%**	**41.7%**	**41.2%**	**40.9%**	**40.4%**	**64.4%**	**63.6%**	**247.1%**	**215.0%**	**43.6%**	**45.1%**
ROE[1]	**37.8%**	**40.9%**	**19.3%**	**n.a**	**42.4%**	**39.4%**	**n.a**	**n.a**	**n.a**	**8.2%**	**11.9%**	**18.8%**	**n.a**	**n.a**	**21.2%**	**10.0%**
Total impairments[2]	**(150.5)**	**(188.2)**	**(391.6)**	**(739.1)**	**(38.8)**	**(51.7)**	**(223.9)**	**(232.1)**	**(169.5)**	**(137.6)**	**(9.8)**	**(9.0)**	**(4.0)**	**(16.5)**	**(988.1)**	**(1,374.0)**
thereof Risk Provisions for loans and advances[2]	(119.2)	(139.6)	(386.5)	(737.2)	(39.2)	(53.4)	(206.1)	(215.0)	(168.6)	(137.4)	(9.6)	(9.0)	(4.0)	(15.7)	(933.2)	(1,307.3)
thereof impairments for financial assets[2]	(10.5)	0.2	0.0	0.0	(0.3)	0.1	(0.2)	(0.1)	(0.5)	(0.3)	0.0	0.0	0.0	0.0	(11.4)	0.0
thereof impairments of goodwill[2]	0.0	0.0	(2.2)	(0.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(2.2)	(0.4)
thereof Other impairments/reversals[2]	(20.8)	(48.8)	(2.9)	(1.5)	0.7	1.7	(17.7)	(17.0)	(0.4)	0.1	(0.2)	0.0	0.0	(0.8)	(41.3)	(66.3)

1) ROE = return on equity = net profit/loss attributable to owners of the parent divided by average attributed equity. Negative values are replaced with n.a.
2) 2012 comparatives were amended by introduction of the new items. “Other operating result” and “Result from financial instruments AfS/FV/HtM” were presented in total under the item “Other result” in 2012 annual report.
3) Includes only the results of the first three months of the financial year 2013 (on 29 April 2013 Erste Group finalised the sale of Erste Bank Ukraine).

32) Assets and liabilities denominated in foreign currencies and outside Austria and return on assets

Assets and liabilities not denominated in EUR were as follows:

in EUR million	2013	2012 amended[1)]
Assets	75,072	80,942
Liabilities	61,545	59,332

1) The values shown for 2012 were amended for data coming from Erste Group Bank AG and Erste Bank Oesterreich

The assets and liabilities outside Austria are given below:

in EUR million	2013	2012
Assets	119,086	124,000
Liabilities	86,729	92,568

Return on assets:
Return on assets (net profit for the year divided by average total assets) was 0.09% at 31 December 2013.

33) Leases

a) Finance leases

Finance leases receivables are included under the balance sheet item 'Loans and advances to customers'.

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

in EUR million	2013	2012
Outstanding minimum lease payments	4,175	4,855
Non-guaranteed residual values	1,066	1,070
Gross investment	**5,241**	**5,925**
Unrealised financial income	645	796
Net investment	**4,596**	**5,129**
Present value of non-guaranteed residual values	722	733
Present value of minimum lease payments	**3,874**	**4,396**

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

	Gross investment		Present value of non-guaranteed residual values	
in EUR million	2013	2012	2013	2012
< 1 year	932	932	703	824
1-5 years	2,389	2,803	1,861	2,120
> 5 years	1,920	2,190	1,311	1,452
Total	**5,241**	**5,925**	**3,874**	**4,396**

In the reporting period, the total amount of accumulated allowance for uncollectable minimum lease payments, presented as risk provisions for loans and advances, was EUR 291 million (2012: EUR 160 million).

The total amount of contingent rents from finance leases recognised as income in the period was EUR 33 million (2012: EUR 23 million).

b) Operating leases

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

Operating leases from the view of Erste Group as lessor:
Minimum lease payments from non-cancellable operating leases were as follows:

in EUR million	2013	2012
< 1 year	24	58
1-5 years	89	134
> 5 years	71	55
Total	**184**	**247**

The total amount of contingent rents from operating leases recognised as income in the period was EUR 4 million (2012: EUR 8 million).

Operating leases from the view of Erste Group as lessee:
Minimum lease payments from non-cancellable operating leases were as follows:

in EUR million	2013	2012
< 1 year	84	47
1-5 years	124	120
> 5 years	35	74
Total	**243**	**241**

Lease payments from operating leases recognised as expense in the period amounted to EUR 108.4 million (2012: EUR 32.8 million).

34) Related-party transactions and principal shareholders

In addition to principal shareholders, Erste Group also defines as related parties other investments and associates that are included in the consolidated financial statements by the equity method. Furthermore related parties consist of management and supervisory board members of Erste Group Bank AG as well as companies over which these persons have control or significant influence. Moreover, Erste Group also defines close family members of management and supervisory board members of Erste Group Bank AG as related parties.

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

Principal shareholders

As of 31 December 2013, the foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (hereinafter referred to as the 'Privatstiftung') controlled a 20.65% interest in Erste Group Bank AG. 13.14% of the shares were held directly by the Privatstiftung. Indirect participation of the Privatstiftung was at 7.50%, thereof 3.66% of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the Privatstiftung; 1.59% of the shares held by Austrian savings banks, which act together with the Privatstiftung and are affiliated with Erste Group by virtue of the Haftungsverbund; and 2.25% of the shares held by other syndicate members. This makes the Privatstiftung the largest single investor in Erste Group Bank AG. In addition, up to the repayment on 8 August 2013, the Privatstiftung held participation capital with a notional value of EUR 18.1 million in Erste Group Bank AG.

In 2013 (for the financial year 2012), the Privatstiftung received a dividend of EUR 30.5 million (2012: no dividend) on its stake in Erste Group Bank AG. Additionally, in 2013 the Privatstiftung received a dividend for participation capital of Erste Group Bank AG (for the financial year 2012) in the amount of EUR 1.4 million (2012: EUR 1.4 million). The purpose of the Privatstiftung, to be achieved notably by way of the participating interest in Erste Group Bank AG, is to support social, scientific, cultural and charitable institutions as well as to generally promote the guiding principles of the savings bank philosophy. As of 31 December 2013, Theodora Eberle (chairwoman), Richard Wolf (vice chairman), Franz Karl Prüller and Bernhard Spalt were members of the Privatstiftung management board. The supervisory board of the Privatstiftung had seven members at the end of 2013, two of whom are also members of the supervisory board of Erste Group Bank AG.

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

As of 31 December 2013, Erste Group had in relation to the Privatstiftung accounts payable of EUR 49.9 million (2012: EUR 200.7 million) and accounts receivable of EUR 48.7 million (2012: EUR 84.2 million). In addition, standard derivative transactions for hedging purposes were in place between Erste Group and the Privatstiftung as of the end of 2013, namely interest rate swaps with caps in the notional amount of EUR 282.0 million (2012: EUR 282.0 million). As of the end of 2012, foreign currency swaps in the notional amount of EUR 30.0 million were in place between Erste Group and the Privatstiftung. Furthermore, as of 31 December 2013 the Privatstiftung held bonds issued by Erste Group Bank AG in the amount of EUR 5.2 million, and Erste Group held debt securities issued by the Privatstiftung in the amount of EUR 7.0 million.

In 2013, the interest income of Erste Group for the reporting period amounted to EUR 13.2 million (2012: EUR 13.8 million) while the interest expenses amounted to EUR 8.7 million (2012: EUR 10.9 million), resulting from the said accounts receivable and accounts payable as well as derivative transactions and debt securities.

As of 31 December 2013, Caixabank S.A., which is based in Barcelona, Spain, held a total of 39,195,848 (2012: 39,195,848) Erste Group Bank AG shares, equivalent to 9.12% (2012: 9.93%) of the share capital of Erste Group Bank AG. In addition, up to the repayment on 8 August 2013, Caixabank S.A. held participation capital with a notional value of EUR 15.0 million in Erste Group Bank AG. Juan Maria Nin, the Deputy Chairman and CEO of Caixabank S.A., is a member of the supervisory board of Erste Group Bank AG.

In 2013 (for the financial year 2012), Caixabank S.A received a dividend of EUR 15.7 million (2012: no dividend) on its stake in Erste Group Bank AG. Additionally, in 2013 (for the financial year 2012), Caixabank S.A. received a dividend for the participation capital in Erste Group Bank AG in the amount of EUR 1.2 million (2012: EUR 1.2 million).

Loans and advances to and amounts owed to related parties

in EUR million	2013	2012
Loans and advances to credit institutions		
Equity method investments	4	7
Other investments	1	50
Total	**5**	**57**
Loans and advances to customers		
Equity method investments	504	435
Other investments	578	1,010
Total	**1,083**	**1,445**
Financial assets - at fair value through profit or loss		
Equity method investments	23	0
Other investments	0	7
Total	**23**	**7**
Financial assets - available for sale		
Equity method investments	39	0
Other investments	10	36
Total	**49**	**36**
Financial assets - held to maturity		
Equity method investments	5	0
Other investments	0	54
Total	**5**	**54**
Deposits by banks		
Equity method investments	6	5
Other investments	1	6
Total	**7**	**11**
Customer deposits		
Equity method investments	95	13
Other investments	109	221
Total	**204**	**234**

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

Remuneration of management and supervisory board members

The remuneration paid to the management board in 2013 is as follows:

Fixed salaries

in EUR thousand	2013	2012
Andreas Treichl	1,262	1,237
Franz Hochstrasser	750	691
Herbert Juranek	631	631
Gernot Mittendorfer	633	599
Andreas Gottschling (since 9/2013)	211	0
Total	**3,488**	**3,158**

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

Apart from performance-linked remuneration and share-equivalents for the financial year 2012, deferred portions of performance-linked remuneration for 2010 was also paid out or vested in 2013. In 2012 neither performance-linked remuneration nor share-equivalents for previous years were paid out or vested.

Performance-linked remuneration

	2013				2012			
	for 2012		for previous years[2]		for 2011		for previous years	
	cash in EUR thousand	share-equivalents in units[1]	cash in EUR thousand	share-equivalents in units[1]	cash in EUR thousand	share-equivalents in units	cash in EUR thousand	share-equivalents in units
Andreas Treichl	393	24,898	65	2,182	0	0	0	0
Franz Hochstrasser	203	12,449	43	1,423	0	0	0	0
Herbert Juranek	120	7,013	17	563	0	0	0	0
Gernot Mittendorfer	129	7,539	0	0	0	0	0	0
Andreas Gottschling (since 9/2013)	0	0	0	0	0	0	0	0
Total	**845**	**51,899**	**125**	**4,168**	**0**	**0**	**0**	**0**

1) Share-equivalents indicated here have been firmly awarded based on the previous year's result. Share-equivalents were valued at the average weighted daily share price of Erste Group Bank AG of the year 2013 in the amount of EUR 23.85 per share. Pay outs will be made in the year 2014 after the one-year vesting period.

2) Exclusively concerns the financial year 2010. No performance-linked remuneration was paid out to the management board for the financial year 2011.

Long-Term Incentive-Programme

Currently, one long-term incentive programme (LTI) which is based on changes in the share price of Erste Group Bank AG versus a group of peers and the Dow Jones Euro Stoxx Banks is still active. It was started on 1 January 2010, and led to the following payments in 2013. The final payment under LTI 2007 was made in 2012.

LTI programme

in EUR thousand	2013 from 2010	2012 from 2007	2012 from 2010
Andreas Treichl	227	241	0
Franz Hochstrasser	57	60	84
Herbert Juranek	57	60	84
Gernot Mittendorfer	0	0	0
Andreas Gottschling (since 9/2013)	0	0	0
Total	**340**	**361**	**168**

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

Other remuneration

in EUR thousand	2013	2012
Andreas Treichl	471	471
Franz Hochstrasser	177	164
Herbert Juranek	99	61
Gernot Mittendorfer	98	55
Andreas Gottschling (since 9/2013)	26	0
Total	**871**	**751**

Manfred Wimmer resigned from the management board as of 31 August 2013. In 2013 he received EUR 421 thousand (2012: EUR 631 thousand) in fixed salaries, EUR 137 thousand (2012: EUR 0) in performance-linked remuneration from previous years and EUR 111 thousand (2012: EUR 163 thousand) in other remuneration. In addition, Mr Wimmer was awarded 7,584 share-equivalents (2012: none). He received EUR 57 thousand under the LTI programme 2010 (2012: EUR 84 thousand). The severance payment, payments for unused holidays and compensatory payment to the pension fund made on occasion of his resignation are included in remuneration of previous members of management bodies and their dependents.

The remuneration of the members of the management board represented 0.3% (2012: 0.2%) of the total personnel expenses of Erste Group.

In 2013, EUR 3.1 million (2012: EUR 0.9 million) were paid in cash and 1,066 share-equivalents (2012: none) were assigned to former members of management board and their dependents.

Principles governing the pension scheme for management board members

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

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

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

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

Breakdown of supervisory board remuneration

in EUR thousand	2013	2012
Supervisory board remuneration	638	700
Attendance fees	195	198
Total	**833**	**898**

In 2013, the members of the supervisory board of Erste Group Bank AG were paid EUR 833 thousand (2012: EUR 898 thousand) for their board function. The following members of the supervisory board received the following remuneration for their board function in fully consolidated subsidiaries of Erste Group Bank AG: Friedrich Rödler EUR 12,750, John James Stack EUR 30,000 and Werner Tessmar-Pfohl EUR 28,400.

No other legal transactions were concluded with members of the supervisory board.

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

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

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

Loans and advances to key management employees and persons related to key management employees

As of the end of 2013, loans and advances granted to members of the management board totalled EUR 848 thousand (2012: EUR 2,336 thousand). Loans and advances to persons related to members of the management board totalled EUR 18 thousand as of 31 December 2013 (2012: EUR 10 thousand). Loans to members of the supervisory board totalled EUR 169 thousand (2012: EUR 189 thousand). Loans and advances to persons related to members of the supervisory board totalled EUR 111 thousand as of 31 December 2013 (2012: EUR 310 thousand). The applicable interest rates and other terms (maturity dates and collateral) represent market conditions.

Other transactions with companies related to key management employees

Companies related to members of the supervisory board invoiced the following amounts from other transactions:

In the year 2013, up until 29 July 2013, DORDA BRUGGER JORDIS Rechtsanwälte GmbH, a law firm in which Theresa Jordis was a partner, invoiced the companies of Erste Group with a total of EUR 315 thousand (2012: EUR 236 thousand) for consultancy contracts.

Friedrich Rödler was up until 30 June 2013 a senior partner at PricewaterhouseCoopers Austria. Companies of this group invoiced the companies of Erste Group in the year 2013 till 30 June 2013 in total EUR 348 thousand (2012: EUR 501 thousand) for consultancy contracts.

35) Collateral

The following assets were pledged as security for liabilities:

in EUR million	2013	2012
Loans and advances to credit institutions	5	915
Loans and advances to customers	16,013	19,645
Trading assets	1,692	506
Financial assets - at fair value through profit or loss	51	232
Financial assets - available for sale	1,754	3,237
Financial assets - held to maturity	3,030	2,711
Total	**22,545**	**27,246**

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

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

The fair value of collateral received held which may be repledged or resold even without the security provider's default was EUR 3,708 million (2012: EUR 1,607 million). Collateral with fair value of EUR 94 million (2012: EUR 418 million) was resold. Collateral with fair value of EUR 70 million was repledged. The bank is obliged to return the resold and repledged collateral.

36) Transfers of financial assets – repurchase transactions and securities lending

in EUR million	2013 Carrying amount of transferred assets	2013 Carrying amount of associated liabilities	2012 Carrying amount of transferred assets	2012 Carrying amount of associated liabilities
Repurchase agreements				
Loans and advances to credit institutions	0	0	4	4
Loans and advances to customers	0	0	1	1
Trading assets	871	875	461	458
Financial assets - at fair value through profit or loss	0	0	74	73
Financial assets - available for sale	1,372	1,367	1,316	1,300
Financial assets - held to maturity	1,326	1,358	161	174
Total - repurchase agreements	**3,569**	**3,600**	**2,016**	**2,010**
Securities lendings				
Loans and advances to credit institutions	0	0	0	0
Loans and advances to customers	0	0	0	0
Trading assets	15	0	9	0
Financial assets - at fair value through profit or loss	0	0	0	0
Financial assets - available for sale	69	0	78	0
Financial assets - held to maturity	0	0	0	0
Total - securities lendings	**84**	**0**	**86**	**0**
Total	**3,653**	**3,600**	**2,103**	**2,010**

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

The total amount of EUR 3,653 million (2012: EUR 2,103 million) represents the carrying amount of financial assets under the respective balance sheet items for which the transferee has a right to sell or repledge.

Liabilities from repo transactions in the amount of EUR 3,600 million (2012: EUR 2,010 million), which are measured at amortised cost, represent an obligation to repay the borrowed funds.

The following table shows the fair values of the transferred assets and associated liabilities that have recourse only to the transferred assets. In case of Erste Group, these assets and liabilities relate to repo transactions.

in EUR million	2013 Fair value of transferred assets	2013 Fair value of associated liabilities	2013 Net position	2012 Fair value of transferred assets	2012 Fair value of associated liabilities	2012 Net position
Loans and advances to credit institutions	0	0	0	4	4	0
Loans and advances to customers	0	0	0	1	1	0
Trading assets	871	875	(4)	461	458	3
Financial assets - at fair value through profit or loss	0	0	0	74	73	1
Financial assets - available for sale	1,372	1,367	5	1,316	1,299	16
Financial assets - held to maturity	1,355	1,358	(3)	166	174	(8)
Total	**3,598**	**3,600**	**(2)**	**2,022**	**2,010**	**12**

37) Offsetting

Financial assets subject to offsetting and potential offsetting agreements in 2013

in EUR million	Gross amounts in balance sheet	Amounts set off against financial liabilities	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral received	Non-cash financial collateral received	
Derivatives	8,285	0	8,285	5,083	1,659	0	1,543
Reverse repurchase agreements	3,892	0	3,892	0	11	3,649	233
Total	**12,177**	**0**	**12,177**	**5,083**	**1,670**	**3,649**	**1,775**

Financial liabilities subject to offsetting and potential offsetting agreements in 2013

in EUR million	Gross amounts in balance sheet	Amounts set off against financial assets	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral pledged	Non-cash financial collateral pledged	
Derivatives	6,731	0	6,731	5,083	647	0	1,001
Repurchase agreements	3,600	0	3,600	0	0	3,591	8
Total	**10,331**	**0**	**10,331**	**5,083**	**647**	**3,591**	**1,010**

Financial assets subject to offsetting and potential offsetting agreements in 2012

in EUR million	Gross amounts in balance sheet	Amounts set off against financial liabilities	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral received	Non-cash financial collateral received	
Derivatives	13,289	0	13,289	8,471	2,010	0	2,808
Reverse repurchase agreements	1,728	0	1,728	0	0	1,605	123
Total	**15,018**	**0**	**15,018**	**8,471**	**2,010**	**1,605**	**2,932**

Financial liabilities subject to offsetting and potential offsetting agreements in 2012

in EUR million	Gross amounts in balance sheet	Amounts set off against financial assets	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral pledged	Non-cash financial collateral pledged	
Derivatives	10,878	0	10,878	8,471	959	0	1,448
Repurchase agreements	2,010	0	2,010	0	0	1,998	12
Total	**12,888**	**0**	**12,888**	**8,471**	**959**	**1,998**	**1,460**

Erste Group employs repurchase agreements and master netting agreements as a means of reducing credit risk of derivative and financing transactions. They qualify as potential offsetting agreements.

Master netting agreements are relevant for counterparties with multiple derivative contracts. They provide for the net settlement of all the contracts in the event of default of any counterparty. For derivatives transactions the amount of assets and liabilities which would be set off as a result of master netting agreements is presented in the column Financial instruments. If the net position is further secured by cash collateral the effect is disclosed in the respective columns Cash collateral received/pledged.

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

Cash and non-cash financial collateral involved in these transactions is restricted from using it by the transferor during the time of the pledge.

38) Risk management

38.1) Risk policy and strategy

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

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

Given Erste Group's business strategy, the key risks for Erste Group are credit risk, market risk, liquidity risk and operational risk. Erste Group also focuses on managing macroeconomic risks as well as concentrations within and across risk types. In addition, Erste Group's control and risk management framework takes into account a range of other significant risks faced by the banking Group. The bank always seeks to enhance and complement existing methods and processes, in all areas of risk management.

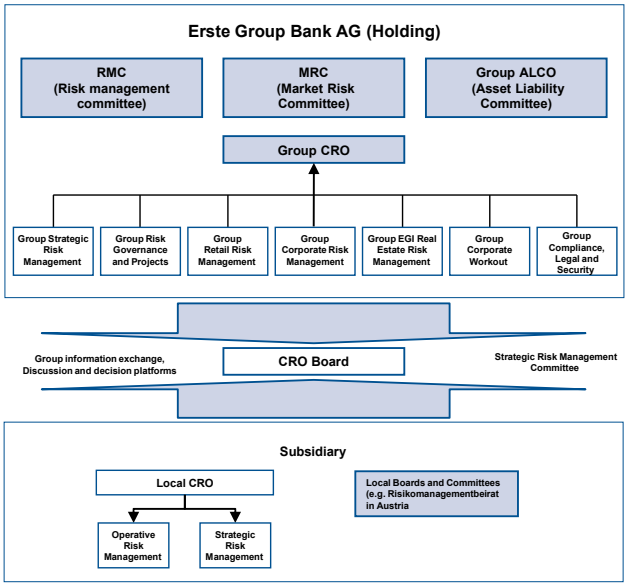
The year 2013 has been dominated by preparations for Basel 3 and its impacts as well as by the upcoming changes to the regulatory oversight landscape. Emphasis was also put on improving and upgrading risk-weighted asset measurement, control, steering and stress testing capabilities. A further focus was given to continuous consideration of more risk-sensitive measures in the Internal Capital Adequacy Assessment Process (ICAAP).

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

38.2) Risk management organisation

Risk monitoring and control is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities, and risk limits. The following diagram presents an overview of Erste Group's risk management and control governance and responsibility.

Risk management organisation and decision bodies



Overview of risk management structure

The management board, and in particular Erste Group's chief risk officer (Group CRO), must perform its oversight function within Erste Group's risk management structure. Risk control and management functions within Erste Group are performed based on the business and risk strategies approved by the management board and contained in the strategic risk framework. The Group CRO, working together with the chief risk officers of the subsidiaries, is responsible for implementation of and adherence to the risk control and risk management strategies across all risk types and business lines. While the management board and, in particular, the Group CRO ensure the availability of appropriate infrastructure and staff as well as methods, standards and processes to that effect, the actual identification, measurement, assessment, approval, monitoring, steering, and limit-setting for the relevant risks are performed at the operating entity level within Erste Group. At Group level, the management board is supported by several divisions established to perform operational risk control functions and exercise strategic management responsibilities:

_ Group Strategic Risk Management;
_ Group Risk Governance and Projects;
_ Group Corporate Risk Management;

_ Group EGI Real Estate Risk Management;
_ Group Retail Risk Management;
_ Group Corporate Workout; and
_ Group Compliance, Legal and Security.

Group Strategic Risk Management

Group Strategic Risk Management, which exercises the risk control function, is responsible for the provision of adequate risk measurement methodologies and tools as well as an appropriate risk policy and control framework. The Group Strategic Risk Management unit performs the function of the central and independent risk control unit required by Section 39 (2) of the Austrian Banking Act. One objective of Group Strategic Risk Management, a unit that is independent of the business units, is to ensure that all risks measured or taken are within the limits approved by the management board. The division is composed of the departments Group Credit Risk Methods and Reporting, Group Enterprise-wide Risk Management, Group Market and Liquidity Risk Management, and Group Operational Risk Control. Group Credit Risk Methods and Reporting is responsible for credit risk methods and rating models. Another key task of the department is the Group-wide credit risk reporting. Group Enterprise-wide Risk Management is in charge of the essential elements of the risk management framework, Erste Group's risk policy principles and the Group data pool. The Group-wide daily calculation, analysis and reporting of market and liquidity risks is provided by the department Group Market and Liquidity Risk Management. Group Operational Risk Control is responsible for the modelling, management and reporting of operational risks.

Group Risk Governance and Projects

Group Risk Governance and Projects was established to ensure central management and oversight within risk management on key topics such as risk IT (risk project– portfolio), risk policy framework, risk reporting framework, and change management in the risk area. Key tasks are oversight and control of the Group-wide CRO division project portfolio, the role as interface to One IT, Erste Group's IT subsidiary, and the constant improvement of risk IT. Furthermore, the division is responsible for the Group-wide risk policy framework, the development of a Group-wide integrated risk reporting framework, and change management in those divisions that report to the CRO.

Group Corporate Risk Management

Group Corporate Risk Management is the operative credit risk management function for Erste Group's divisionalised corporate business (Group Corporate and Investment Banking – GCIB) and Group Markets. It is responsible for the formal and material verification, recommendation and approval of all credit risks of Erste Group Bank AG. Group Corporate Risk Management is also responsible for credit risk management for the GCIB segment as well as all credit applications where the amount involved exceeds the approval limits granted to the respective subsidiary. This unit covers sovereigns, other credit institutions, securitisations and large corporates. Group Corporate Risk Management provides specific credit risk reports on the aforementioned centrally managed portfolios of Erste Group Bank AG as a holding company. It is in charge of process development for credit risk management and implementation of Group standards for these exposure classes. It also monitors compliance with counterparty, industry and country limits.

Group EGI Real Estate Risk Management

Group EGI Real Estate Risk Management performs the function of operative risk management for the divisionalised real estate business. In this function the division is responsible for the formal and material assessment, recommendation and approval of all credit risks in the real estate business that Erste Group Bank AG is taking. Furthermore, this organisational unit is responsible for managing credit risk in Erste Group Immorent AG (EGI) and for all credit applications with exposures exceeding the authority levels granted to the respective subsidiaries. The division structures and steers the respective alignment and decision-making processes. Furthermore, in close cooperation with EGI as the defined competence center for real estate business within Erste Group, business and risk policies are prepared and implemented as the basis for business activities and reporting. Additionally, tools and systems for project analyses and valuation are developed in order to standardise the assessment of transactions and risks.

Group Retail Risk Management

Group Retail Risk Management is responsible for monitoring and steering the Group's retail lending portfolio and defining the retail risk management lending framework. It provides a Group-level analytical framework that enables local banks to monitor the performance of retail loan portfolios and to address adverse developments early on. Another important function of Group Retail Risk Management is to assess if prudent lending requirements have been applied when countries launch new products on the market or change their existing risk parameters. In addition, the unit ensures knowledge transfer across Erste Group entities in the area of retail lending. The local chief risk officers and the local retail risk heads are primarily responsible for managing retail credit risk and the corresponding risk–reward trade-off at country level. In line with Group Retail Risk Management's policies, additional local credit policy rules are defined in every entity, respecting the local regulatory and business environment.

Group Corporate Workout

Group Corporate Workout is responsible for managing problematic transactions of the Group-wide Group Corporate and Investment Banking (GCIB) segment as well as of the local segments for lending to small and medium-sized enterprises (SME) where the exposure exceeds the authority of the management board of the respective subsidiary. This task includes the operative restructuring as well as workout function for exposures booked in Erste Group Bank AG and the risk management function for all substandard and non-performing clients in the local SME segments mentioned above. An important task in this regard is also to set

up Group-wide standards and policies for handling problematic corporate clients. Additionally, this area organises expert training programmes as well as workshops to ensure knowledge transfer across Erste Group entities. Another important task of the division is its responsibility for the Group-wide collateral management. This includes the setup of standards for collateral management, the framework for a Group collateral catalogue, and principles for collateral evaluation and revaluation.

Group Compliance, Legal and Security

This division consists of three departments. Group Compliance contains the departments Central Compliance, Securities Compliance, Anti-Money Laundering (AML) Compliance and Fraud Management, and is responsible for addressing compliance risks. Compliance risks are those of legal or regulatory sanctions, material financial loss, or loss of reputation that Erste Group might suffer as a result of failure to comply with laws, regulations, rules and standards. Group Legal, with its two units Banking & Corporate Legal and Markets Legal, acts as the central legal department of Erste Group, mitigates legal risk by providing legal support and counsel for the business and centre functions, and take care ofdispute resolution and litigation. Legal support for the business of the banking subsidiaries in their domestic jurisdictions is performed at the local level. Group Security Management is in charge of the strategy, definition of security standards, quality assurance and monitoring, as well as of the further development of issues relevant for security at Erste Group.

In addition to the risk management activities performed at the Erste Group level in its special role as a holding company, each subsidiary also has a risk control and management unit, the responsibilities of which are tailored to the applicable local requirements. Each subsidiary's risk control and management unit is headed by the respective entity's chief risk officer.

New organisational structure from the beginning of 2014

At the beginning of 2014 the risk management organisation at Group level was redesigned. The prime objective was a clearer separation between steering and modelling tasks. Furthermore, similar activities were combined and the number of divisions was reduced by one unit.

By the establishment of distinct divisions for enterprise-wide risk steering, for methods and models as well as for operations, reporting and regulatory affairs, the changes mainly concern the former Group Strategic Risk Management division. The validation of models for all risk types is now done in a separate department that directly reports to the CRO.

Group co-ordination of risk management activities

The management board deals with risk issues in its regular board meetings. All types of risks are reported periodically and actions are taken when needed. In addition, the board is concerned with current risk issues and, through the internal risk reporting, receives ad hoc reports for all types of risk.

In order to carry out risk management activities within Erste Group, certain committees have been established, including the following:

_ Risk Management Committee,
_ CRO Board,
_ Strategic Risk Management Committee,
_ Group Asset Liability Committee,
_ Group Operational Liquidity Committee,
_ Market Risk Committee, and
_ Group Operational Risk Committee.

The Risk Management Committee is responsible for granting approval in all those cases in which loans and exposures or large exposures reach an amount exceeding the approval authority of the management board according to the approval authority regulation. It is charged with granting approval to exposures or large exposures pursuant to Section 27 of the Austrian Banking Act, if such an investment in credit institutions exceeds 10% of the entity's own funds or if the investment amounts to at least 10% of the consolidated banking Group's own funds. Within the competence assigned to it, the committee may grant advance approvals to the extent permitted by law. In addition, it is responsible for supervising the risk management of Erste Group Bank AG. The Risk Management Committee meets regularly. As the central risk control body, the Risk Management Committee is regularly briefed on the risk status across all risk types.

The CRO Board and the Strategic Risk Management Committee are responsible for consistent co-ordination and implementation of risk management activities within Erste Group, including the cross-guarantee system of Austrian savings banks ('Haftungsverbund'). The CRO Board is made up of the Group CRO and the chief risk officers of the subsidiaries within Erste Group. Chaired by the Group CRO, the CRO Board has responsibility for Group-wide co-ordination of risk management and for ensuring uniformity of risk management standards across Erste Group.

The Strategic Risk Management Committee (SRMC), which is made up of the division heads of the strategic risk management department at each subsidiary, provides support to the CRO Board in decision-making on current risk-related topics.

Group Asset Liability Committee (Group ALCO) manages the consolidated Group balance sheet, focusing on trade-offs between all consolidated balance sheet risks (interest rate, exchange rate and liquidity risks) as well as taking care of Erste Group Bank's profit and loss account by performing management actions on the holding's balance sheet and by setting the Group standards and limits for Erste Group members. Additionally, it approves policies and strategies for controlling liquidity risk, interest rate risk (net interest income), capital management of the banking book, as well as examining proposals, statements and opinions of ALM, risk management, controlling and accounting functions. The approved investment strategy is within the guidelines agreed with Risk Management.

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

The Market Risk Committee (MRC) is the main steering body for all risks related to currencies, money market and capital market trading operations in Erste Group. The MRC meets quarterly, approves Group-wide market risk limits and elaborates on the current market situation. The members of the MRC are the Group CRO, the Head of Group Corporates and Markets, the Group Chief Financial Officer (CFO), the Head of Group Capital Markets, the Head of Group Strategic Risk Management, and the Head of Group Market and Liquidity Risk Management.

The objectives of the Group Operational Risk Committee (GORCO) are to reduce operational risk at Group level through decisions on risk mitigation measures, monitor these risks and handle substantial operational risks within the Group. GORCO has the authority to decide on risk mitigation and risk steering measures at Group level.

In addition, committees are established at local level, such as the 'Risikomanagementbeirat' in Austria. This implements a common risk approach within the Austrian members of Erste Group (i.e. Erste Bank Oesterreich and the Savings Banks).

As a result of the principle of segregating risk origination and risk control, at every level of the risk management structure of Erste Group – and particularly concerning market and credit risks – the risk control functions are exercised independently of the front-office functions.

38.3) Current topics

Current regulatory topics

Activities in the context of changes in regulatory requirements

Since 2010, Erste Group has been scrutinising the impacts of the planned regulatory changes commonly known as Basel 3. The Group has established a Group-wide Basel 3 programme, which ensures that all requirements arising from the Capital Requirements Directive IV (CRD IV) and from related national and international regulations are implemented in time and completely within the whole Group. The programme includes a stream covering capital requirements, changes in risk-weighted asset (RWA) calculations, counterparty credit risk (CCR), and the new capital charge for credit value adjustments (CVA). Further streams focus on new legal requirements for regulatory capital, new disclosure requirements, the new liquidity rules, the planned introduction of a leverage ratio as well as transitional provisions up to 31 December 2022, based on definitions within the CRD IV.

Due to the established programme structure, Erste Group has an integrated view of all requirements arising from Basel 3. Furthermore, a close alignment is being undertaken with programmes focusing on other internal or regulatory requirements in the areas of risk management and accounting, such as the IFRS 9 project.

Regarding changes in risk-weighted assets according to Basel 3, since 2010 Erste Group has actively participated in the semi-annual Quantitative Impact Study (QIS) which is co-ordinated by Austrian and European regulatory authorities. In future, Erste Group will also participate in the exercises. The bank has completed several calculations to evaluate the impact of the new accord on its risk-weighted assets, both within and beyond the scope of the QIS exercises.

Erste Group has also calculated the Basel 3-compliant liquidity ratios which were also collected within the scope of the planned exercises. The Group has made several calculations to assess the status of the entities with regards to these ratios, and the preparation for the Common Reporting (COREP) is currently underway.

Regulatory changes for the internal model approach to market risk according to the Capital Requirements Directive III (CRD III) became effective for Erste Group at year-end 2011. The inclusion of stressed value-at-risk (VaR) and event risk (for equity-related risks) in the internal model was developed and received approval from regulators after a successful audit by the Austrian regulator in the fourth quarter of 2011.

Implementation of Basel 3 in the European Union

On 16 April 2013 the European Parliament adopted the new capital and liquidity requirements for the implementation of Basel 3 in the European Union. On 27 June 2013, the final Capital Requirements Directive IV (CRD IV) and the final Capital Requirements Regulation (CRR) were published in the Official Journal of the European Union.

The new regulatory requirements for credit institutions and investment firms have to be applied starting 1 January 2014. From then onwards, the regulatory capital (own funds) and the regulatory capital requirements will be calculated and published in accordance to the CRR. The Leverage Ratio has to be disclosed starting 2015.

Switch of Accounting Principles for calculation of regulatory capital ratios as of 31 March 2013

From 31 March 2013 the consolidated regulatory capital (own funds) and the consolidated regulatory capital requirements of Erste Group are calculated in accordance with IFRS. In addition to the legal requirements previously applied in determining the

regulatory capital and the regulatory capital requirement, the regulations defined in article 29a Austrian Banking Act take effect in regard to the application of IFRS.

The switch to IFRS had no material impact on the regulatory capital ratios of Erste Group.

Capital increase and repayment of participation capital
In July 2013 Erste Group's share capital was increased by EUR 660.6 million by the issuance of 35,231,353 new shares. As a consequence, the regulatory Tier-1 capital increased by around EUR 642 million after deduction of costs related to the capital increase.

In August 2013 the participation capital of Erste Group in an amount of EUR 1.76 billion was fully redeemed.

The Tier 1 ratio of Erste Group as of 31 December 2013 amounts to 11.8%.

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

Current economic topics

The tables below illustrate that Erste Group's net exposure to European countries that are particularly affected by the sovereign debt crisis was further reduced in the course of the financial year 2013. The net exposure to Greece, Ireland, Italy, Portugal and Spain decreased from EUR 1.89 billion at year-end 2012 to EUR 1.54 billion as of 31 December 2013. The net exposure to Greece decreased to EUR 3 million, as compared to EUR 5 million as of 31 December 2012. The net exposures to Italy, Ireland, Portugal and Spain also decreased. Due to increases in the net exposure to the sovereigns of Italy, Spain and Portugal, the total sovereign net exposure increased to EUR 211 million as of 31 December 2013.

As of 31 December 2013, Erste Group had a net exposure of EUR 224 million to the Slovenian sovereign and EUR 9 million to Slovenian banks. In total, Erste Group reduced its net exposure to to the Slovenian sovereign and the Slovenian banking sector since 31 December 2012 by EUR 121 million.

The following tables show the net exposure to sovereigns and institutions in selected European countries as of 31 December 2013 and 31 December 2012, respectively. The net exposure includes all on- and off-balance-sheet items after counterparty netting and risk transfer to guarantors. Derivatives are netted (ISDA Master Agreement with netting agreement) and collateral for derivatives reduces the exposure, provided that the respective contracts are in force (Credit Support Annex to ISDA Master Agreement). In the case of repo transactions, the book value of the securities sold under repurchase agreements is recognised as exposure to the issuer. Moreover, an exposure to the counterparty amounting to the difference between the funds received and a potentially higher market value of the securities sold plus a percentage of the nominal value is considered in order to take into account price fluctuations. In the case of reverse repurchase agreements, the respective counterparty risk is considered as for repurchase agreements (the difference between the funds placed and a potentially lower market value of the securities purchased plus a percentage of the nominal value in order to take into account price fluctuations), but the issuer risk is not considered. The net exposure represents the net risk view. It differs from the credit risk exposure, which is treated in the 'Credit risk' section, primarily by applying the risk transfer to guarantors, by the deduction of collateral and by taking into consideration of netting agreements. Therefore, the two are not comparable. The sovereign net exposure includes central banks, central governments and institutions that are explicitly guaranteed by a central government.

Total net exposure to selected European countries

	Sovereigns		Banks		Other[1)]		Total	
in EUR million	2013	2012	2013	2012	2013	2012	2013	2012
Greece	0	0	0	0	3	5	3	5
Ireland	65	74	24	29	29	36	118	139
Italy	116	100	302	411	549	656	967	1,167
Portugal	5	3	14	48	8	10	27	61
Spain	25	13	199	249	205	253	429	515
Total	**211**	**190**	**540**	**737**	**793**	**960**	**1,544**	**1,887**

1) Other contains securitisations and receivables from non-banking corporations.

Sovereigns net exposure to selected European countries

	Fair value		Available for Sale		At amortised cost		Total	
in EUR million	2013	2012	2013	2012	2013	2012	2013	2012
Greece	0	0	0	0	0	0	0	0
Ireland	0	0	65	59	0	15	65	74
Italy	(7)	(11)	116	100	1	0	116	100
Portugal	(9)	(16)	5	3	0	0	5	3
Spain	(11)	(22)	25	11	3	2	25	13
Total	**(27)**	**(49)**	**211**	**173**	**4**	**17**	**211**	**190**

Most of the short positions relating to sovereigns in Italy, Portugal and Spain as of 31 December 2013 mature before the corresponding long positions or are booked in a different legal entity. Therefore, these are not offset in the exposure figures above. If these were considered in the calculations, total exposure would accordingly be lower. The short positions originate from Credit Default Swap transactions and are stated in the fair value section in the table above.

Banks net exposure to selected European countries

	Fair value		Available for Sale		At amortised cost		Total	
in EUR million	2013	2012	2013	2012	2013	2012	2013	2012
Greece	0	0	0	0	0	0	0	0
Ireland	15	16	4	5	6	8	24	29
Italy	38	44	121	149	143	218	302	411
Portugal	(3)	2	2	16	15	30	14	48
Spain	41	69	12	34	146	146	199	249
Total	**91**	**131**	**139**	**204**	**311**	**402**	**540**	**737**

As of 31 December 2013, no specific provisions were allocated to sovereigns and banks in the above mentioned countries.

38.4) Group-wide risk and capital management

Overview

In light of the lessons learned from recent turbulence on the financial markets, among other reasons, Erste Group's risk management framework has been continuously strengthened. In particular, Group Strategic Risk Management and its Enterprise-wide Risk Management (ERM) have been developed into a comprehensive framework. This includes as its fundamental pillar the Internal Capital Adequacy Assessment Process (ICAAP), as required under Pillar 2 of the Basel framework.

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

ERM is a modular and comprehensive management and steering system within Erste Group and is integral to the bank's and Group's overall steering and management system. The components necessary to ensure all aspects of ERM, regulatory requirements, but particularly internal value adding needs, can be clustered as follows:

- Risk appetite statement
- Portfolio & risk analytics including
  - Risk materiality assessment
  - Concentration risk management and
  - Stress testing
- Risk-bearing capacity calculation
- Risk planning & forecasting including
  - Risk-weighted assets management and
  - Capital allocation, and
- Recovery and resolution plans

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

Risk appetite statement

The risk appetite statement (RAS) is a high-level strategic statement and forms an integral part of Erste Group's business and risk strategy. It also serves as a formalised, high-level steering tool from which top-down targets for the bank's limit system on lower aggregation levels can be derived.

The objective of Erste Group's RAS is to contain earnings volatility, avoid net losses, ensure a stable target rating for Erste Group (including all associated aspects, e.g. funding costs) and protect external and internal stakeholders. In order to reach these goals, general indicators are defined as well as indicators for credit, market and liquidity risk. To ensure that the RAS is operationally efficient, the indicators are classified as either targets, limits or principles, where the main differences are in the mechanisms triggered in case of a breach of the RAS.

Targets are in general derived as part of the planning process, where the final budget is aligned with the targets set. A significant deviation from a target usually triggers management action, and a 'cure' plan for the next 12 months must be formulated. Regular reviews are performed and management reports are prepared in order to ensure effective limit oversight and identify any excesses. Counterbalancing measures must be taken to close any limit breach exceptions as soon as possible. Principles are the equivalent to a qualitative strategic statement/directive and are monitored ex ante and operationalised, e.g. via guidelines and policies.

In 2013, the risk indicator framework was further enhanced by broadening the scope and increasing the level of granularity. Tighter limits and targets were defined, which serve especially for managing the economic capital. Furthermore, the strategic pillars were revised in order to optimise the capital allocation and establish an effective linkage to the risk-bearing capacity framework.

Portfolio and risk analytics

For the purpose of adequately managing the Group's risk portfolios according to the strategy, risks are systematically analysed within the scope of portfolio and risk analytics. Therefore, Erste Group has developed a corresponding infrastructure, systems and processes with which extensive analyses are ensured. Risks are quantified, qualified and discussed in a consistent management process in order to decide on appropriate measures on a timely basis.

Risk materiality assessment

For the purpose of systematically and continuously assessing all relevant risk types and identifying risks that are significant for the Group, Erste Group has defined a clear and structured risk materiality assessment approach that is based on defined quantitative and qualitative factors for each risk type and is carried out annually.

This process constitutes the basis for the determination of material risk types to be included in the risk-bearing capacity calculation. Insights generated by the assessment are also used to improve risk management practices per se to further mitigate risks within the Group but also as an input for the design and definition of the Group's Risk Appetite Statement. Furthermore, insights from the risk materiality assessment are considered in the stress test when defining stress parameters.

Concentration risk management

Erste Group has implemented a framework to identify, measure, control, report and manage concentration risks. This is essential to ensuring the long-term viability of Erste Group, and especially in times of stressed economic conditions.

Concentration risk management at Erste Group is based on a framework of processes, methodologies and reports covering both intra- and inter-risk concentrations. Concentration risks also comprise an integral part of stress test analyses. Furthermore, the outcome of a stress test is directly considered in the Risk-bearing Capacity Calculation of the Group

Additionally, the results of concentration risk assessments are used in defining the Risk Appetite Statement, defining stress factors for stress tests, and when setting or calibrating Erste Group's limit system.

Based on the results of concentration risk studies, potential regional, country, industry and specific asset class concentration risks are analysed across the portfolio. Country concentrations mainly reflect the Group's strategy to operate in its core CEE region.

Stress testing

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

Erste Group's most complex stress tests take comprehensive account of the impact of stress scenarios, including second-round effects on all risk types (credit, market, liquidity and operational) and in addition impacts on the associated volumes of assets and liabilities as well as on profit and loss sensitivities.

Erste Group has developed specific tools to support the stress testing process, which combines bottom–up and top–down approaches. In addition, Erste Group leverages the intimate knowledge of its professionals located in the different regions to further calibrate the model-based stress parameters. Special attention is given to take into account adequate granularity and special characteristics when defining the stress parameters (e.g. the particular developments in the respective region, industry, product type or segment). The adequacy of scenarios and stress parameters is reviewed on a quarterly basis.

Results from all of Erste Group's stress tests are checked as to their explanatory power in order to decide on appropriate measures. All stress tests performed in the reporting period clearly showed capital adequacy to be sufficient.

Erste Group additionally participated in a stress test exercise at national level (OeNB) and international level (EBA), respectively. The results of these stress tests showed that Erste Group's regulatory capital was adequate.

Risk-bearing capacity calculation

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

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

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

Besides the Pillar 1 risk types (credit, market and operational risks), in the context of Pillar 2, interest rate risks in the banking book, foreign exchange risks arising from equity investments and credit spread risks in the banking book are explicitly considered within the required economic capital via internal models. During 2013 the utilisation of the economic capital was between 68% and 72%. The methodologies that are applied for the different risk types are diverse and range from historic simulations and value at risk approaches to the regulatory approach for residual portfolios. Moreover, calculations for portfolios under the standard regulatory approach are extended by risk parameters from the internal ratings-based approach in order to give a more economic view. The focus in 2013 was on further development of the risk-sensitive measures in relation to the trading book market risk components.

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

Based on Erste Group's business and risk profile, the three main types of banking risks – credit risk, market risk and operational risk – are currently considered directly in the Risk-bearing Capital Calculation. Credit risk accounts for approximately 74% of the total economic capital requirement. Reflecting Erste Group's conservative risk management policy and strategy, the Group does not offset diversification effects between these three risk

types. The economic capital requirement for unexpected losses is computed on a one-year time horizon with a 99.95% confidence level, which reflects the implied default risk consistent with a long-term credit rating of AA.

The capital or coverage potential required to cover economic risks and unexpected losses is based on regulatory own funds combined with several economic effect-driven adaptations, and consider subordinated liabilities and regulatory deductibles as well. The coverage potential must be sufficient to absorb unexpected losses resulting from the Group's operations.

Risk planning and forecasting

The responsibility for risk management within the Group and each subsidiary includes to ensure sound risk planning and forecasting processes. The numbers determined by risk management are a consequence of close co-operation with all stakeholders in the Group's overall planning process, and in particular with Group Performance Management (GPM), Asset Liability Management and the business lines. The relevant numbers flow directly into the Group steering and planning process, which is hosted by GPM.

A particular role and forward-looking element is played by the rolling one-year forecast within the RCC which is vital in determining the trigger level of the traffic light system.

Risk-weighted asset management

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

There is a process in place for tracking compliance with RWA targets, forecasting their future developments and thereby defining further targets. Deviations are brought to the attention of the board within a short time frame. This process is carried out by a task force with dedicated experts from the relevant areas of risk management, controlling and statutory reporting. The task force's steering committee is co-headed by the CFO and CRO, and its meetings take place at least monthly. In addition to discussions in the steering committee, the Group's management board is regularly informed about the current status, and findings are taken into account in the context of Erste Group's regular steering process. Furthermore, RWA targets are included in the Risk Appetite Statement.

Capital allocation

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

Recovery and resolution plans

In compliance with the newly introduced Austrian Banking Intervention and Restructuring Law ('Bankeninterventions- und Restrukturierungsgesetz' – BIRG) and the European Banking Authority's (EBA) formal recommendations, Erste Group has prepared recovery and resolution plans for potential crisis situations. In 2013, the Group Recovery Plan was submitted to the regulators.

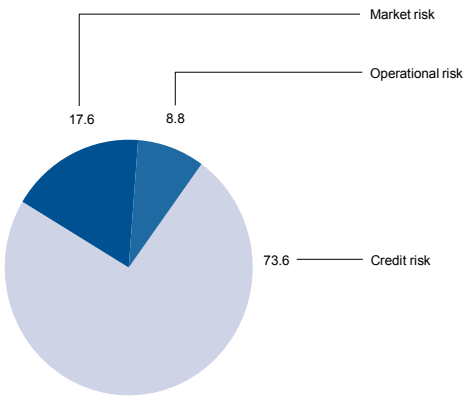
The Group Recovery Plan identifies options for restoring financial strength and viability if Erste Group comes under severe stress. The plan specifies potential options for the replenishment of capital and liquidity resources of the bank in order to cope with a range of scenarios including both idiosyncratic and market-wide stress. Erste Group's former Emergency Response Plan has been replaced by this Group Recovery Plan.

According to BIRG requirements, the Group Resolution Plan will be developed and the Group Recovery Plan will be updated in 2014, and both will be submitted to the regulators.

Erste Group's aggregate capital requirement by risk type

The following diagram presents the composition of the economic capital requirement as of 31 December 2013 according to type of risk:

Economic capital allocation in %, 31.12.2013



38.5) Credit risk

Definition and overview

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

The central database used for credit risk management is the Group Data Pool. All data relevant to credit risk management, performance management and determination of risk-weighted assets and the regulatory capital requirement are regularly input into this database. Relevant subsidiaries not yet integrated into the Group data pool regularly deliver reporting packages.

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

The Credit Limit System organisational unit, which is part of Group Corporate Risk Management, is in charge of the roll-out and continuous technical improvement of a Group-wide online limit system for capping counterparty risk arising from treasury transactions, as well as for the monitoring of credit risk from exposure to clients that fall into the financial institutions, sovereigns and international large corporates asset segments and that work with several different members of Erste Group.

Internal rating system

Overview

Erste Group has business and risk strategies in place, as well as policies for lending and credit approval processes, that are reviewed and adjusted regularly, at minimum on a yearly basis. They cover the entire lending business, taking into account the nature, scope and risk level of the transactions and the counterparties involved. Credit approval is also based on the creditworthiness of the customer, the type of credit, collateral, covenant package and other risk mitigation factors involved.

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

The main purpose of the internal ratings is to support the decision-making for lending and for the terms of credit facilities to be extended. However, internal ratings also determine the level of decision-making authority within Erste Group and the monitoring procedures for existing exposures. At a quantitative level, internal ratings drive the level of required risk pricing and risk provisions.

For internal ratings-based (IRB) Approach compliant entities of Erste Group, internal ratings are a key element of the risk-weighted assets calculation. They are also used in the Group's assessment of economic capital requirement according to Basel 2 Pillar 2 (ICAAP). For these purposes, a distinct PD value is assigned to each rating grade for its IRB portfolios within the calibration process. Calibration is performed individually for each rating method. PD values reflect the 12-month probability of default based on long-term average default rates. The bank assigns margins of conservatism to the calculated PD depending on the granularity of portfolios and relevant data history. Calibration of PD values is validated annually in line with all the rating methods validations.

Internal ratings take into account all available essential information for the assessment of counterparty default risk. For non-retail borrowers, internal ratings take into account the financial strength of the counterparty, the possibility of external support, company information and external credit history information, where available. For the wholesale segment, internal ratings also take into account market information such as access to capital markets linked to external ratings or credit spreads. The willingness of the market to provide funds to the counterparty can be derived from these variables. For retail clients, internal ratings are based mainly on behavioral and application scoring, but they also utilise demographic and financial information, supplemented by credit bureau information, where available. Rating ceiling rules on credit quality are applied based on membership in a Group of economically related entities and country of main economic activity. Country ceilings are applied for cross-border financing facilities.

Internal teams of specialists (Competence Centers) provide internal rating models and risk parameters and develop them further. Rating development follows an internal methodology that is formalised in a Group-wide methodology and documentation

standard. Rating models are developed based on relevant and accurate data covering the respective market. In this way, Erste Group has established highly predictive rating models covering its entire core region.

All scorecards, whether retail or non-retail, are regularly validated by the central validation unit based on Group-wide standard methodology. Validations are provided using statistical techniques in respect to default prediction performance, rating stability, data quality, completeness and relevancy, and, last but not least, the review of documentation and user acceptance. The results of this validation process are reported to the management and regulatory bodies. In addition to the validation process, the Group applies a monthly monitoring process on the performance of rating tools, reflecting the month-to-month new defaults and any early delinquencies.

A Holding Model Committee is established as an elementary steering and control body for the model development and maintenance process. The Holding Model Committee reports to the CRO Board. All new models and modifications of existing models in the Group (rating models and risk parameters), as well as methodology standards, are reviewed by the Holding Model Committee. The Holding Model Committee ensures Group-wide integrity and consistency of models and methodologies. Besides its review function for new models and methodologies, the Holding Model Committee organises the Group-wide validation process, reviews validation results, and approves remedial actions. All development and validation activities are coordinated by the Group Credit Risk Methods organisational unit.

Risk grades and categories

The classification of credit assets into risk grades is based on Erste Group's internal ratings. Erste Group uses two internal risk scales for risk classification: for customers that have not defaulted, a risk scale of 8 risk grades (for retail) and 13 risk grades (for all other segments) is used. Defaulted customers are classified into a separate risk grade. For newly acquired subsidiaries of Erste Group, the respective local risk classification is mapped to Group standard classifications until internal rating systems according to Group methodology are introduced.

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

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

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

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

Non-performing: One or more of the default criteria under Basel 2 are met: full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings. For purposes of analysing non-performing positions, Erste Group applies the customer view in Austria. Accordingly, if an Austrian customer defaults on one product then all of that customer's performing products are classified as non-performing. For corporate borrowers in CEE, the customer view is also applied. However, in the retail and SME segment in some subsidiaries in CEE, Erste Group uses the product view, so that only the product actually in default is counted as a non-performing exposure whereas the other products of the same customer are considered performing.

Credit risk review and monitoring

Credit monitoring

In order to manage the credit risk for large corporates, banks, sovereigns and country risk, credit limits are established to reflect the maximum exposure that Erste Group is willing to take on that particular customer or Group of connected customers. All credit limits and the transactions booked within the limits are reviewed at least once a year. For smaller enterprises and retail customers, the monitoring and credit review are based on an automated early warning system and a rating model that is updated monthly. For weaker small companies (with a risk category of 'Management attention' or 'Substandard'), a continuous review process is undertaken.

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

For retail businesses, local operational risk management is responsible for undertaking these monitoring activities and fulfilling the minimum requirements of Group Retail Risk Management.

Credit risk exposure

Credit risk exposure relates to the following balance sheet items:

- loans and advances to credit institutions;
- loans and advances to customers;
- debt securities held for trading, at fair value through profit or loss, available for sale, and held to maturity;
- derivatives; and
- credit risks held off balance sheet (primarily financial guarantees and undrawn credit commitments).

The credit risk exposure comprises the gross amount without taking into account loan loss provisions, any collateral held (including risk transfer to guarantors), netting effects, other credit enhancements or other credit risk mitigating transactions.

The credit risk exposure of Erste Group decreased by 4.7%, or almost EUR 10.3 billion, from EUR 219.7 billion as of 31 December 2012 to approximately EUR 209.4 billion as of 31 December 2013.

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

- by Basel 2 exposure class and financial instrument,
- by industry and financial instrument,
- by risk category,
- by industry and risk category,
- by region and risk category, and
- by business segment and risk category.

Thereafter, a breakdown is presented of

- contingent liabilities by region and risk category,
- contingent liabilities by product,
- credit risk exposure to sovereigns by region and financial instrument, and
- credit risk exposure to institutions by region and financial instrument.

This is followed by presentation of

- non-performing credit risk exposure by business segment and credit risk provisions,
- the composition of provisions,
- credit risk exposure by business segment and collateral,
- credit risk exposure by financial instrument and collateral, and
- credit risk exposure past due and not covered by specific provisions by Basel 2 exposure class and collateralisation.

and a breakdown of

- loans and advances to customers by business segment and risk category
- non-performing loans and advances to customers by business segment and coverage by loan loss provisions and collateral, and
- loans and advances to customers by business segment and currency.

Credit risk exposure by Basel 2 exposure class and financial instrument

The following tables include Erste Group's credit risk exposure broken down by Basel 2 exposure class and financial instrument as of 31 December 2013 and 31 December 2012, respectively. The assignment of obligors to Basel 2 exposure classes is based on legal regulations. For reasons of clarity, individual Basel 2 exposure classes are presented in aggregated form in the tables below and in other tables in the section 'Credit Risk'. The aggregated exposure class 'sovereigns' also contains regional and local governments as well as public sector entities in addition to central governments, central banks, international organisations and multinational development banks.

Credit risk exposure by Basel 2 exposure class and financial instrument in 2013

			Debt instruments						
	Loans and advances to credit institutions	Loans and advances to customers	Held to maturity	Trading assets	At fair value through profit or loss	Available for sale	Positive fair value of derivative financial instruments	Contingent liabilities	Credit risk exposure
in EUR million	At amortised cost			Fair value					
Sovereigns	1,462	7,659	15,449	5,026	144	11,945	524	1,227	43,436
Institutions	7,585	57	1,476	384	112	3,943	7,183	420	21,159
Corporates	14	57,288	856	258	65	2,660	576	15,446	77,164
Retail	0	62,695	0	0	0	6	2	4,940	67,643
Total	**9,062**	**127,698**	**17,781**	**5,668**	**322**	**18,554**	**8,285**	**22,033**	**209,402**

Credit risk exposure by Basel 2 exposure class and financial instrument in 2012

			Debt instruments						
	Loans and advances to credit institutions	Loans and advances to customers	Held to maturity	Trading assets	At fair value through profit or loss	Available for sale	Positive fair value of derivative financial instruments	Contingent liabilities	Credit risk exposure
in EUR million	At amortised cost			Fair value					
Sovereigns	2,556	7,799	16,371	4,267	236	13,016	623	881	45,748
Institutions	6,504	52	1,720	360	211	4,425	11,806	267	25,346
Corporates	15	60,302	884	245	79	2,784	857	14,640	79,805
Retail	0	63,774	0	0	0	0	4	4,990	68,768
Total	**9,074**	**131,928**	**18,975**	**4,872**	**526**	**20,225**	**13,289**	**20,779**	**219,668**

Credit risk exposure by industry and financial instrument

The following tables present Erste Group's credit risk exposure by industry, broken down by financial instruments, as of each reporting date indicated.

Credit risk exposure by industry and financial instrument in 2013

			Debt instruments						
	Loans and advances to credit institutions	Loans and advances to customers	Held to maturity	Trading assets	At fair value through profit or loss	Available for sale	Positive fair value of derivative financial instruments	Contingent liabilities	Credit risk exposure
in EUR million	At amortised cost			Fair value					
Agriculture and forestry	0	2,218	0	0	0	0	3	185	2,405
Mining	0	439	0	0	0	8	0	142	589
Manufacturing	0	9,316	44	6	1	117	93	3,701	13,278
Energy and water supply	0	2,797	39	28	0	63	41	978	3,946
Construction	0	6,743	292	43	0	312	10	2,952	10,352
Trade	0	8,376	0	5	0	10	45	2,145	10,581
Transport and communication	0	3,516	187	48	0	576	21	1,079	5,427
Hotels and restaurants	0	3,822	9	0	0	2	30	457	4,320
Financial and insurance services	9,062	5,576	2,146	1,359	250	6,159	7,360	2,587	34,498
Real estate and housing	0	19,975	15	4	0	204	162	1,611	21,972
Services	0	4,743	24	49	0	90	32	1,255	6,194
Public administration	0	6,062	15,018	4,122	61	10,679	460	909	37,312
Education, health and art	0	2,646	0	0	0	0	12	282	2,940
Private households	0	51,266	0	0	0	0	1	3,166	54,434
Other	0	202	8	4	9	333	14	583	1,154
Total	**9,062**	**127,698**	**17,781**	**5,668**	**322**	**18,554**	**8,285**	**22,033**	**209,402**

Credit risk exposure by industry and financial instrument in 2012

in EUR million	Loans and advances to credit institutions	Loans and advances to customers	Debt instruments: Held to maturity	Debt instruments: Trading assets	Debt instruments: At fair value through profit or loss	Debt instruments: Available for sale	Positive fair value of derivative financial instruments	Contingent liabilities	Credit risk exposure
	At amortised cost		Fair value						
Agriculture and forestry	0	2,195	0	0	0	0	3	211	2,409
Mining	0	396	0	1	0	0	0	191	588
Manufacturing	0	10,259	54	23	1	146	102	3,770	14,356
Energy and water supply	0	2,387	51	24	0	66	43	847	3,418
Construction	0	7,067	110	4	0	76	36	2,636	9,930
Trade	0	8,903	0	1	0	13	90	2,293	11,300
Transport and communication	0	3,717	185	17	0	446	26	759	5,150
Hotels and restaurants	0	4,048	9	0	0	2	40	461	4,560
Financial and insurance services	9,074	6,208	2,423	1,302	439	7,670	12,039	1,980	41,135
Real estate and housing	0	20,534	28	22	0	225	254	1,640	22,703
Services	0	4,839	164	50	0	293	43	1,061	6,451
Public administration	0	6,615	15,932	3,422	81	10,941	581	758	38,331
Education, health and art	0	2,606	0	0	0	0	9	316	2,931
Private households	0	52,028	0	0	0	0	3	3,225	55,256
Other	0	125	18	6	3	347	20	632	1,151
Total	**9,074**	**131,928**	**18,975**	**4,872**	**526**	**20,225**	**13,289**	**20,779**	**219,668**

Credit risk exposure by risk category

The following table presents the credit risk exposure of Erste Group divided by risk category as of 31 December 2013, compared with the credit risk exposure as of 31 December 2012.

Credit risk exposure by risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Total exposure as of 31 Dec 2013	172,357	19,915	4,302	12,828	209,402
Share of credit risk exposure	82.3%	9.5%	2.1%	6.1%	
Total exposure as of 31 Dec 2012	179,455	22,833	4,785	12,595	219,668
Share of credit risk exposure	81.7%	10.4%	2.2%	5.7%	
Change in credit risk exposure in 2013	(7,098)	(2,918)	(483)	233	(10,266)
Change	(4.0)%	(12.8)%	(10.1)%	1.8%	(4.7)%

From 31 December 2012 to 31 December 2013, the share of credit risk exposure in the best and weakest categories increased, while it decreased in the other two categories. Non-performing claims as a percentage of total credit risk exposure (i.e. the non-performing exposure ratio, NPE ratio) rose from 5.7% to 6.1%. Of Erste Group's total credit exposure, 82.3% fell into the best risk category and 9.5% was in the management attention category. The combined proportion of the two weaker risk categories scarcely changed between 31 December 2012 and 31 December 2013, growing by 0.3 percentage points from 7.9% to 8.2% of total credit risk exposure.

Credit risk exposure by industry and risk category

The following tables present the credit risk exposure of Erste Group broken down by industry and risk category as of 31 December 2013 and 31 December 2012, respectively.

Credit risk exposure by industry and risk category in 2013

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Agriculture and forestry	1,580	471	84	270	2,405
Mining	390	131	5	63	589
Manufacturing	9,362	1,763	451	1,702	13,278
Energy and water supply	3,223	410	96	217	3,946
Construction	6,872	1,471	198	1,811	10,352
Trade	7,137	1,597	310	1,536	10,581
Transport and communication	4,432	588	73	335	5,427
Hotels and restaurants	2,318	908	230	864	4,320
Financial and insurance services	32,303	1,650	49	497	34,498
Real estate and housing	17,451	2,720	556	1,244	21,972
Services	4,672	888	170	464	6,194
Public administration	36,709	548	32	22	37,312
Education, health and art	2,064	449	62	365	2,940
Private households	43,383	6,281	1,362	3,408	54,434
Other	460	42	623	29	1,154
Total	**172,357**	**19,915**	**4,302**	**12,828**	**209,402**

Credit risk exposure by industry and risk category in 2012

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Agriculture and forestry	1,529	546	79	255	2,409
Mining	399	110	5	74	588
Manufacturing	9,611	2,436	535	1,773	14,356
Energy and water supply	2,767	340	42	269	3,418
Construction	5,950	1,843	315	1,821	9,930
Trade	7,792	1,810	375	1,324	11,300
Transport and communication	3,890	796	65	399	5,150
Hotels and restaurants	2,447	986	310	816	4,560
Financial and insurance services	39,386	1,276	80	392	41,135
Real estate and housing	17,570	3,267	658	1,208	22,703
Services	4,798	953	161	539	6,451
Public administration	37,476	817	10	28	38,331
Education, health and art	2,024	668	48	191	2,931
Private households	43,337	6,891	1,560	3,468	55,256
Other	478	92	544	37	1,151
Total	**179,455**	**22,833**	**4,785**	**12,595**	**219,668**

Credit risk exposure by region and risk category

The geographic analysis of credit exposure is based on the risk country of the borrower. Accordingly, the distribution among Erste Group entities of the credit risk exposure by geography differs from the composition of credit risk exposure in terms of reporting segments of Erste Group.

The following tables present the credit risk exposure of Erste Group divided by region as of 31 December 2013 and 31 December 2012, respectively.

Credit risk exposure by region and risk category in 2013

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Core market	**144,581**	**18,335**	**4,004**	**11,935**	**178,855**
Austria	75,166	8,224	1,599	3,289	88,278
Croatia	6,448	1,440	476	1,538	9,902
Romania	10,729	3,080	704	3,346	17,860
Serbia	731	327	45	139	1,242
Slovakia	13,636	879	269	509	15,294
Slovenia	1,063	356	86	344	1,849
Czech Republic	29,632	2,695	532	1,098	33,956
Hungary	7,176	1,334	292	1,671	10,474
Other EU	**22,348**	**789**	**211**	**521**	**23,869**
Other industrialised countries	**2,855**	**151**	**30**	**132**	**3,168**
Emerging markets	**2,573**	**641**	**57**	**240**	**3,510**
South-Eastern Europe/CIS	1,442	596	57	205	2,300
Asia	675	12	0	17	704
Latin America	66	2	0	3	72
Middle East/Africa	389	30	0	15	434
Total	**172,357**	**19,915**	**4,302**	**12,828**	**209,402**

Credit risk exposure by region and risk category in 2012

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Core market	**145,789**	**20,790**	**4,564**	**11,661**	**182,803**
Austria	75,642	8,419	1,534	3,423	89,017
Croatia	6,147	1,808	470	1,295	9,720
Romania	10,678	3,113	993	3,346	18,129
Serbia	805	276	49	79	1,209
Slovakia	13,107	1,176	232	502	15,017
Slovenia	1,328	267	127	228	1,951
Czech Republic	31,219	3,961	742	1,063	36,984
Hungary	6,864	1,770	417	1,726	10,777
Other EU	**27,409**	**1,202**	**112**	**559**	**29,283**
Other industrialised countries	**4,096**	**140**	**19**	**143**	**4,398**
Emerging markets	**2,161**	**702**	**90**	**232**	**3,184**
South-Eastern Europe/CIS	1,322	634	87	187	2,230
Asia	510	10	1	24	546
Latin America	86	19	1	8	114
Middle East/Africa	243	38	1	13	294
Total	**179,455**	**22,833**	**4,785**	**12,595**	**219,668**

Between 31 December 2012 and 31 December 2013, the credit risk exposure fell by EUR 10.3 billion to EUR 209.4 billion. In the CEE core markets, it decreased by EUR 3.2 billion, or 3.4%, while it decline by approximately EUR 739 million, or 0.8%, in Austria. In the other EU member states (EU 28 excluding core markets), the credit risk exposure dropped by EUR 5.4 billion, or 18.5%, from EUR 29.3 billion to less than EUR 24 billion between the two balance sheet dates. Contrasting with a decrease of EUR 1,230 million, or 28%, in other industrialised countries, the credit risk exposure increased by EUR 326 million, or 10.2%, in emerging markets. In total, the countries of Erste Group's core market and the EU accounted for 96.8% of credit risk exposure as of 31 December 2013. At 1.7%, the share of emerging markets remained of minor importance.

Credit risk exposure by business segment and risk category

The following tables show the credit risk exposure of Erste Group broken down by reporting segment as of 31 December 2013 and 31 December 2012, respectively.

Credit risk exposure by business segment and risk category in 2013

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Retail & SME	**126,680**	**16,379**	**3,154**	**10,823**	**157,037**
Austria	72,858	9,004	1,417	3,819	87,098
Erste Bank Oesterreich	31,423	2,447	400	1,143	35,413
Savings Banks	41,435	6,557	1,018	2,675	51,685
Central and Eastern Europe	53,822	7,375	1,737	7,004	69,939
Czech Republic	26,722	2,094	433	821	30,070
Romania	8,222	2,330	477	2,996	14,024
Slovakia	9,867	629	236	405	11,137
Hungary	2,786	1,005	235	1,419	5,445
Croatia	5,697	1,078	346	1,277	8,397
Serbia	528	241	10	86	865
Group Corporate & Investment Banking	**19,140**	**2,595**	**800**	**2,001**	**24,535**
Group Markets	**17,864**	**271**	**30**	**3**	**18,168**
Corporate Center	**8,672**	**671**	**318**	**1**	**9,662**
Total	**172,357**	**19,915**	**4,302**	**12,828**	**209,402**

Credit risk exposure by business segment and risk category in 2012

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Retail & SME	**128,207**	**18,548**	**3,590**	**11,069**	**161,413**
Austria	72,950	9,165	1,382	3,816	87,313
Erste Bank Oesterreich	31,244	2,462	329	1,134	35,169
Savings Banks	41,706	6,703	1,054	2,682	52,145
Central and Eastern Europe	55,257	9,383	2,208	7,253	74,100
Czech Republic	28,063	3,107	598	989	32,758
Romania	8,766	2,523	631	3,086	15,007
Slovakia	9,449	877	197	448	10,971
Hungary	2,949	1,510	348	1,575	6,382
Croatia	5,558	1,186	417	1,085	8,246
Serbia	471	180	16	69	736
Group Corporate & Investment Banking	**19,840**	**3,895**	**861**	**1,521**	**26,117**
Group Markets	**22,479**	**186**	**20**	**2**	**22,688**
Corporate Center	**8,929**	**205**	**314**	**3**	**9,450**
Total	**179,455**	**22,833**	**4,785**	**12,595**	**219,668**

Contingent liabilities by region and risk category

The following tables present the credit risk exposure of Erste Group's off-balance-sheet items broken down by region and risk category, as well as by product, as of 31 December 2013 and 31 December 2012, respectively.

Contingent liabilities by region and risk category in 2013

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Core market	**16,664**	**2,169**	**654**	**431**	**19,918**
Austria	10,704	751	546	197	12,199
Croatia	539	98	27	26	690
Romania	889	858	13	106	1,866
Serbia	98	8	0	0	107
Slovakia	1,196	34	12	52	1,294
Slovenia	74	60	3	20	158
Czech Republic	2,772	308	50	23	3,152
Hungary	392	52	1	7	452
Other EU	**1,345**	**100**	**9**	**15**	**1,468**
Other industrialised countries	**169**	**4**	**1**	**0**	**174**
Emerging markets	**330**	**133**	**3**	**7**	**473**
South-Eastern Europe/CIS	226	131	3	7	367
Asia	18	1	0	0	19
Latin America	15	0	0	0	15
Middle East/Africa	71	0	0	0	72
Total	**18,507**	**2,406**	**666**	**453**	**22,033**

Contingent liabilities by region and risk category in 2012

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Core market	**15,592**	**2,129**	**705**	**394**	**18,820**
Austria	9,976	820	545	240	11,580
Croatia	473	113	17	21	624
Romania	978	367	34	66	1,445
Serbia	129	14	2	0	146
Slovakia	1,042	81	16	16	1,155
Slovenia	74	30	3	8	115
Czech Republic	2,624	642	83	31	3,380
Hungary	295	62	6	12	375
Other EU	**1,290**	**105**	**22**	**13**	**1,431**
Other industrialised countries	**95**	**7**	**0**	**0**	**103**
Emerging markets	**317**	**101**	**4**	**3**	**426**
South-Eastern Europe/CIS	207	78	4	3	291
Asia	24	1	0	0	25
Latin America	3	15	0	0	18
Middle East/Africa	83	8	0	0	91
Total	**17,294**	**2,343**	**731**	**411**	**20,779**

Contingent liabilities by product

in EUR million	2013	2012
Financial guarantees	6,887	6,363
Irrevocable commitments	15,146	14,415
Total	**22,033**	**20,779**

Credit risk exposure to sovereigns by region and financial instrument

The following tables show Erste Group's credit risk exposure to sovereigns broken down by region and financial instrument as of 31 December 2013 and 31 December 2012, respectively. The assignment of obligors to sovereigns is based on Basel 2 exposure classes.

Credit risk exposure to sovereigns by region and financial instrument in 2013

			Debt instruments						
	Loans and advances to credit institutions	Loans and advances to customers	Held to maturity	Trading assets	At fair value through profit or loss	Available for sale	Positive fair value of derivative financial instruments	Contingent liabilities	Credit risk exposure
in EUR million	At amortised cost			Fair value					
Core market	**804**	**7,340**	**14,690**	**4,834**	**139**	**9,817**	**522**	**1,126**	**39,272**
Austria	48	3,419	3,077	3	1	4,093	100	720	11,461
Croatia	690	1,185	94	200	0	496	0	15	2,680
Romania	0	1,226	2,351	976	5	1,166	0	225	5,949
Serbia	65	31	53	28	0	15	0	1	193
Slovakia	0	357	3,656	297	28	1,640	16	6	6,001
Slovenia	0	33	47	13	0	157	0	2	252
Czech Republic	0	610	4,576	1,344	105	2,014	406	151	9,206
Hungary	0	478	835	1,974	0	236	0	7	3,529
Other EU	**0**	**4**	**741**	**176**	**6**	**1,789**	**0**	**0**	**2,716**
Other industrialised countries	**650**	**0**	**0**	**0**	**0**	**190**	**0**	**0**	**840**
Emerging markets	**9**	**314**	**18**	**16**	**0**	**150**	**1**	**101**	**609**
South-Eastern Europe/CIS	0	196	18	8	0	145	0	101	468
Asia	0	109	0	0	0	2	0	0	111
Latin America	3	0	0	0	0	0	0	0	3
Middle East/Africa	6	9	0	8	0	3	1	0	26
Total	**1,462**	**7,659**	**15,449**	**5,026**	**144**	**11,945**	**524**	**1,227**	**43,436**

Credit risk exposure to sovereigns by region and financial instrument in 2012

in EUR million	Loans and advances to credit institutions	Loans and advances to customers	Debt instruments: Held to maturity	Debt instruments: Trading assets	Debt instruments: At fair value through profit or loss	Debt instruments: Available for sale	Positive fair value of derivative financial instruments	Contingent liabilities	Credit risk exposure
	At amortised cost			Fair value					
Core market	**728**	**7,479**	**15,749**	**3,949**	**229**	**10,900**	**623**	**875**	**40,532**
Austria	3	3,631	2,433	33	1	4,656	54	574	11,384
Croatia	690	990	101	111	0	530	0	5	2,427
Romania	5	1,267	2,497	587	5	980	0	85	5,425
Serbia	0	50	51	8	0	10	0	0	119
Slovakia	0	236	3,244	219	29	2,544	1	18	6,291
Slovenia	0	28	47	84	0	162	0	3	323
Czech Republic	0	681	6,175	1,867	194	1,314	567	180	10,978
Hungary	31	597	1,203	1,040	0	704	0	11	3,585
Other EU	**0**	**44**	**607**	**317**	**8**	**1,692**	**0**	**6**	**2,673**
Other industrialised countries	**1,818**	**0**	**0**	**0**	**0**	**276**	**0**	**0**	**2,093**
Emerging markets	**10**	**276**	**15**	**1**	**0**	**148**	**0**	**0**	**450**
South-Eastern Europe/CIS	0	104	15	0	0	142	0	0	262
Asia	0	128	0	0	0	2	0	0	130
Latin America	3	35	0	0	0	1	0	0	39
Middle East/Africa	7	9	0	1	0	3	0	0	19
Total	**2,556**	**7,799**	**16,371**	**4,267**	**236**	**13,016**	**623**	**881**	**45,748**

Credit risk exposure to institutions by region and financial instrument

The following tables present Erste Group's credit risk exposure to institutions broken down by region and financial instrument as of 31 December 2013 and 31 December 2012, respectively. The assignment of obligors to institutions is based on Basel 2 exposure classes.

Credit risk exposure to institutions by region and financial instrument in 2013

			Debt instruments						
	Loans and advances to credit institutions	Loans and advances to customers	Held to maturity	Trading assets	At fair value through profit or loss	Available for sale	Positive fair value of derivative financial instruments	Contingent liabilities	Credit risk exposure
in EUR million	At amortised cost			Fair value					
Core market	**2,794**	**52**	**745**	**218**	**38**	**1,474**	**491**	**279**	**6,091**
Austria	579	29	238	217	36	743	343	191	2,376
Croatia	90	9	0	0	0	0	1	11	111
Romania	248	0	3	0	0	0	8	58	316
Serbia	0	0	0	0	0	0	0	0	0
Slovakia	97	0	19	0	0	67	11	2	197
Slovenia	2	0	0	0	0	0	1	2	6
Czech Republic	1,098	0	485	0	2	664	125	14	2,387
Hungary	679	13	0	0	0	0	3	2	698
Other EU	**3,819**	**0**	**640**	**139**	**54**	**2,274**	**6,403**	**54**	**13,382**
Other industrialised countries	**272**	**0**	**81**	**27**	**20**	**185**	**287**	**16**	**889**
Emerging markets	**700**	**4**	**10**	**0**	**0**	**10**	**2**	**70**	**796**
South-Eastern Europe/CIS	73	4	0	0	0	1	0	22	100
Asia	454	0	10	0	0	0	2	18	484
Latin America	1	0	0	0	0	0	0	0	1
Middle East/Africa	172	0	0	0	0	9	0	30	211
Total	**7,585**	**57**	**1,476**	**384**	**112**	**3,943**	**7,183**	**420**	**21,159**

Credit risk exposure to institutions by region and financial instrument in 2012

in EUR million	Loans and advances to credit institutions	Loans and advances to customers	Debt instruments: Held to maturity	Debt instruments: Trading assets	Debt instruments: At fair value through profit or loss	Debt instruments: Available for sale	Positive fair value of derivative financial instruments	Contingent liabilities	Credit risk exposure
	At amortised cost			Fair value					
Core market	**2,227**	**52**	**817**	**252**	**83**	**1,810**	**699**	**163**	**6,102**
Austria	1,087	25	285	249	57	1,003	465	98	3,268
Croatia	38	3	0	0	0	0	3	0	44
Romania	37	1	2	2	0	0	15	52	109
Serbia	12	4	0	0	0	1	0	0	17
Slovakia	51	0	2	0	0	62	16	0	131
Slovenia	19	0	0	0	0	4	1	2	27
Czech Republic	883	0	527	0	26	739	194	7	2,376
Hungary	101	20	0	0	0	0	5	3	129
Other EU	**3,625**	**0**	**801**	**101**	**89**	**2,405**	**10,601**	**32**	**17,653**
Other industrialised countries	**236**	**0**	**93**	**8**	**40**	**209**	**504**	**6**	**1,095**
Emerging markets	**416**	**0**	**10**	**0**	**0**	**1**	**2**	**66**	**496**
South-Eastern Europe/CIS	80	0	0	0	0	1	0	32	113
Asia	279	0	10	0	0	0	2	23	315
Latin America	1	0	0	0	0	0	0	2	3
Middle East/Africa	56	0	0	0	0	0	0	9	66
Total	**6,504**	**52**	**1,720**	**360**	**211**	**4,425**	**11,806**	**267**	**25,346**

Non-performing credit risk exposure, risk provisions and collateral

For the definition of credit risk exposure classified as non-performing, please refer to the description of risk categories in the subsection 'Internal rating system'.

Credit risk provisions (specific and portfolio provisions) covered 62.6% of the reported non-performing credit risk exposure as of 31 December 2013. For the portion of the non-performing credit risk exposure that is not covered by provisions, Erste Group assumes there are sufficient levels of collateral and expected other recoveries.

In the 12 months ended 31 December 2013, the non-performing credit risk exposure increased by EUR 233 million, or 1.8%, from EUR 12.6 billion as of 31 December 2012 to slightly more than EUR 12.8 billion as of 31 December 2013. Credit risk provisions were increased by EUR 199 million, or 2.5%, from EUR 7.8 billion as of 31 December 2012 to EUR 8.0 billion as of 31 December 2013. These movements resulted in a net increase by 0.4 percentage points, from 62.2% to 62.6%, in the coverage of the non-performing credit risk exposure by credit risk provisions.

The following tables show the coverage of the non-performing credit risk exposure across the reporting segments by credit risk provisions (without taking into consideration collateral) as of 31 December 2013 and 31 December 2012, respectively. The differences in provisioning levels for the segments result from the risk situation in the respective markets, different levels of collateralisation, as well as the local legal environment and regulatory requirements.

The non-performing exposure ratio (NPE ratio) is calculated by dividing non-performing credit risk exposure by total credit risk exposure. The non-performing exposure coverage ratio (NPE coverage ratio) is calculated by dividing credit risk provisions by non-performing credit risk exposure. Collateral or other recoveries are not taken into account.

Non-performing credit risk exposure by business segment and credit risk provisions in 2013

in EUR million	Credit risk exposure		Risk provisions	NPE ratio	NPE coverage ratio
	Non-performing	Credit risk exposure			
Retail & SME	**10,823**	**157,037**	**6,851**	**6.9%**	**63.3%**
Austria	3,819	87,098	2,330	4.4%	61.0%
Erste Bank Oesterreich	1,143	35,413	719	3.2%	62.9%
Savings Banks	2,675	51,685	1,611	5.2%	60.2%
Central and Eastern Europe	7,004	69,939	4,521	10.0%	64.5%
Czech Republic	821	30,070	650	2.7%	79.1%
Romania	2,996	14,024	1,892	21.4%	63.2%
Slovakia	405	11,137	350	3.6%	86.5%
Hungary	1,419	5,445	885	26.1%	62.4%
Croatia	1,277	8,397	677	15.2%	53.0%
Serbia	86	865	67	10.0%	77.9%
Group Corporate & Investment Banking	**2,001**	**24,535**	**1,172**	**8.2%**	**58.6%**
Group Markets	**3**	**18,168**	**1**	**0.0%**	**18.2%**
Corporate Center	**1**	**9,662**	**4**	**0.0%**	**465.0%**
Total	**12,828**	**209,402**	**8,028**	**6.1%**	**62.6%**

Non-performing credit risk exposure by business segment and credit risk provisions in 2012

in EUR million	Credit risk exposure		Risk provisions	NPE ratio	NPE coverage ratio
	Non-performing	Credit risk exposure			
Retail & SME	**11,069**	**161,413**	**6,821**	**6.9%**	**61.6%**
Austria	3,816	87,313	2,343	4.4%	61.4%
Erste Bank Oesterreich	1,134	35,169	740	3.2%	65.3%
Savings Banks	2,682	52,145	1,603	5.1%	59.8%
Central and Eastern Europe	7,253	74,100	4,478	9.8%	61.7%
Czech Republic	989	32,758	707	3.0%	71.4%
Romania	3,086	15,007	1,784	20.6%	57.8%
Slovakia	448	10,971	376	4.1%	83.9%
Hungary	1,575	6,382	1,009	24.7%	64.1%
Croatia	1,085	8,246	543	13.2%	50.0%
Serbia	69	736	59	9.4%	85.7%
Group Corporate & Investment Banking	**1,521**	**26,117**	**1,003**	**5.8%**	**66.0%**
Group Markets	**2**	**22,688**	**0**	**0.0%**	**9.8%**
Corporate Center	**3**	**9,450**	**5**	**0.0%**	**192.1%**
Total	**12,595**	**219,668**	**7,830**	**5.7%**	**62.2%**

The general principles and standards for credit risk provisions within Erste Group are described in internal policies.
The bank, in line with regulatory and accounting standards, evaluates the need and allocates credit risk provisions for expected losses. Provisions are calculated

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

Credit loss provisioning is done on customer-level. The process includes the default and impairment identification and the type of assessment (individual or collective); it also includes the decision responsibilities. Customer level means, if one of the customer's exposures is classified as defaulted then normally, all of that customer's exposures are classified as defaulted.

During the process the bank distinguishes between

- specific provisions calculated for exposures to defaulted customers that are deemed to be impaired, and
- portfolio provisions (provisions for incurred but not reported losses) calculated for exposures to non-defaulted customers or defaulted customers that are not deemed to be impaired.

For the calculation of specific provisions, the discounted cash flow model is applied. This means that a difference between carrying amount and net present value (NPV) of the expected cash flows leads to an impairment and defines the amount of the provisioning requirement. All estimated interest and redemption

payments as well as estimated collateral recoveries and costs for selling and obtaining collateral are considered as expected cash flows. The effective interest rate is used as the discount rate for the calculation of the NPV of the expected cash flows. The calculation of specific provisions is performed either on an individual basis or as a collective assessment (rule-based approach). In case of significant customers, expected cash flows are estimated individually by workout or risk managers. A customer is considered as significant if the total exposure defined as the sum of all on- and off-balance sheet exposures exceeds a determined materiality limit. Otherwise, the customer is considered as insignificant and a rule-based approach is used for the calculation of the provision. Under this approach, specific provisions are calculated as a multiplication of the carrying amount and the loss given default (LGD), where LGD reflects time in default or the stage of workout process.

Portfolio provisions are calculated on exposures to non-defaulted customers for which a default has not been detected or reported. The level of portfolio provisions depends on the carrying amount, the probability of default (PD), the loss given default (LGD) and the loss identification period (LIP). LIP corresponds to the average period between the incurrence and the detection of the loss and ranges from four months to one year. The result of discounting future cash flows to their present values is taken into consideration in the LGD calculation.

According to the Group's principles, a one-year PD is applied to the calculation of portfolio provisions. In general, through-the-cycle PDs (TTCPDs) are used. If the PD for a customer class is not specific enough, an Erste Group entity is entitled to use a more granular PD, as long as it is in compliance with Group methodology. Moreover, it is also possible to use point-in-time PDs if they are higher than TTCPDs and their usage has been confirmed by external auditors.

Portfolio provisions are also calculated in case of exposures to defaulted customers which are not identified as impaired. For these customers, no specific provisions are allocated. Portfolio provisions are calculated according the following methods:

- either based on the historical loss experience for the relevant customer segment,
- or based on adjusted PDs. In this instance, the customer is treated as if it were not defaulted and an adequate conservative PD lower than 100% is assigned. Subsequently, the standard formula for the calculation of portfolio provisions is applied, without taking into account the LIP factor.

The following table shows the credit risk provisions divided into specific and portfolio provisions and provisions for guarantees as of 31 December 2013 and 31 December 2012, respectively.

in EUR million	2013	2012
Specific provisions	7,156	6,940
Portfolio provisions	654	704
Provision for guarantees	218	186
Total	**8,028**	**7,830**

Restructurings

Restructuring as contractual modification of clients' loan contract is a way to support long term, profitable client relationships. Contractual modifications can be employed in the following two contexts:

Restructuring as business restructuring is a potential and effective customer retention tool involving re-pricing or offering an additional loan or both in order to maintain the bank's valuable, good clientele in an increasingly competitive market environment.

Distressed restructuring on the other hand is a way to support clients' who are facing financial setbacks. Contractual modifications in this case aim at identifying a reasonable repayment schedule that can be serviced by the client and can include tenor extension, interest, fee or principal waivers or a combination of these. Contractual modifications at the same time provide the bank with an opportunity to strengthen the collateralization as and when feasible.

Restructuring of financial obligations of clients who are facing financial difficulties can contribute to maintaining clients' ability and willingness to service their debt and can lead to a full rehabilitation with strengthened long term client relationships.

In order to ensure that Erste Group's principles are met, the internal credit policies set out specific restructuring related requirements. Overall in retail lending, actions are generally required to be rules-based. Accordingly, the assessment of clients' eligibility for distressed restructuring must be a simple and straightforward approach. By contrast, a case-to-case approach prevails in corporate lending.

The existing distressed restructuring related internal policies are currently being revisited and updated for the purpose of ensuring full conformity with EBA's requirements for reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No. 575/2013. Along with the content-based alignment, the IT systems will be upgraded in order to improve and strengthen the tracking and reporting mechanisms. In future, all clients and exposures will be tracked whenever the bank is willing to make contractual concessions due to financial difficulties of the debtor. In due consideration of the internal default definition a differentiation is made between a performing and a non-performing forbearance status. These rules will be aligned with all Erste Group banks until the end of February and afterwards the regulations will be implemented throughout the banking Group until the end of 2014.

Recognition of collateral
The Collateral Management department is a staff unit within the Group Corporate Workout division. The 'Group Collateral Management Policy' defines, among other things, uniform valuation standards for credit collateral across the entire Group. It ensures that the credit risk decision processes are standardised with respect to accepted collateral values.

All the collateral types acceptable within the Group are given in an exhaustive list in the Group Collateral Catalogue. Locally permitted collateral is defined by the respective bank in accordance with applicable national legal provisions. The valuation and revaluation of collateral is done according to the principles defined in the Group Catalogue broken down by class and based on the internal work instructions in accordance with the individual supervisory requirements. Whether a type of security or a specific collateral asset is accepted for credit risk mitigation is decided by strategic risk management after determining if the applicable regulatory capital requirements are met. Adherence to the standard work processes stipulated for assigning the acceptable collateral assets to the categories available is monitored by operative risk management.

Main types of collateral
The following types of collateral are the most frequently accepted:

- Real estate: This includes both private and commercial real estate.
- Financial collateral: This category primarily includes securities portfolios and cash deposits as well as life insurance policies.
- Guarantees: Guarantees are provided mainly by states, banks and companies. All guarantors must have a minimum credit rating, whicht is reviewed annually.

Other types of collateral, such as real collateral in the form of movable property or the assignment of receivables, are accepted less frequently. Protection by credit default swaps is only marginally used in the banking book.

Collateral valuation and management
Collateral valuation is based on current market prices while taking into account an amount that can be recovered within a reasonable period. The valuation processes are defined and technically implemented by authorised staff with the assistance of software applications. The allocated collateral values are capped by the amount of the secured transaction, imputed excess values of collateral values are therefore not possible. Only independent appraisers not involved in the lending decision process are permitted to conduct real estate valuations, and the valuation methods to be applied are defined. For quality assurance purposes, the real estate valuations are validated on an ongoing basis.

The methods and discounts used for valuations are based on empirical data representing past experience of the workout departments and on the collected data on loss recovery from realising collateral. The valuation methods are adjusted regularly – at least once a year – to reflect current recoveries. Financial collateral assets are recognised at market value.

The revaluation of collateral is done periodically and is automated as far as possible. In the case of external data sources, the appropriate interfaces are used. The maximum periods for the revaluation of individual collateral assets are predefined and compliance is monitored by risk management using software applications. Apart from periodic revaluations, collateral is assessed when information becomes available that indicates a decrease in the value of the collateral for exceptional reasons.

Concentration risks resulting from credit risk mitigation techniques may affect a single customer, but also a portfolio defined by region, industry or type of security. Erste Group is a retail bank, and, due to its customer structure and the markets in which it does business, it does not have any concentrations with respect to collateral from customers. Concerning other areas of a potentially detrimental correlation of risks, the collateral portfolios are analysed using statistical evaluations for, among other things, regional or industry-specific concentrations within the scope of portfolio monitoring. The response to those risks identified includes, above all, the adjustment of volume targets, setting of corresponding limits and modification of the staff's discretionary limits for lending.

Collateral obtained in foreclosure proceedings is made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding claim. Generally, Erste Group does not occupy repossessed properties for its own business use. The main part of assets taken onto its own books is commercial land and buildings. In addition, privately occupied properties and transport vehicles are taken into Erste Group's possession. As of 31 December 2013, the carrying value of these assets amounted to EUR 507 million (2012: EUR 493 million).

The following tables compare the credit risk exposure broken down by business segment as of 31 December 2013 and 31 December 2012 respectively to the collateral received.

Credit risk exposure by business segment and collateral in 2013

in EUR million	Credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral
			Guarantees	Real estate	Other	
Retail & SME	**157,037**	**68,925**	**5,397**	**54,813**	**8,715**	**88,112**
Austria	87,098	45,001	3,618	34,707	6,676	42,097
Erste Bank Oesterreich	35,413	21,329	1,925	16,353	3,051	14,084
Savings Banks	51,685	23,672	1,693	18,354	3,625	28,013
Central and Eastern Europe	69,939	23,924	1,779	20,106	2,039	46,015
Czech Republic	30,070	8,856	690	7,294	872	21,215
Romania	14,024	5,024	819	3,828	377	9,000
Slovakia	11,137	4,438	51	4,244	143	6,699
Hungary	5,445	2,711	13	2,305	392	2,734
Croatia	8,397	2,697	163	2,311	222	5,701
Serbia	865	199	44	124	31	666
Group Corporate & Investment Banking	**24,535**	**8,218**	**2,101**	**5,012**	**1,104**	**16,318**
Group Markets	**18,168**	**4,640**	**156**	**0**	**4,484**	**13,528**
Corporate Center	**9,662**	**777**	**334**	**83**	**360**	**8,885**
Total	**209,402**	**82,560**	**7,988**	**59,908**	**14,663**	**126,842**

Credit risk exposure by business segment and collateral in 2012

in EUR million	Credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral
			Guarantees	Real estate	Other	
Retail & SME	**161,413**	**74,357**	**5,574**	**57,910**	**10,873**	**87,056**
Austria	87,313	45,061	3,850	34,731	6,480	42,252
Erste Bank Oesterreich	35,169	21,367	1,989	16,464	2,915	13,801
Savings Banks	52,145	23,694	1,861	18,267	3,565	28,451
Central and Eastern Europe	74,100	29,296	1,724	23,179	4,393	44,803
Czech Republic	32,758	9,674	658	7,998	1,017	23,084
Romania	15,007	7,456	690	4,483	2,284	7,551
Slovakia	10,971	4,971	58	4,641	272	6,000
Hungary	6,382	3,931	94	3,310	526	2,451
Croatia	8,246	2,995	183	2,569	243	5,251
Serbia	736	269	41	178	51	467
Group Corporate & Investment Banking	**26,117**	**9,144**	**1,817**	**5,664**	**1,663**	**16,974**
Group Markets	**22,688**	**3,502**	**169**	**0**	**3,332**	**19,186**
Corporate Center	**9,450**	**826**	**404**	**55**	**367**	**8,624**
Total	**219,668**	**87,828**	**7,963**	**63,629**	**16,235**	**131,840**

The following tables compare the credit risk exposure broken down by financial instrument and the received collateral as of 31 December 2013 and 31 December 2012 respectively.

Credit risk exposure by financial instrument and collateral in 2013

in EUR million	Credit risk exposure	Collateral total	Collateralised by: Guarantees	Collateralised by: Real estate	Collateralised by: Other	Credit risk exposure net of collateral	Neither past due nor impaired	Past due (>90 days) but not impaired	Impaired
Loans and advances to credit institutions	9,062	3,039	128	0	2,912	6,022	8,988	9	65
Loans and advances to customers	127,698	72,901	5,816	57,897	9,188	54,797	115,198	483	12,016
Debt instruments - Held to maturity	17,781	412	383	30	0	17,369	17,771	1	9
Debt instruments - Trading assets	5,668	147	147	0	0	5,521	5,668		
Debt instruments - At fair value through profit or loss	322	0	0	0	0	322	322		
Debt instruments - Available for sale	18,554	974	974	0	0	17,580	18,478	1	75
Positive fair value of derivative financial instruments	8,285	1,740	4	0	1,736	6,544	8,285		
Contingent liabilities	22,033	3,346	536	1,982	828	18,686	22,033		
Total	**209,402**	**82,560**	**7,988**	**59,908**	**14,663**	**126,842**	**196,743**	**494**	**12,165**

Credit risk exposure by financial instrument and collateral in 2012

in EUR million	Credit risk exposure	Collateral total	Collateralised by: Guarantees	Collateralised by: Real estate	Collateralised by: Other	Credit risk exposure net of collateral	Neither past due nor impaired	Past due (>90 days) but not impaired	Impaired
Loans and advances to credit institutions	9,074	1,553	119	2	1,432	7,521	9,002	0	72
Loans and advances to customers	131,928	78,566	5,766	61,503	11,296	53,362	119,400	512	12,015
Debt instruments - Held to maturity	18,975	410	373	35	2	18,565	18,963	1	11
Debt instruments - Trading assets	4,872	165	165	0	0	4,707	4,872		
Debt instruments - At fair value through profit or loss	526	0	0	0	0	526	526		
Debt instruments - Available for sale	20,225	1,206	1,132	0	74	19,019	20,111	0	114
Positive fair value of derivative financial instruments	13,289	2,264	0	0	2,264	11,025	13,289		
Contingent liabilities	20,779	3,664	408	2,089	1,167	17,115	20,779		
Total	**219,668**	**87,828**	**7,963**	**63,629**	**16,235**	**131,840**	**206,943**	**513**	**12,212**

The following tables show credit risk exposure that was past due but for which specific provisions had not been established as of 31 December 2013 and 31 December 2012 respectively. Whereas the table for 2012 only includes exposures overdue more than 90 days, the table for 2013 was extended by claims past due between 30 and 90 days in order to enhance the overview on the credit risk exposure past due and not covered by specific provisions.

Credit risk exposure past due and not covered by specific provisions by Basel 2 exposure class and collateralisation in 2013

	Credit risk exposure					Thereof collateralised				
in EUR million	Total	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due	Total	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due
Sovereigns	182	28	26	85	43	97	10	15	53	19
Institutions	9	0	0	9	0	9	0	0	9	0
Corporates	879	425	224	52	178	561	277	149	34	101
Retail	895	489	278	41	86	546	274	186	21	64
Total	**1,965**	**942**	**529**	**187**	**307**	**1,213**	**562**	**350**	**117**	**184**

Credit risk exposure past due and not covered by specific provisions by Basel 2 exposure class and collateralisation in 2012

	Credit risk exposure			Thereof collateralised		
in EUR million	Total	Thereof 91-180 days past due	Thereof more than 180 days past due	Total	thereof 91-180 days past due	thereof more than 180 days past due
Sovereigns	88	20	68	41	11	30
Institutions	0	0	0	0	0	0
Corporates	258	113	146	171	75	96
Retail	167	65	103	115	35	80
Total	**513**	**197**	**316**	**327**	**121**	**206**

All claims presented in the tables above were classified as non-performing, if they are more than 90 days past due. Provisions are, as a rule, established for assets that are more than 90 days past due. However, specific provisions are not established if the loans and other advances are covered by adequate collateral.

Loans and advances to customers by business segment

The following tables present the customer loan book as of 31 December 2013 and 31 December 2012 respectively, excluding loans to financial institutions and commitments, broken down by business segment and risk category.

Loans and advances to customers by business segment and risk category in 2013

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total loans
Retail & SME	**83,532**	**14,263**	**2,790**	**10,517**	**111,103**
Austria	52,972	7,984	1,122	3,636	65,713
Erste Bank Oesterreich	24,586	2,145	247	1,070	28,049
Savings Banks	28,386	5,838	875	2,565	37,664
Central and Eastern Europe	30,560	6,280	1,668	6,881	45,389
Czech Republic	14,034	1,783	402	804	17,023
Romania	4,275	1,889	464	2,921	9,549
Slovakia	5,766	597	233	394	6,990
Hungary	2,653	984	234	1,416	5,287
Croatia	3,450	943	325	1,261	5,978
Serbia	383	84	10	86	562
Group Corporate & Investment Banking	**11,317**	**2,202**	**741**	**1,778**	**16,039**
Group Markets	**207**	**30**	**0**	**0**	**238**
Corporate Center	**206**	**87**	**25**	**1**	**318**
Total	**95,263**	**16,582**	**3,557**	**12,296**	**127,698**

Loans and advances to customers by business segment and risk category in 2012

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total loans
Retail & SME	**83,171**	**16,455**	**3,180**	**10,766**	**113,573**
Austria	52,803	8,197	1,095	3,643	65,738
Erste Bank Oesterreich	24,607	2,182	204	1,058	28,052
Savings Banks	28,196	6,014	891	2,585	37,687
Central and Eastern Europe	30,368	8,258	2,085	7,123	47,834
Czech Republic	13,797	2,610	528	956	17,891
Romania	4,856	2,200	605	3,021	10,682
Slovakia	5,137	831	193	437	6,598
Hungary	2,809	1,459	345	1,572	6,185
Croatia	3,373	1,068	399	1,069	5,909
Serbia	397	90	14	68	569
Group Corporate & Investment Banking	**12,557**	**3,261**	**781**	**1,330**	**17,928**
Group Markets	**69**	**7**	**0**	**0**	**77**
Corporate Center	**229**	**102**	**17**	**2**	**350**
Total	**96,027**	**19,825**	**3,978**	**12,098**	**131,928**

In the tables below, the non-performing loans and advances to customers subdivided by business segment are contrasted with loan loss provisions and the collateral for non-performing loans (NPL) as of 31 December 2013 and 31 December 2012 respectively. The NPL ratio, the NPL coverage ratio and the NPL total coverage ratio are also included. The NPL total coverage ratio specifies the coverage of non-performing loans by loan loss provisions and collateral for non-performing loans.

Non-performing loans and advances to customers by business segment and coverage by risk provisions and collateral in 2013

in EUR million	Non-performing	Loans and advances to customers	Risk provisions	NPL Ratio	NPL coverage ratio	Collateral for NPL	NPL total coverage ratio
Retail & SME	**10,517**	**111,103**	**6,702**	**9.5%**	**63.7%**	**4,403**	**105.6%**
Austria	3,636	65,713	2,231	5.5%	61.4%	1,462	101.6%
Erste Bank Oesterreich	1,070	28,049	682	3.8%	63.7%	370	98.3%
Savings Banks	2,565	37,664	1,549	6.8%	60.4%	1,091	102.9%
Central and Eastern Europe	6,881	45,389	4,471	15.2%	65.0%	2,942	107.7%
Czech Republic	804	17,023	638	4.7%	79.4%	267	112.6%
Romania	2,921	9,549	1,873	30.6%	64.1%	1,347	110.2%
Slovakia	394	6,990	344	5.6%	87.3%	167	129.7%
Hungary	1,416	5,287	880	26.8%	62.2%	562	101.8%
Croatia	1,261	5,978	670	21.1%	53.1%	583	99.4%
Serbia	86	562	66	15.3%	76.6%	16	95.3%
Group Corporate & Investment Banking	**1,778**	**16,039**	**1,050**	**11.1%**	**59.1%**	**794**	**103.7%**
Group Markets	**0**	**238**	**0**	**0.0%**	**432.0%**	**0**	**432.0%**
Corporate Center	**1**	**318**	**1**	**0.3%**	**110.9%**	**0**	**110.9%**
Total	**12,296**	**127,698**	**7,753**	**9.6%**	**63.1%**	**5,197**	**105.3%**

Non-performing loans and advances to customers by business segment and coverage by risk provisions and collateral in 2012

in EUR million	Non-performing	Loans and advances to customers	Risk provisions	NPL Ratio	NPL coverage ratio	Collateral for NPL	NPL total coverage ratio
Retail & SME	**10,766**	**113,573**	**6,681**	**9.5%**	**62.1%**	**5,107**	**109.5%**
Austria	3,643	65,738	2,251	5.5%	61.8%	1,578	105.1%
Erste Bank Oesterreich	1,058	28,052	696	3.8%	65.7%	442	107.5%
Savings Banks	2,585	37,687	1,556	6.9%	60.2%	1,137	104.2%
Central and Eastern Europe	7,123	47,834	4,429	14.9%	62.2%	3,529	111.7%
Czech Republic	956	17,891	690	5.3%	72.2%	365	110.4%
Romania	3,021	10,682	1,771	28.3%	58.6%	1,630	112.6%
Slovakia	437	6,598	369	6.6%	84.3%	249	141.2%
Hungary	1,572	6,185	1,008	25.4%	64.1%	731	110.7%
Croatia	1,069	5,909	534	18.1%	50.0%	520	98.6%
Serbia	68	569	58	12.0%	84.1%	34	134.0%
Group Corporate & Investment Banking	**1,330**	**17,928**	**893**	**7.4%**	**67.2%**	**494**	**104.3%**
Group Markets	**0**	**77**	**0**	**0.0%**	**6,439.9%**	**0**	**6,439.9%**
Corporate Center	**2**	**350**	**0**	**0.5%**	**26.9%**	**0**	**26.9%**
Total	**12,098**	**131,928**	**7,574**	**9.2%**	**62.6%**	**5,601**	**108.9%**

The 'NPL ratio' in this section ('loans and advances to customers') is calculated by dividing non-performing loans and advances by total loans and advances to customers. Hence, it differs from the 'NPE ratio' in the section 'Credit risk exposure'.

The loan loss provisions that are shown in the tables above in the amount of EUR 7,753 million as of 31 December 2013 (2012: EUR 7,574 million) are composed of specific provisions amounting to EUR 7,102 million (2012: EUR 6,878 million) and portfolio provisions amounting to EUR 651 million (2012: EUR 695 million). Collateral for non-performing loans mainly consists of real estate.

The following tables show the loans and advances to customers broken down by business segment and currency as of 31 December 2013 and 31 December 2012 respectively.

Loans and advances to customers by business segment and currency in 2013

in EUR million	EUR	Local currencies	CHF	USD	Other currencies	Total loans
Retail & SME	**76,436**	**22,955**	**10,504**	**277**	**931**	**111,103**
Austria	57,350	0	7,311	137	915	65,713
Erste Bank Oesterreich	25,065	0	2,718	42	225	28,049
Savings Banks	32,285	0	4,594	96	690	37,664
Central and Eastern Europe	19,085	22,955	3,193	140	16	45,389
Czech Republic	889	16,113	2	18	2	17,023
Romania	5,705	3,730	0	106	8	9,549
Slovakia	6,982	0	0	6	2	6,990
Hungary	1,166	1,581	2,538	2	0	5,287
Croatia	3,928	1,404	636	6	4	5,978
Serbia	415	127	16	4	0	562
Group Corporate & Investment Banking	**12,739**	**1,085**	**168**	**1,301**	**745**	**16,039**
Group Markets	**165**	**44**	**0**	**21**	**8**	**238**
Corporate Center	**271**	**0**	**0**	**47**	**0**	**318**
Total	**89,610**	**24,084**	**10,673**	**1,647**	**1,685**	**127,698**

Loans and advances to customers by business segment and currency in 2012

in EUR million	EUR	Local currencies	CHF	USD	Other currencies	Total loans
Retail & SME	**74,818**	**24,344**	**12,525**	**345**	**1,540**	**113,573**
Austria	55,277	0	8,782	159	1,520	65,738
Erste Bank Oesterreich	24,293	0	3,310	58	391	28,052
Savings Banks	30,984	0	5,472	101	1,129	37,687
Central and Eastern Europe	19,541	24,344	3,743	187	20	47,834
Czech Republic	622	17,236	2	26	4	17,891
Romania	6,539	4,001	0	131	12	10,682
Slovakia	6,587	0	0	9	2	6,598
Hungary	1,312	1,849	3,018	5	0	6,185
Croatia	4,052	1,140	705	12	1	5,909
Serbia	429	118	18	4	0	569
Group Corporate & Investment Banking	**14,191**	**1,244**	**275**	**1,263**	**955**	**17,928**
Group Markets	**24**	**11**	**1**	**33**	**8**	**77**
Corporate Center	**347**	**0**	**0**	**0**	**3**	**350**
Total	**89,381**	**25,599**	**12,801**	**1,642**	**2,505**	**131,928**

Securitisations

As of 31 December 2013, Erste Group held a conservative portfolio of securitisations; there was no new investments undertaken and all repayments were made as scheduled in 2013.

As at year-end 2013, the carrying amount of Erste Group's securitisation portfolio totalled EUR 1.3 billion, which was EUR 0.2 billion lower than at the year-end 2012. Changes in the carrying amount were due to repayments, currency effects, changes in prices and disposals of assets. 92.69% of the securitisation portfolio was rated investment grade at the year-end 2013

As of 31 December 2013 and 31 December 2012 respectively, the composition of the total portfolio of securitisations according to products and balance sheet line items was as follows:

Composition of the total portfolio of securitisation 2013

			Financial assets						
	Loans and advances to customers and credit institutions		Held to maturity		At fair value through profit or loss	Available for sale	Trading assets	Total	
in EUR million	Carrying amount	Fair value	Carrying amount	Fair value	Fair value[1)]	Fair value[1)]	Fair value[1)]	Carrying amount	Fair value
Prime RMBS	0	0	177	167	1	105	27	311	301
CMBS	0	0	31	29	1	53	3	88	86
SME ABS	0	0	5	4	0	21	0	27	26
Leasing ABS	0	0	4	4	0	1	1	6	6
Other ABS	0	0	0	0	1	6	0	8	8
CLOs	0	0	0	0	43	664	0	706	706
Other CDOs	0	0	0	0	0	0	0	0	0
Other RMBS	0	0	0	0	1	15	6	22	22
Total ABS / CDO	**0**	**0**	**217**	**204**	**48**	**866**	**37**	**1,168**	**1,155**
Student Loans	0	0	0	0	1	105	0	106	106
Total securitisations[2)]	**0**	**0**	**217**	**204**	**49**	**972**	**37**	**1,275**	**1,262**

1) Carrying amount is equal to fair value.
2) Including cash from funds.

Composition of the total portfolio of securitisation 2012

			Financial assets						
	Loans and advances to customers and credit institutions		Held to maturity		At fair value through profit or loss	Available for sale	Trading assets	Total	
in EUR million	Carrying amount	Fair value	Carrying amount	Fair value	Fair value[1)]	Fair value[1)]	Fair value[1)]	Carrying amount	Fair value
Prime RMBS	0	0	207	174	1	129	26	364	331
CMBS	0	0	49	37	1	58	2	110	98
SME ABS	0	0	16	9	1	20	2	38	31
Leasing ABS	0	0	14	14	0	3	0	17	17
Other ABS	0	0	13	13	2	36	1	52	52
CLOs	0	0	0	0	43	754	0	797	797
Other CDOs	0	0	0	0	0	3	0	3	3
Other RMBS	0	0	0	0	1	14	2	17	17
Total ABS / CDO	**0**	**0**	**299**	**247**	**49**	**1,016**	**34**	**1,397**	**1,345**
Student Loans	0	0	0	0	1	133	0	134	134
Total securitisations[2)]	**0**	**0**	**299**	**247**	**50**	**1,149**	**34**	**1,531**	**1,479**

1) Carrying amount is equal to fair value.
2) Including cash from funds.

European prime residential mortgage backed securities (Prime RMBS)
Prime RMBS are backed by mortgages on residential real estate. Erste Group is primarily invested in British transactions in this asset class.

Commercial mortgage backed securities (CMBS)
CMBs are secured by mortgages on commercial property (i.e. offices, retail outlets, etc).

Collateralised loan obligations (CLOs)
CLOs are securitisations backed by pools of corporate loans. Erste Group is invested in European and US CLOs.

Other securitisations
Erste Group holds securitisations of loans to small and medium-sized enterprises (SME ABS), lease receivables (Leasing ABS), credit card receivables (Other ABS), and other collateralized debt obligations (Other CDOs).

Erste Group is further invested in securitisations of US student loans, all of which are triple-A rated securities. These securitisations carry the guarantee of the US Department of Education for 97% of their value while the remaining 3% is covered by subordination. Their associated credit risk is therefore considered very low.

38.6) Market risk

Definition and overview

Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived therefrom. At Erste Group, market risk is divided into interest rate risk, currency risk, equity risk, commodity risk and volatility risk. This concerns both trading and bank book positions.

Methods and instruments employed

At Erste Group, potential losses that may arise from market movements are assessed using the Value at Risk (VaR). The calculation is done according to the method of historic simulation with a one-sided confidence level of 99%, a holding period of one day and a simulation period of two years. The VaR describes what level of losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under normal market conditions.

Back-testing is used to constantly monitor the validity of the statistical methods. This process is conducted with a one-day delay to monitor if the model projections regarding losses have actually materialised. At a confidence level of 99%, the actual loss on a single day should exceed the VaR statistically only two to three times a year (1% of around 250 workdays).

This shows one of the limits of the VaR approach: On the one hand, the confidence level is limited to 99%, and on the other hand, the model takes into account only those market scenarios observed in each case within the simulation period of two years, and calculates the VaR for the current position of the bank on this basis. In order to investigate any extreme market situations beyond this, stress tests are conducted at Erste Group. These events include mainly market movements of low probability.

The stress tests are carried out according to several methods: 'Stressed VaR' is derived from the normal VaR calculation. But instead of simulating only over the two most recent years, an analysis of a much longer period is carried out in order to identify a one-year period that constitutes a relevant period of stress for the current portfolio mix. According to the legal framework, that one-year period is used to calculate a VaR with a 99% confidence level. This enables Erste Group on the one hand to hold sufficient own funds available for the trading book also in periods of elevated market volatility, while on the other hand also enabling it to incorporate these resulting effects in the management of trading positions.

In the 'extreme value theory', a Pareto distribution is adjusted to the extreme end of the loss distribution. In this manner, a continuous function is created from which extreme confidence levels such as 99.95% can be evaluated. Furthermore, standard scenarios are calculated in which the individual market factors are exposed to extreme movements. Such scenarios are calculated at Erste Group for interest rates, stock prices, exchange rates and volatilities. Historic scenarios are a modification of the concept of standard scenarios. In this case, risk factor movements after certain events such as '9/11'or the 'Lehman bankruptcy' form the basis of the stress calculation. In order to calculate historical probabilistic scenarios, the most significant risk factors for the current portfolio are determined and their most adverse movement during the last years is applied. For the probabilistic scenarios shifts of important market factors are determined for various quantiles of their distributions, and these values are then used to calculate stress results. These analyses are made available to the management board and the supervisory board within the scope of the monthly market risk reports.

The VaR model was approved by the Financial Market Authority (FMA) as an internal market risk model to determine the capital requirements of Erste Group pursuant to the Austrian Banking Act.

Methods and instruments of risk mitigation

At Erste Group, market risks are controlled in the trading book by setting several layers of limits. The overall limit on the basis of VaR for the trading book is decided by the board while taking into account the risk-bearing capacity and projected earnings. A further breakdown is done by the Market Risk Committee on the basis of a proposal from the Market Risk Management unit.

All market risk activities of the trading book are assigned risk limits that are statistically consistent in their entirety with the VaR overall limit. The VaR limit is assigned in a top–down procedure to the individual trading units. This is done up to the level of the individual trading groups or departments. Additionally, in a bottom–up procedure, sensitivity limits are assigned to even smaller units all the way down to the individual traders. These are then aggregated upwards and applied as a second limit layer to the VaR limits. The consistency between the two limit approaches is verified regularly.

Limit compliance is verified at two levels: by the appropriate local decentralised risk management unit and by Group Market & Liquidity Risk Management. The monitoring of the limits is done within the course of the trading day based on sensitivities. This can also be carried out by individual traders or chief traders on an ad hoc basis.

The VaR is calculated every day at Group level and made available to the individual trading units as well as to the superior management levels all the way up to the management board.

Banking book positions are subjected to a monthly VaR analysis. In this manner, the total VaR is determined. In addition to VaR, a long-horizon interest rate risk measure is used to gauge the interest rate risk of the banking book. For this purpose, a historical simulation approach looking back five years and with a one-year holding period was chosen. The result of these calculations is presented in the monthly market risk report that is made available to the management and supervisory boards.

Analysis of market risk

Value at Risk of banking book and trading book

The following tables show the VaR amounts as of 31 December 2013 and 31 December 2012 respectively at the 99% confidence level using equally weighted market data and with a holding period of one day:

Value at Risk of banking book and trading book 2013

in EUR thousand	Total	Interest	Currency	Shares	Commodity	Volatility
Erste Group	51,806	51,026	1,070	2,667	261	538
Core Group	49,689	47,657	1,070	2,667	261	538
Banking book	47,034	46,758	998	1	0	15
Trading book	3,885	2,224	921	2,667	261	538

Value at Risk of banking book and trading book 2012

in EUR thousand	Total	Interest	Currency	Shares	Commodity	Volatility
Erste Group	27,619	25,817	1,170	3,588	471	502
Core Group	16,522	14,043	1,170	3,588	471	502
Banking book	13,833	13,237	769	72	0	0
Trading book	4,097	1,994	776	3,516	471	502

In the above table, 'Erste Group' comprises the entire Group, and 'Core Group' comprises all units that are directly or indirectly majority-owned by Erste Group Bank AG. The method used is subject to limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved. This restriction applies to the inclusion of credit spreads in the calculation of the VaR. Credit spreads are only applied to sovereign issuers. For all other positions, only the general market risk is considered.

Interest rate risk of banking book

Interest rate risk is the risk of an adverse change in the fair value of financial instruments caused by a movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities, including derivatives, in respect of their maturities or of the timing of interest rate adjustments.

In order to identify interest rate risk, all financial instruments, including transactions not recognised on the balance sheet, are grouped into maturity bands based on their remaining terms to maturity or terms to an interest rate adjustment. Positions without a fixed maturity (e.g. demand deposits) are included on the basis of modeled deposit rates that are determined by means of statistical methods.

The following tables list the open fixed-income positions held by Erste Group in the four currencies that carry a significant interest rate risk – EUR, CZK, HUF and RON – as of 31 December 2013 and 31 December 2012.

Only the open fixed-income positions that are not allocated to the trading book are presented. Positive values indicate fixed-income risks on the asset side, i.e. a surplus of asset items; negative values represent a surplus on the liability side.

Open fixed-income positions not assigned to the trading book in 2013

in EUR thousand	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Fixed-interest gap in EUR positions	(3,828.5)	1,247.5	2,765.6	2,807.3	1,749.5
Fixed-interest gap in CZK positions	(469.3)	708.5	(569.6)	(1,645.0)	796.2
Fixed-interest gap in HUF positions	256.9	(57.3)	(127.3)	(179.5)	0.0
Fixed-interest gap in RON positions	638.0	536.9	(28.0)	(203.3)	1.8

Open fixed-income positions not assigned to the trading book in 2012

in EUR thousand	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Fixed-interest gap in EUR positions	(7,489.6)	2,373.8	1,875.7	1,927.0	768.2
Fixed-interest gap in CZK positions	(3,759.9)	49.2	1,112.3	1,030.1	776.4
Fixed-interest gap in HUF positions	148.5	119.7	(77.9)	(47.5)	0.0
Fixed-interest gap in RON positions	505.4	501.0	(30.7)	(118.8)	(102.2)

Exchange rate risk

The bank is exposed to several types of risks related to exchange rates. These concern risks from open foreign exchange positions and others.

Risk from open currency positions is the risk related to exchange rates that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. These risks might originate from customer-related operations or proprietary trading and are monitored and managed on a daily basis. Foreign currency exposure is subject to regulatory and internal limits. The internal limits are set by the Market Risk Committee.

Erste Group separately measures and manages other types of risks relating to the Group's balance sheet and earnings structure. The translation risk related to the valuation of the balance sheet items, earnings, dividends and participations/net investments in local currency or foreign exchange has an impact on consolidated earnings and consolidated capital. Erste Group is also reducing the negative impact related to volatility of foreign exchange on asset performance (for example as a result of foreign exchange lending in the CEE countries).

In order to manage its multi-currency earnings structure, Erste Group regularly discusses hedging opportunities and takes decisions in the Group Asset Liability Committee (Group ALCO). Asset Liability Management (ALM) uses as the usual source of information the current financial results and the financial budget prepared for the upcoming period to obtain as much information as possible on the future foreign cash flows. The proposal, which mainly includes the volume, hedging level, hedge ratio and timeline of the hedging, is submitted by ALM to the Group ALCO. The impact of translation on consolidated capital is monitored and reported to the Group ALCO. The Group ALCO decisions are then implemented by ALM and the implementation status is reported on a monthly basis to the Group ALCO.

The following table shows the largest open exchange rate positions of Erste Group per year-end 2013 as of 31 December 2013 and 31 December 2013 respectively..

Open exchange rate positions

in EUR thousand	2013	2012
Hungarian forint (HUF)	(49,506)	17,759
Hong Kong dollar (HKD)	25,315	38,255
Swiss franc (CHF)	(20,052)	(36,245)
US dollar (USD)	(18,677)	(68,095)
Czech koruna (CZK)	17,877	(13,620)
Romanian Lei (RON)	5,774	25,275
Polish Zloty (PLN)	(5,031)	(8,441)
Turkish lira (TRY)	4,314	2,262

Hedging

Banking book market risk management consists of optimising Erste Group's risk position by finding the proper trade-off between the economic value of the balance sheet and forecasted earnings. Decisions are based on the balance sheet development, economic environment, competitive landscape, fair value of risk, effect on net interest income and appropriate liquidity position. The steering body responsible for interest rate risk management is the Group ALCO. ALM submits proposals for actions to steer the interest rate risk to the Group ALCO and implements the Group ALCO's decisions.

In order to achieve the goals of risk management, hedging activities focus on the two main control variables: net interest income and market value of equity risk. In a broader sense, hedging refers to an economic activity that mitigates risk but does not necessarily qualify for hedge accounting under IFRS rules. Within the scope of IFRS-compliant hedge accounting, cash flow hedges and fair value hedges are used. If IFRS-compliant hedge accounting is not possible, the fair value option is applied, where appropriate, for the hedging of market values. Most of the hedging within Erste Group concerns hedging of interest rate risk. The remainder is hedging of foreign exchange rate risk. IFRS hedge accounting is one of the tools for managing the risk.

38.7) Liquidity risk

Definition and overview

The liquidity risk is defined in Erste Group in line with the principles set out by the Basel Committee on Banking Supervision and the Austrian regulators ('Liquiditätsriskomanagement-Verordnung' – LRMV; from 2014: ('Kreditinstitute-Risikomanagement-verordnung' – KI-RMV). Accordingly, a distinction is made between market liquidity risk, which is the risk that the Group entities cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the Group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group members.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Group's own refinancing cost or spread.

Erste Group's 2013 liquidity strategy was implemented successfully. The original issuance plan of EUR 1.5 billion was increased during the year to EUR 2.78 billion including pre-funding for 2014. This amount consists of EUR 1.77 billion in senior bonds (including an EUR 500 million benchmark transaction), EUR 0.42 billion in covered bonds ('Pfandbriefe'), and EUR 0.59 billion in subordinated debt.

Well-functioning capital markets and the solid liquidity and capital situation of Erste Group also triggered the repayment of the 3-year longer-term refinancing operations (LTRO) of the ECB in the amount of EUR 4.15 billion, and the repayment of EUR 1.76 billion participation capital.

Erste Group continues its ongoing project activities to improve the framework for Group-wide liquidity risk reporting. Besides the preparation for the new regulatory reporting requirements, current projects are aimed at continuously improving the internal stress testing methodology and the data quality used in the risk measurement.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period for each currency on both entity and Group levels. This analysis determines the maximum period during which the entity can survive a severe combined market and idiosyncratic crisis while relying on its pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflow. Furthermore, the simulation assumes increased drawdown on guarantees and loan commitments dependent on the type of the customer, as well as the potential outflows from collateralised derivative transactions estimating the effect from collateral outflow in the case of adverse market movements. To reflect the reputational risk from callable own issues, the principal outflows from these liabilities are modelled to the next call date in all stress scenarios.

Legal lending limits (LLLs) exist in all CEE countries where Erste Group is represented. They restrict liquidity flows between Erste Group's subsidiaries in different countries. LLLs set limits on a bank's claims against a Group of related companies. The limits refer to the bank's own funds and typical amounts are up to 25%. This restriction is taken into account for assessment of liquidity risk in the survival period model as well as in the calculation of the Group Liquidity Coverage Ratio.

As far back as 2011, Erste Group´s risk control has been based on the new Basel 3 liquidity risk measures, especially Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). In the past years, Erste Group took part in the Quantitative Impact Study (QIS) coordinated by the European Banking Authority (EBA) monitoring Group LCR and NSFR on a quarterly basis. Internally, the ratios are monitored on both entity and Group level, and from 2014 on internal targets are set for them. In 2013, Erste Group started to prepare for the official monitoring phase starting at the end of Q1/2014. At the end of Q3/2013, both LCR and NSFR for the Group were above 100%.

Additionally, the traditional liquidity gaps (depicting the going concern maturity mismatches) of the subsidiaries and the Group as a whole are reported and monitored regularly. Funding concentration risk is continuously analysed in respect to counterparties. Erste Group's fund transfer pricing (FTP) system has also proven to be an efficient tool for structural liquidity risk management.

Methods and instruments of risk mitigation

General standards of liquidity risk controlling and management (standards, limits and analysis) have been defined and are continuously reviewed and improved by Erste Group.

The short-term liquidity risk is managed by limits resulting from the survival period model and by internal LCR targets on both entity and Group level. Limit breaches are reported to the Group Asset Liability Committee. Another important insturment for managing the liquidity risk within Erste Group Bank AG and in relation to its subsidiaries is the FTP system. As the process of planning funding needs provides important data for liquidity management, a detailed overview of funding needs is prepared on a quarterly basis for the planning horizon across Erste Group.

The Comprehensive Contingency Plan ensures the necessary co-ordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis. The contingency plans of the subsidiaries are co-ordinated as part of the plan for Erste Group Bank AG.

Analysis of liquidity risk

Liquidity gap

The long-term liquidity position is managed using liquidity gaps on the basis of expected cash flows. This liquidity position is calculated for each materially relevant currency and based on the assumption of ordinary business activity.

Expected cash flows are broken down by contractual maturities in accordance with the amortisation schedule and arranged in maturity ranges. The change from 2012 to 2013 was mainly caused by the fact that for the end of 2013 the products without contractual maturities (such as demand deposits and overdrafts) are shown in the first time bucket, while for the end of 2012 their cash flows are modelled on the basis of statistical analysis.

The following table shows the liquidity gaps as of 31 December 2013 and 31 December 2012

	< 1 month		1-12 months		1-5 years		> 5 years	
in EUR million	2013	2012	2013	2012	2013	2012	2013	2012
Liquidity GAP	20,492	32,443	(35,569)	(38,930)	(4,668)	(9,717)	19,746	16,204

An excess of assets over liabilities is indicated by a positive value, while an excess of liabilities over assets is indicated by a negative value. The callable own issues are modelled to their next call dates. The cash inflows from liquid securities, which are accepted as collateral by the central banks to which the Group has access, are shifted to the first time bucket instead of showing them at their contractual maturity.

Counterbalancing capacity

Erste Group regularly monitors its counterbalancing capacity, which consists of cash, excess minimum reserve at the central banks as well as unencumbered central bank eligible assets and other liquid securities, including changes from repos, reverse repos and securities lending transactions. These assets can be mobilised in the short term to offset potential cash outflows in a crisis situation. The term structure of the Group's counterbalancing capacity as of year-end 2013 and year-end 2012 are shown in the tables below:

Term structure of counterbalancing capacity 2013

in EUR million	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
Cash, excess reserve	2,473	(565)	0	0	0
Liquid assets	31,071	(1,531)	(123)	(205)	(111)
Other central bank eligible assets	6,357	0	0	0	0
Thereof retained covered bonds	3,218	0	0	0	0
Thereof credit claims	3,140	0	0	0	0
Counterbalancing capacity	**39,902**	**(2,096)**	**(123)**	**(205)**	**(111)**

Term structure of counterbalancing capacity 2012

in EUR million	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
Cash, excess reserve	6,174	(631)	0	0	0
Liquid assets	33,713	(392)	288	249	561
Other central bank eligible assets	0	1,609	0	0	0
Thereof retained covered bonds	0	1,234	0	0	0
Thereof credit claims	0	375	0	0	0
Counterbalancing capacity	**39,887**	**586**	**288**	**249**	**561**

The figures above show the total amount of potential liquidity available for the Group in a going concern situation, taking into account the applicable central bank haircuts. In a crisis situation adverse market movements and legal transfer restrictions among Group members can decrease this amount. Taking into account these effects, the initial Counterbalancing Capacity used for the internal stress testing amounts to 74% of that shown above.

Financial liabilities

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2013 and 31 December 2012 respectively, were as follows:

Financial liabilities 2013

in EUR million	Carrying amounts	Contractual cash flows	< 1 month	1-12 months	1-5- years	> 5 years
Non-derivative liabilities	**172,509**	**179,767**	**77,602**	**43,897**	**36,403**	**21,864**
Deposits by banks	17,299	18,062	10,214	2,794	2,062	2,992
Customer deposits	121,982	123,432	66,132	35,896	16,498	4,905
Debt securities in issue	27,894	31,731	956	4,803	15,098	10,875
Subordinated liabilities	5,333	6,542	300	404	2,746	3,092
Derivative liabilities	**6,731**	**7,043**	**399**	**1,981**	**3,410**	**1,253**
Contingent liabilities	**0**	**22,033**	**22,033**	**0**	**0**	**0**
Financial guarantees	0	6,887	6,887	0	0	0
Irrevocable commitments	0	15,146	15,146	0	0	0
Total	**179,240**	**208,843**	**100,035**	**45,878**	**39,814**	**23,117**

Financial liabilities 2012 (amended)

in EUR million	Carrying amounts	Contractual cash flows	< 1 month	1-12 months	1-5- years	> 5 years
Non-derivative liabilities[1]	**179,626**	**189,407**	**75,329**	**49,089**	**43,983**	**21,007**
Deposits by banks	21,822	22,377	9,770	3,057	7,573	1,977
Customer deposits	123,053	125,793	64,852	40,475	16,131	4,336
Debt securities in issue	29,445	33,746	669	4,971	17,002	11,104
Subordinated liabilities[1]	5,305	7,491	37	586	3,277	3,590
Derivative liabilities[2]	**1,649**	**1,451**	**47**	**444**	**588**	**372**
Contingent liabilities	**0**	**20,778**	**20,778**	**0**	**0**	**0**
Financial guarantees	0	6,363	6,363	0	0	0
Irrevocable commitments	0	14,415	14,415	0	0	0
Total[1]	**181,275**	**211,636**	**96,154**	**49,533**	**44,571**	**21,379**

1) The values for the maturity ranges shown for 2012 were amended.
2) The maturity analysis of undiscounted contractual cash flows of derivative financial instruments includes only the remaining contractual maturities for derivative financial liabilities in the banking book.

The currency composition of the non-derivative liabilities consists of approximately 73% EUR, 14% CZK, 4% USD, 4% RON and the rest 5% in other currencies.

Besides the contingent liabilities from unused credit lines and guarantees, material potential cash outflow is estimated from the collateralised derivative transactions for the stress testing, which amounted to EUR 621.3 billion in the worst case scenario as of 31 December 2013.

As of 31 December 2013, the volume of customer deposits due on demand amounted to EUR 52.1 billion (2012: EUR 51.1 billion). Observation of customer behaviour has shown that 95% of this volume is stable during the ordinary course of business. This means that only a minor part of the on-demand portfolio is withdrawn by the customer, whereas the major part generally remains in the bank.

According to customer segments, the customer deposits are composed as follows: 67% private individuals, 8% small and medium-sized enterprises, 15% other corporates, 4% public sector and 6% non-banking financial institutions. The deposits by banks include the top five providers of funds.

38.8) Operational risk

Definition and overview

In line with Section 2, (57) (d) of the Austrian Banking Act, Erste Group defines operational risk as the risk of loss resulting from inadequacy or failure of internal processes, people or systems, or from external events, including legal risks. Both quantitative and qualitative methods are used to identify operational risks. Consistent with international practice, the responsibility for managing operational risk rests with the line management.

Methods and instruments employed

The quantitative measurement methods are based on internal loss experience data, which is collected across Erste Group using a standard methodology and entered into a central data pool. Additionally, in order to be able to model losses that have not occurred in the past but are nonetheless possible, scenarios and external data are also used. Erste Group sources external data from a leading non-profit risk-loss data consortium.

Erste Group received regulatory approval for the Advanced Measurement Approach (AMA) in 2009. AMA is a sophisticated approach to measuring operational risk. Pursuant to AMA, the required capital is calculated using an internal VaR model, taking into account internal data, external data, scenario analysis, business environment and internal risk control factors. In 2012, Erste Group received approval to use insurance contracts for mitigation within the AMA pursuant to Section 22l of the Austrian Banking Act.

Methods and instruments of risk mitigation

In addition to quantitative methods, qualitative methods are also used to determine operational risk, such as risk assessment surveys (risk and control self-assessments). The results of and suggestions for risk control in these surveys, which are conducted by experts, are reported to the line management and thus help to reduce operational risks. Erste Group also reviews certain key indicators periodically to ensure early detection of changes in risk potential that may lead to losses.

Erste Group uses a Group-wide insurance programme, which, since its establishment in 2004, has reduced the cost of meeting Erste Group's traditional property insurance needs and made it possible to buy additional insurance for previously uninsured bank-specific risks. This programme uses a captive reinsurance entity as a vehicle to share losses within the Group and access the external market.

The quantitative and qualitative methods used, together with the insurance strategy and the modelling approaches described above, form the operational risk framework of Erste Group. Information on operational risk is periodically communicated to the management board via various reports, including the quarterly top management report, which describes the recent loss history, loss development, qualitative information from risk assessments and key risk indicators as well as the operational VaR for Erste Group.

Distribution of operational risk events

Detailed below is the percentage composition by type of event of operational risk sources as defined by the Basel 2 Capital Accord. The observation period is from 1 January 2009 to 31 December 2013.

The event type categories are as follow:

Internal fraud:
Losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity or discrimination events, that involve at least one internal party.

External fraud:
Losses due to acts by a third party of a type intended to defraud, misappropriate property or circumvent the law.

Employment practices and workplace safety:
Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity or discrimination events.

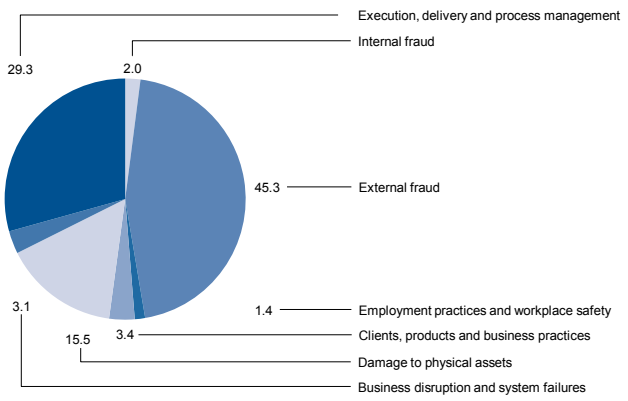
Clients, products and business practices:
Losses arising from unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements) or from the nature or design of a product.

Damage to physical assets:
Losses arising from loss of or damage to physical assets caused by natural disaster or other events.

Business disruption and system failures:
Losses arising from disruption of business or system failures.

Execution, delivery and process management:
Losses from failed transaction processing or process management. Losses pertaining to relationships with trading counterparties and vendors or suppliers.

Event type categories (in %)



39) Hedge accounting

The interest rate risk of the banking book is managed by Group ALM. Preference in managing interest rate risk is given to using bonds, loans or derivatives, with hedge accounting for derivatives usually applied in accordance with IFRS. The main guideline for interest rate risk positioning is the Group Interest Rate Risk Strategy that is approved by the Group ALCO for the relevant time period.

Fair value hedges are employed to reduce interest rate risk of issued bonds, purchased securities, loans or deposits on the Erste Group balance sheet. In general, the Erste Group policy is to swap all substantial fixed or structured issued bonds to floating items and as such to manage the targeted interest rate risk profile by other balance sheet items. Interest rate swaps are the most common instruments used for fair value hedges. Concerning loans, purchased securities and securities in issuance, fair value is also hedged by means of cross-currency swaps, swaptions, caps, floors and other types of derivative instruments.

Cash flow hedges are used to eliminate uncertainty in future cash flows in order to stabilise net interest income. The most common such hedge in Erste Group consists of interest rate swaps hedging variable cash flows of floating assets into fixed cash flows. Floors or caps are used to secure the targeted level of interest income in a changing interest rate environment.

In the reporting period, EUR 0.4 million (2012: EUR 37 million) was taken from the cash flow hedge reserve and recognised as expense in the consolidated income statement (2012: as income); while EUR (72) million (2012: EUR 34 million) was recognised directly in other comprehensive income. The majority of the hedged cash flows are likely to occur within the next five years and will then be recognised in the consolidated income statement. Ineffectiveness from cash flow hedges amounting to EUR (0.5) million (2012: EUR (0.3) million) is reported in the net trading result.

Fair value hedges in 2013 resulted in losses of EUR 408.6 million (2012: gains of EUR 444.9 million) on hedging instruments and gains of EUR 416.5 million on hedged items (2012: losses of EUR 465.6 million).

Fair values of hedging instruments are disclosed in the following table:

	2013		2012	
in EUR million	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Hedging instrument - fair value hedge	1,870	605	2,408	707
Hedging instrument - cash flow hedge	74	40	105	0

40) Fair value of assets and liabilities

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

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

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

40.1) Fair values of financial instruments

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

Financial instruments measured at fair value in the balance sheet

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

Description of the valuation models and inputs

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

Securities

For plain vanilla (fixed and floating) debt securities the fair value is calculated by discounting the future cash-flows using a discounting curve depending on the interest rate for respective issuance currency and a spread adjustment. The spread adjustment is usually derived from the credit spread curve of the issuer. If no issuer curve is available the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the instruments. If no close proxy is available, the spread adjustment is estimated using other information, including estimation of the credit spread based on internal ratings and PDs or management judgment. For more complex debt securities (e.g. including option-like features as callable, cap/floor, index-linked) the fair value is determined using combinations of discounted cash-flow models and more sophisticated modeling techniques including also methods described for OTC-derivatives. The fair value of financial liabilities designated at Fair Value through Profit and Loss under the fair value option is determined in consistency with similar instruments held as assets. The spread adjustment for Erste Group's own credit risk is derived from buy-back levels of own issuances. Techniques for equity securities may also include models based on earnings multiples.

OTC-derivative financial instruments

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

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

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

the respective single-name market based PD derived from the prices. Erste Group's probability of default has been derived from the buy-back levels of Erste group's issuances. Netting has only been considered for a few counterparties where the impact was material. For those netting has been applied for both CVA and DVA.

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

According to the described methodology the cumulative CVA-adjustments amounts to EUR (55.2) million and the total DVA-adjustment amounts to EUR 14.5 million.

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

A level 3 position involves one or more significant inputs that are not directly observable on the market. Additional price verification steps need to be done. These may include reviewing relevant historical data and benchmarking to similar transactions, among others. This involves estimation and expert judgment.

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

Fair value hierarchy

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

	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
in EUR million	2013	2012	2013	2012	2013	2012	2013	2012
Financial assets - available for sale	14,442	14,879	5,601	7,016	197	147	20,241	22,042
Financial assets - at fair value through profit or loss	233	329	240	364	56	23	529	716
Trading assets - securities	1,966	2,509	3,975	2,660	0	9	5,941	5,178
Positive market value - derivatives	84	1	8,105	13,149	96	139	8,285	13,289
Total assets	**16,724**	**17,718**	**17,921**	**23,189**	**350**	**318**	**34,995**	**41,225**
Customer deposits	0	0	460	633	0	0	460	633
Debt securities in issue	0	79	1,604	1,562	0	0	1,604	1,641
Subordinated liabilities	0	0	275	279	0	0	275	279
Trading liabilities	336	0	52	481	0	0	388	481
Negative market value - derivatives	27	0	6,704	10,878	0	0	6,731	10,878
Total liabilities and equity	**362**	**79**	**9,096**	**13,833**	**0**	**0**	**9,458**	**13,912**

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

Changes in volumes of Level 1 and Level 2

This paragraph describes the changes in Volumes of Level 1 and Level 2 of financial instruments measured at fair value in the balance sheet.

In 2013 the total amount of Level 1 financial assets decreased by EUR 0.993 billion. The change in volume of Level 1 securities (reduction by EUR 1.076 billion) is determined on the one side by matured or sold assets in the amount of EUR 2.8 billion and on the other side by new investments in the amount of EUR 2.7 billion. The reduction in volume for securities that have been allocated to Level 1 at both reporting dates (2012 and 2013) has amounted to EUR 1.0 billion (due to partial sales and purchases and fair value changes caused by market movements). Due to improved market liquidity assets in the amount of EUR 1.0 billion could be reclassified from Level 2 to Level 1. This applies mainly to securities issued by central governments (60%) but also to securities issued by financial institutions and other corporates (40%). Due to lower market activity and change to modelled fair value securities in total of EUR 0.7 billion have been moved from Level 1 to Level 2. The remaining decrease in the amount of EUR 0.2 billion is due to partial sales and fair value changes of reclassified instruments. The increase in derivatives in Level 1 by EUR 83.0 million has a relatively small contribution to the overall changes.

The total amount of Level 2 financial assets has decreased between 2012 and 2013 by EUR 5.268 billion. The reduction of

Level 2 derivatives of about EUR 5.044 billion is mainly caused by changes in market value. The Level 2 securities fair value change (down by EUR 0.224 billion) is due to matured or sold positions in the amount for EUR 4.7 billion and new investments in the amount of EUR 5.6 billion. The reduction in volume for securities that have been allocated to Level 2 at both reporting dates 2012 and 2013 has amounted to EUR 0.3 billion (due to partial sales and purchases and fair value changes caused be market movements). Due to reduced market depth a total volume of EUR 0.7 billion has been reclassified from Level 1 to Level 2 in 2013. This applies mainly to bonds issued by financial institutions and other corporates. Securities in the amount auf EUR 1.0 billion could be reclassified from Level 2 to Level 1 for the reporting date. The remaining decrease in the amount of EUR 0.5 billion is due to partial sales and fair value changes of reclassified instruments

Movements in Level 3 of financial instruments measured at fair value

The following tables show the development of fair value of securities for which valuation models are based on non-observable inputs:

in EUR million	2012	Gain/loss in profit or loss	Gain/loss in other compre-hensive income	Purch-ases	Sales/ Settle-ments	Additions to the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	2013
Financial assets - available for sale	147	(2)	0	4	(39)	19	68	0	0	197
Financial assets - at fair value through profit or loss	24	(2)	0	0	(2)	0	37	0	0	56
Trading assets - securities	9	2	0	0	(9)	0	0	(1)	0	0
Positive market value - derivatives	139	(61)	0	0	(3)	0	21	0	0	96
Total assets	**318**	**(63)**	**0**	**4**	**(52)**	**19**	**126**	**(1)**	**0**	**349**

in EUR million	2011	Gain/loss in profit or loss	Gain/loss in other compre-hensive income	Purch-ases	Sales/ Settle-ments	Additions to the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	2012
Loans to credit institutions	4	0	0	0	(4)	0	0	0	0	0
Financial assets - available for sale	148	(7)	4	44	(25)	0	3	(20)	0	147
Financial assets - at fair value through profit or loss	27	(3)	0	0	0	0	0	0	0	24
Trading assets - securities	0	0	0	9	0	0	0	0	0	9
Positive market value - derivatives	0	0	0	0	0	0	139	0	0	139
Total assets	**179**	**(10)**	**4**	**53**	**(29)**	**0**	**142**	**(20)**	**0**	**318**
Negative market value - derivatives	2	(2)	0	0	0	0	0	0	0	0
Total liabilities and equity	**2**	**(2)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

The reclassification of securities to level 3 was caused by decrease in market liquidity and in-depth analysis of broker quotes. This mainly affects securitizations (40%) and corporate bonds (60%). On the opposite, the volume of securities that have been upgraded from level 3 to level 2 in 2013 is immaterial.

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

in EUR million	2013 Gain/loss in profit or loss	2012 Gain/loss in profit or loss
Financial assets - at fair value through profit or loss	(1.3)	(2.2)
Trading assets	0.0	(0.2)
Positive market value - derivatives	(60.1)	0.4
Negative market value - derivatives	0.0	(0.2)
Total	**(61.4)**	**(2.2)**

The volume of Level 3 financial assets can be allocated to the following two categories:

- Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).
- Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.

Unobservable inputs and sensitivity analysis for Level 3 measurements

The range of unobservable valuation parameters used in Level 3 measurements is shown in the following table:

Financial Assets	Type of instrument	Fair Value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (Weighted Average)
Positive market value - derivatives	Forwards, Swaps, Options	96	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.23% - 100% (17.8%)
				LGD	40%
Financial assets - at fair value through profit and loss	Fixed and variable coupon bonds	6.8	Discounted Cash Flow	Credit spread	2.1% - 12% (3.3%)
Financial assets available for sale	Fixed and variable coupon bonds	156.3	Discounted Cash Flow	Credit spread	0.5% - 4.5% (2.0%)

If the value of financial instruments is dependent on unobservable input parameters, the precise Level for these parameters could be drawn from a range of reasonably possible alternatives. In preparing the financial statements, Levels for the parameters are chosen from these ranges using judgment consistent with prevailing market evidence.

The following table shows the sensitivity analysis using reasonably possible alternatives per product type:

	2013 Fair Value changes from using reasonable alternatives		2012 Fair Value changes from using reasonable alternatives	
in EUR million	Positive	Negative	Positive	Negative
Derivatives	41.5	(31.0)	3.1	(3.1)
Debt instruments	12.9	(17.2)	8.2	(11.0)
Equity instruments	2.4	(4.7)	3.1	(6.2)
Total	**56.7**	**(52.9)**	**14.4**	**(20.3)**

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

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

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

Financial instruments whose fair value is disclosed in the notes

The following table shows fair values and fair value hierarchy of financial instruments whose fair value is disclosed in the notes for the year-end 2013.

31 December 2013 in EUR million	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
ASSETS					
Cash and balances with central banks	8,670	8,670	8,670	0	0
Loans to credit institutions	9,007	8,839	0	0	8,839
Loans and advances to customers	119,945	118,177	0	470	117,707
Financial assets - held to maturity	17,779	18,919	15,383	3,378	158
LIABILITIES					
Deposits by banks	17,126	16,814	0	0	16,814
Customer deposits	122,442	120,208	0	0	120,208
Debt securities in issue	26,382	27,946	6,168	16,193	5,585
Subordinated liabilities	5,058	5,357	1,183	3,104	1,071
Financial guarantees and commitments					
Financial guarantees	n/a	(223)	0	0	(223)
Irrevocable commitments	n/a	466	0	0	466

1 December 2012 in EUR million	Carrying amount	Fair value
ASSETS		
Cash and balances with central banks	9,740	9,740
Loans to credit institutions	9,007	9,054
Loans and advances to customers	124,354	127,170
Financial assets - held to maturity	18,972	20,292
LIABILITIES		
Deposits by banks	21,822	22,042
Customer deposits	122,421	122,286
Debt securities in issue	27,786	29,340
Subordinated liabilities	5,044	5,394

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PD's used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.

The fair values of financial assets held to maturity are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

For liabilities without contractual maturities (e.g. demand deposits), the carrying amount represents the minimum of their fair value.

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available, otherwise it is estimated by taking into consideration the actual interest rate environment and in this case they are allocated to Level 3.
The fair value of other liabilities measured at amortized cost is estimated by taking into consideration the actual interest rate environment and own credit spreads, and these are allocated to Level 3.

The fair value of off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) is estimated with the help of regulatory credit conversion factors. The resulting loan equivalents are treated like other on-balance sheet assets. The difference between the calculated market value and the notional amount of the hypothetical loan equivalents represents the fair value of these contingent liabilities.

40.2) Fair values of non-financial assets

The following table shows fair values and fair value hierarchy of non-financial instruments at the year-end 2013:

in EUR million	Carrying amount	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	951	989	0	306	683
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale (IFRS 5)	20	20	0	0	20

Investment property is measured at fair value on recurring basis. Assets held for sale are measured at fair value on non-recurring basis when their carrying amount is impaired down to fair value less costs to sell.

The fair values of non-financial assets are determined by experts with recognised and relevant professional qualification.

Fair values of non-financial assets owned by Erste Group through Austrian companies which are located in developed and active real estate markets such as Austria, Czech Republic and Slovakia are based on valuation reports relying essentially on observable market inputs (such as selling price per square meter charged in recent market observable transactions for similar assets). Such measurements are disclosed as Level 2 of the fair value hierarchy.

If fair values of non-financial assets result from valuation models using expected future rental income method they are presented in Level 3 of the fair value hierarchy.

For non-financial assets owned by Erste Group through subsidiaries located in CEE countries the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenant and other material factors. Such measurements are presented in Level 3 of the fair value hierarchy.

41) Financial instruments per category according to IAS 39

31 December 2013	Category of financial instruments									
in EUR million	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial liabilities at amortised cost	Other financial assets	Derivatives designated as hedging instruments	Finance lease according to IAS 17	Total
ASSETS										
Cash and balances with central banks	6,343	0	0	0	0	0	2,327	0	0	8,670
Loans and advances to credit institutions	9,062	0	0	0	0	0	0	0	0	9,062
Loans and advances to customers	123,102	0	0	0	0	0	0	0	4,596	127,698
Risk provisions for loans and advances	(7,517)	(2)	0	0	0	0	0	0	(291)	(7,810)
Derivative financial instruments	0	0	6,341	0	0	0	0	1,944	0	8,285
Trading assets	0	0	5,941	0	0	0	0	0	0	5,941
Financial assets - at fair value through profit or loss	0	0	0	529	0	0	0	0	0	529
Financial assets - available for sale	0	0	0	0	20,581	0	0	0	0	20,581
Financial assets - held to maturity	0	17,781	0	0	0	0	0	0	0	17,781
Total financial assets	**130,989**	**17,780**	**12,282**	**529**	**20,581**	**0**	**2,327**	**1,944**	**4,305**	**190,737**
Net gains / losses recognized through profit or loss[1)]	(1,726)	(1)	28[2)]	11	(14)	n/a	n/a	n/a	n/a	(1,703)
Net gains / losses recognized through OCI	n/a	n/a	n/a	n/a	(114)	n/a	n/a	n/a	n/a	(114)
LIABILITIES										
Deposits by banks	0	0	0	0	0	17,126	0	0	0	17,126
Customer deposits	0	0	0	460	0	121,982	0	0	0	122,442
Debt securities in issue	0	0	0	1,604	0	26,382	0	0	0	27,986
Derivative financial instruments	0	0	6,087	0	0	0	0	644	0	6,731
Trading liabilities	0	0	388	0	0	0	0	0	0	388
Subordinated liabilities	0	0	0	275	0	5,058	0	0	0	5,333
Total financial liabilities	**0**	**0**	**6,475**	**2,339**	**0**	**170,548**	**0**	**644**	**0**	**180,006**
Net gains / losses recognized through profit or loss	n/a	n/a	6[2)]	(24)	n/a	5	n/a	n/a	n/a	(12)

1) Including impairments
2) Net gains/ losses on derivatives in amount of EUR (28) million were not tracked in respect of assets and liabilities and thus were not included in the table.

31 December 2012	Category of financial instruments									
in EUR million	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial liabilities at amortised cost	Other financial assets	Derivatives designated as hedging instruments	Finance lease according to IAS 17	Total
ASSETS										
Cash and balances with central banks	7,398	0	0	0	0	0	2,342	0	0	9,740
Loans and advances to credit institutions	9,074	0	0		0	0	0	0	0	9,074
Loans and advances to customers	126,799	0	0	0	0	0	0	0	5,129	131,928
Risk provisions for loans and advances	(7,641)	(3)	0	0	0	0	0	0	0	(7,644)
Derivative financial instruments	0	0	10,777	0	0	0	0	2,512	0	13,289
Trading assets	0	0	5,178	0	0	0	0	0	0	5,178
Financial assets - at fair value through profit or loss	0	0	0	716	0	0	0	0	0	716
Financial assets - available for sale	0	0	0	0	22,418	0	0	0	0	22,418
Financial assets - held to maturity	0	18,975	0	0	0	0	0	0	0	18,975
Total financial assets	**135,630**	**18,972**	**15,955**	**716**	**22,418**	**0**	**2,342**	**2,512**	**5,129**	**203,674**
LIABILITIES										
Deposits by banks	0	0	0	0	0	21,822	0	0	0	21,822
Customer deposits	0	0	0	633	0	122,420	0	0	0	123,053
Debt securities in issue	0	0	0	1,641	0	27,786	0	0	0	29,427
Derivative financial instruments	0	0	10,171	0	0	0	0	707	0	10,878
Trading liabilities	0	0	481	0	0	0	0	0	0	481
Subordinated liabilities	0	0	0	279	0	5,044	0	0	0	5,323
Total financial liabilities	**0**	**0**	**10,652**	**2,553**	**0**	**177,072**	**0**	**707**	**0**	**190,984**

42) Audit fees and tax consultancy fees

The following table contains fundamental audit fees and tax fees charged by the auditors (of Erste Group Bank AG and subsidiaries; the auditors primarily being Sparkassen-Prüfungsverband, Ernst & Young and Deloitte) in the financial years 2013 and 2012:

in EUR million	2013	2012
Audit fees	13.8	15.3
Other services involving the issuance of a report	5.8	5.1
Tax consultancy fees	3.4	3.1
Other services	4.3	2.4
Total	**27.2**	**25.8**

For auditing services provided by the Group's auditors EUR 9.6million (2012: EUR 9.3 million) was paid by Erste Group. The Group's auditors also performed tax consultancy for Erste Group with a value of EUR 0.5 million (2012: EUR 0.3 million).

43) Contingent liabilities

To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do contain credit risk and are therefore part of the overall risk of the Bank (see Note 38.5 Credit risk).

Legal proceedings

Erste Group Bank AG and some of its subsidiaries are involved in legal disputes, most of which have arisen in the course of ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of Erste Group or Erste Group Bank AG. Erste Group is also subject to the following ongoing proceedings:

Hungarian Holocaust litigation

In 2010, a group of plaintiffs filed a putative class action complaint, in a federal court in Chicago, on behalf of alleged victims of the Holocaust or their heirs, alleging that several Hungarian banks improperly benefited from the seizure of assets of Jewish customers during World War II. The assets claimed total $2 billion in 1944 dollars. Although Erste Group Bank AG is not alleged to have participated in the alleged misappropriation of Jewish assets, it is nevertheless named as a defendant in the litigation, as plaintiffs allege that Erste Group Bank AG is the legal successor to a number of banks that were active during that time in Greater Hungary. Erste Group Bank AG has denied all of the material allegations against it, including, but not limited to, allegations of successorship. In January 2014, the federal district court entered judgment in favor of Erste Group Bank AG, terminating the civil case. The plaintiffs have filed an appeal. Erste Group Bank AG intends to continue taking all steps necessary to defend itself against this complaint.

Consumer protection claims

Several banking subsidiaries of Erste Group in CEE have been named in their respective jurisdictions as defendants in a number of lawsuits and in regulatory proceedings, filed by individual customers, regulatory authorities or consumer protection agencies and associations. Some of the lawsuits are class actions. The lawsuits mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and regulations and that certain fees charged to customers in the past must be repaid. The allegations relate to the enforceability of certain fees as well as of contractual provisions for the adjustment of interest rates and currencies.

44) Analysis of remaining maturities

in EUR million	2013 < 1 year	2013 > 1 year	2012 < 1 year	2012 > 1 year
Cash and balances with central banks	8,670	0	9,740	0
Loans and advances to credit institutions	6,898	2,164	5,868	3,206
Loans and advances to customers	28,008	99,690	35,404	96,524
Risk provisions for loans and advances	(3,752)	(4,058)	(2,011)	(5,633)
Derivative financial instruments	1,677	6,608	1,496	11,793
Trading assets	4,065	1,876	3,331	1,847
Financial assets - at fair value through profit or loss	116	413	144	572
Financial assets - available for sale	3,523	17,058	4,893	17,525
Financial assets - held to maturity	2,172	15,609	3,401	15,574
Other assets	2,826	6,313	1,153	8,997
Total	**54,202**	**145,674**	**63,419**	**150,405**
Deposits by banks	12,917	4,210	14,055	7,767
Customer deposits	68,144	54,298	80,200	42,853
Debt securities in issue	4,939	23,048	5,268	24,159
Derivative financial instruments	1,555	5,177	2,267	8,611
Trading liabilities	28	360	16	465
Subordinated liabilities	473	4,859	564	4,759
Other liabilities	2,398	2,691	396	5,767
Total	**90,452**	**94,642**	**102,766**	**94,381**

45) Own funds and capital requirements

Erste Group as a group of credit institutions is subject to the Austrian Banking Act and must comply with the capital requirements set out therein.

Erste Group is subject to regulatory limitations (e.g. concentration risk) that restrict the ability of Erste Group to transfer funds among subsidiaries in different countries.

The items of own funds as disclosed below are also used for internal capital management purposes. As in the previous year, the minimum capital requirements under the Austrian Banking Act were fulfilled at all times.

Own funds and capital requirements are as follows:

in EUR million	2013	2012
Paid up capital	860	
Share premium	6,388	
Retained earnings	4,257	
Accumulated Other Comprehensive Income	97	
Deductions of Erste Group Bank shares (directly held)	(242)	
Regulatory deductions of financed Erste Group Bank shares and participation capital	(229)	
Minority interests	3,167	
Deduction of Goodwill	(1,238)	
Deduction of Customer Relationship	(271)	
Deduction of Brand	(289)	
Deduction of other intangible assets	(606)	
50% deduction for non-consolidated credit and financial institutions pursuant to section 23 (13) 3 and 4 of the Austrian Banking Act	(114)	
50% deduction for non-consolidated insurances pursuant to section 23 (13) 4a of the Austrian Banking Act[1)]	(84)	
50% deduction of IRB-shortfall pursuant to section 23 (13) 4c of the Austrian Banking Act	0	
50% deduction of securitisations pursuant to section 23 (13) 4d of the Austrian Banking Act[2)]	0	
Prudential filter on net positive AfS reserves (eligible with 70% within tier-2)	(402)	
Prudential filter on gains and losses due to changes in own credit standing	(69)	
Prudential filter for Cash flow hedges, excluding those for AfS-instruments	10	
Additional deduction for instruments measured at fair value pursuant to section 23 (13) 4e of the Austrian Banking Act [3)]	(37)	
Core tier-1 capital	**11,199**	**11,848**
Hybrid tier(1) capital pursuant to section 23 (4a) and (4b) of the Austrian Banking Act	361	
Direct holdings of own hybrid tier-1 capital pursuant to section 23 (4a) and (4b) Austrian Banking Act	0	
Tier-1 capital	**11,560**	**12,223**
Eligible supplementary capital	293	
Eligible subordinated liabilities	3,703	
70% of AfS-reserve deducted from Core Tier-1 eligible within tier-2	281	
IRB - surplus	127	
Qualifying supplementary capital (tier-2)	**4,404**	**4,074**
50% deduction for non-consolidated credit and financial institutions pursuant to section 23 (13) 3 and 4 of the Austrian Banking Act	(114)	(107)
50% deduction for non-consolidated insurances pursuant to section 23 (13) 4a of the Austrian Banking Act[1)]	(84)	(164)
50% deduction of IRB-shortfall pursuant to section 23 (13) 4c of the Austrian Banking Act	0	0
50% deduction of securitisations pursuant to section 23 (13) 4d of the Austrian Banking Act[2)]	0	(12)
Short-term subordinated capital (tier-3)	**228**	**297**
Total eligible qualifying capital	**15,994**	**16,311**
Total Capital Requirement	7,832	8,426
Surplus capital	8,162	7,885
Core tier-1 ratio – total risk (in %)[4)]	11.4	11.2
Tier-1 ratio – total risk (in %)[5)]	11.8	11.6
Solvency ratio (in %)[6)]	16.3	15.5

1) 50% tier-1 capital deduction starting with January 2013.
2) Consideration within risk pursuant to section 22 (1) 1 Austrian Banking Act starting July 2013.
3) Prudent valuation according to section 201 of the Solvability Directive for securities and derivatives, in the trading book, which are evaluated at fair value.
4) Core tier-1 ratio – total risk is the ratio of core tier-1 capital (excluding hybrid capital pursuant to section 23 (4a) and (4b) of the Austrian Banking Act) to the calculation base for the capital requirement pursuant to section 22 (1) of the Austrian Banking Act.
5) Tier-1 ratio – total risk is the ratio of tier-1 capital (including hybrid capital pursuant to section 23 (4a) and (4b) of the Austrian Banking Act) to the calculation base for the capital requirement pursuant to section 22 (1) of the Austrian Banking Act.
6) Solvency ratio is the ratio of total eligible qualifying capital to the calculation base for the capital requirement pursuant to section 22 (1) of the Austrian Banking Act.

In reporting period 2013 calculation of consolidated own funds was converted from UGB to IFRS. Due to different position assignment comparison figures for 2012 can only be presented in a limited way.

The risk-weighted basis pursuant to Section 22 (1) of the Austrian Banking Act and the resulting capital requirement are as follows:

in EUR million	2013 Calculation base/total risk[1)]	2013 Capital requirement[2)]	2012 Calculation base/total risk[1)]	2012 Capital requirement[2)]
Risk pursuant to Section 22 (1) 1 of the Austrian Banking Act[3)]	84,857	6,789	90,434	7,235
a) Standardised approach	19,590	1,567	22,936	1,835
b) Internal ratings based approach	65,038	5,203	67,498	5,400
c) Securitizations with a 1,250% Risk Weight[4)]	229	18		
Risk pursuant to Section 22 (1) 2 of the Austrian Banking Act[5)]	2,708	217	3,583	287
Risk pursuant to Section 22 (1) 3 of the Austrian Banking Act[6)]	144	11	131	10
Risk pursuant to Section 22 (1) 4 of the Austrian Banking Act[7)]	10,192	815	11,175	894
Total	**97,901**	**7,832**	**105,323**	**8,426**

1) Internal calculation base used for calculation of the tier-1 ratio, core tier-1 ratio and the solvency ratio (capital requirement multiplied by 12.5).
2) Capital requirement pursuant to the Austrian Banking Act.
3) Risk weighted assets – credit risk
4) Consideration within total risk instead of capital deduction pursuant to section 23 (13) 4d Austrian Banking Act starting July 2013.
5) Market risk (trading book).
6) Commodities risk and foreign exchange-risk, including the risk arising from gold positions, each for positions outside the trading book.
7) Operational risk

46) Events after the balance sheet date

There were no significant events after the balance sheet date.

47) Details of the companies wholly or partly owned by Erste Group as of 31 December 2013

The tables below present material, fully consolidated subsidiaries, investments in associates accounted for at equity and other investments.

Since Erste Group Immorent AG is disclosed here as a sub-group, the single entities are not listed separately.

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Fully consolidated subsidiaries			
Credit institutions			
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft	Linz	29.8	29.8
Banca Comerciala Romana Chisinau S.A.	Chişinău	93.6	93.3
Banca Comerciala Romana SA	Bucharest	93.6	93.3
Banka Sparkasse d.d.	Ljubljana	28.0	28.0
Bankhaus Krentschker & Co. Aktiengesellschaft	Graz	25.0	25.0
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft	Vienna	95.0	95.0
BCR Banca pentru Locuinte SA	Bucharest	93.9	93.6
Brokerjet Bank AG	Vienna	100.0	100.0
Ceska sporitelna, a.s.	Prague	99.0	99.0
Die Zweite Wiener Vereins-Sparcasse	Vienna	0.0	0.0
Dornbirner Sparkasse Bank AG	Dornbirn	0.0	0.0
Erste & Steiermärkische Bank d.d.	Rijeka	69.3	69.3
Erste Asset Management GmbH	Vienna	100.0	100.0
Erste Bank (Malta) Limited	Pieta	100.0	100.0
ERSTE BANK AD NOVI SAD	Novi Sad	80.5	80.5
ERSTE BANK AD PODGORICA	Podgorica	69.3	69.3
Erste Bank der oesterreichischen Sparkassen AG	Vienna	100.0	100.0
Erste Bank Hungary Zrt	Budapest	100.0	100.0
Erste Group Bank AG	Vienna	0.0	0.0
ERSTE Immobilien Kapitalanlagegesellschaft m.b.H.	Vienna	74.2	74.2
ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H.	Vienna	86.5	86.5
Intermarket Bank AG	Vienna	84.3	91.5
Kärntner Sparkasse Aktiengesellschaft	Klagenfurt	25.0	25.0
KREMSER BANK UND SPARKASSEN AKTIENGESELLSCHAFT	Krems an der Donau	0.0	0.0
Lienzer Sparkasse AG	Lienz, Osttirol	0.0	0.0
RINGTURM Kapitalanlagegesellschaft m.b.H.	Vienna	95.0	95.0
s Wohnbaubank AG	Vienna	90.8	90.8
Salzburger Sparkasse Bank Aktiengesellschaft	Salzburg	98.7	98.7
Slovenska sporitelna, a. s.	Bratislava	100.0	100.0
Sparkasse Baden	Baden	0.0	0.0
Sparkasse Bank dd	Sarajevo	24.3	24.3
SPARKASSE BANK MAKEDONIJA AD SKOPJE	Skopje	24.9	24.9
Sparkasse Bank Malta Public Limited Company	Sliema	0.0	0.0
Sparkasse Bludenz Bank AG	Bludenz	0.0	0.0
Sparkasse Bregenz Bank Aktiengesellschaft	Bregenz	0.0	0.0
Sparkasse der Gemeinde Egg	Egg	0.0	0.0
Sparkasse der Stadt Amstetten AG	Amstetten	0.0	0.0
Sparkasse der Stadt Feldkirch	Feldkirch	0.0	0.0
Sparkasse der Stadt Kitzbühel	Kitzbühel	0.0	0.0
Sparkasse Eferding-Peuerbach-Waizenkirchen	Eferding	0.0	0.0
Sparkasse Feldkirchen/Kärnten	Feldkirchen in Kärnten	0.0	0.0
Sparkasse Frankenmarkt Aktiengesellschaft	Frankenmarkt	0.0	0.0
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft	Hainburg an der Donau	75.0	75.0
Sparkasse Haugsdorf	Haugsdorf	0.0	0.0
Sparkasse Herzogenburg-Neulengbach	Herzogenburg	0.0	0.0

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Sparkasse Horn-Ravelsbach-Kirchberg Aktiengesellschaft	Horn	0.0	0.0
Sparkasse Imst AG	Imst	0.0	0.0
Sparkasse Korneuburg AG	Korneuburg	0.0	0.0
Sparkasse Kufstein, Tiroler Sparkasse von 1877	Kufstein	0.0	0.0
Sparkasse Lambach Bank Aktiengesellschaft	Lambach	0.0	0.0
Sparkasse Langenlois	Langenlois	0.0	0.0
Sparkasse Mittersill Bank AG	Mittersill	0.0	0.0
Sparkasse Mühlviertel-West Bank Aktiengesellschaft	Rohrbach	40.0	40.0
Sparkasse Mürzzuschlag Aktiengesellschaft	Mürzzuschlag	0.0	0.0
Sparkasse Neuhofen Bank Aktiengesellschaft	Neuhofen an der Krems	0.0	0.0
Sparkasse Neunkirchen	Neunkirchen	0.0	0.0
SPARKASSE NIEDERÖSTERREICH MITTE WEST AKTIENGESELLSCHAFT	St. Pölten	0.0	0.0
Sparkasse Oberösterreich Kapitalanlagegesellschaft m.b.H.	Linz	29.6	29.6
Sparkasse Pöllau AG	Pöllau bei Hartberg	0.0	0.0
Sparkasse Pottenstein N.Ö.	Pottenstein, Triesting	0.0	0.0
Sparkasse Poysdorf AG	Poysdorf	0.0	0.0
Sparkasse Pregarten - Unterweißenbach AG	Pregarten	0.0	0.0
Sparkasse Rattenberg Bank AG	Rattenberg, Inn	0.0	0.0
Sparkasse Reutte AG	Reutte	0.0	0.0
Sparkasse Ried im Innkreis-Haag am Hausruck	Ried im Innkreis	0.0	0.0
Sparkasse Salzkammergut AG	Bad Ischl	0.0	0.0
Sparkasse Scheibbs AG	Scheibbs	0.0	0.0
Sparkasse Schwaz AG	Schwaz	0.0	0.0
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft	Voitsberg	5.0	5.0
Stavebni sporitelna Ceske sporitelny, a.s.	Prague	98.8	98.8
Steiermärkische Bank und Sparkassen Aktiengesellschaft	Graz	25.0	25.0
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck	Innsbruck	75.0	75.0
Tirolinvest Kapitalanlagegesellschaft mbH.	Innsbruck	77.9	77.9
Waldviertler Sparkasse Bank AG	Zwettl	0.0	0.0
Wiener Neustädter Sparkasse	Wiener Neustadt	0.0	0.0

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Other financial institutions			
"Die Kärntner" Trust- Vermögensverwaltungsgesellschaft m.b.H. & Co KG	Klagenfurt	25.0	0.0
"Die Kärntner" Trust-Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Asset Management Slovenskej sporitelne, správ. spol., a. s.	Bratislava	100.0	100.0
AVS Beteiligungsgesellschaft m.b.H.	Innsbruck	75.0	75.0
BCR Leasing IFN SA	Bucharest	93.5	93.2
brokerjet Ceske sporitelny, a.s.	Prague	99.5	99.5
Derop B.V.	Amsterdam	100.0	100.0
Diners Club BH d.o.o. Sarajevo	Sarajevo	69.3	69.3
Drustvo za lizing nekretnina, vozila, plovila i masina "S-Leasing" doo Podgorica	Podgorica	62.5	62.5
EB Erste Bank Internationale Beteiligungen GmbH	Vienna	100.0	100.0
EB-Malta-Beteiligungen Gesellschaft m.b.H.	Vienna	100.0	100.0
EBV - Leasing Gesellschaft m.b.H. & Co. KG.	Vienna	100.0	100.0
EGB Ceps Beteiligungen GmbH	Vienna	100.0	100.0
EGB Ceps Holding GmbH	Vienna	100.0	100.0
EGB e-business Holding GmbH	Vienna	100.0	100.0
Erste & Steiermärkische S-Leasing drustvo s ogranicenom odgovornoscu za leasing vozila i strojeva	Zagreb	59.4	59.4
Erste Alapkezelo Zrt.	Budapest	100.0	100.0
Erste Asset Management d.o.o.	Zagreb	100.0	100.0
Erste Bank Beteiligungen GmbH	Vienna	100.0	100.0
Erste Bank und Sparkassen Leasing GmbH (vorm. s Autoleasing GmbH)	Vienna	100.0	100.0
ERSTE CARD CLUB d.o.o.	Zagreb	69.3	69.3
ERSTE CARD poslovanje s kreditnimi karticami, d.o.o.	Ljubljana	69.3	0.0
ERSTE DELTA DRUSTVO S OGRANICENOM ODGOVORNOSCU ZA POSLOVANJE NEKRETNINAMA	Zagreb	69.3	69.3
ERSTE FACTORING d.o.o.	Zagreb	76.9	76.9
Erste Group Immorent AG	Vienna	100.0	100.0
Erste Lakaslizing Zrt.	Budapest	100.0	100.0
Erste Lakas-Takarekpenztar Zartkoruen Mukodo Reszvenytarsasag	Budapest	100.0	100.0
Erste Leasing Berlet Szolgaltato Kft. (vm. Erste Leasing Szolgaltato Kft.)	Budapest	100.0	100.0
Erste Leasing, a.s.	Znojmo	99.0	99.0
Erste Securities Istanbul Menkul Degerler AS	Istanbul	100.0	100.0
Erste Securities Polska S.A.	Warsaw	100.0	100.0
Factoring Ceske sporitelny a.s.	Prague	99.0	99.0
Factoring Slovenskej sporitelne, a.s.	Bratislava	100.0	100.0
Flottenmanagement GmbH	Vienna	51.0	51.0
Immorent - Süd Gesellschaft m.b.H., S - Leasing KG	Graz	46.4	46.4
IMMORENT ALFA leasing druzba, d.o.o.	Ljubljana	50.0	50.0
IMMORENT BETA, leasing druzba, d.o.o.	Ljubljana	62.5	62.5
IMMORENT DELTA, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
IMMORENT leasing nepremicnin d.o.o.	Ljubljana	44.9	44.9
IMMORENT-RAMON Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
Immorent-Smaragd Grundverwertungsgesellschaft m.b.H.	Schwaz	0.0	0.0
Immorent-Süd Gesellschaft m.b.H.	Graz	51.3	51.3
IMMORENT-TOPAS Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
Investicni spolecnost Ceske sporitelny, a.s.	Prague	100.0	100.0
Kärntner Sparkasse Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Leasing Slovenskej sporitelne, a.s.	Bratislava	100.0	100.0
NÖ-Sparkassen Beteiligungsgesellschaft m.b.H.	Vienna	2.5	2.5
PREDUZECE ZA LIZING NEKRETNINA, VOZILA I MASINA S-LEASING DOO BEOGRAD	Belgrade	62.5	62.5
REICO investicni spolecnost Ceske sporitelny, a.s.	Prague	99.0	99.0
RUTAR INTERNATIONAL trgovinska d.o.o.	Ljubljana	62.5	62.5

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
s Autoleasing a.s.	Prague	99.0	99.0
S IMMORENT ZETA drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	84.9	84.9
S Slovensko, spol. s r.o.	Bratislava	100.0	100.0
SAI Erste Asset Management S.A.	Bucharest	100.0	100.0
S-Factoring, faktoring druzba d.d.	Ljubljana	28.0	53.4
Sieben-Tiroler-Sparkassen Beteiligungsgesellschaft m.b.H.	Kufstein	0.0	0.0
S-IMMORENT nepremicnine d.o.o.	Ljubljana	50.0	50.0
S-Leasing OÖ Gesellschaft m.b.H.	Linz	100.0	44.7
S-Mobilienleasing GmbH	Vienna	100.0	100.0
Sparkasse (Holdings) Malta Ltd.	Sliema	0.0	0.0
Sparkasse Leasing S,družba za financiranje d.o.o.	Ljubljana	28.0	28.0
SPARKASSEN LEASING druzba za financiranje d.o.o.	Ljubljana	50.0	50.0
Sparkassenbeteiligungs und Service AG für Oberösterreich und Salzburg	Linz	69.3	69.3
SPK Immobilien- und Vermögensverwaltungs GmbH	Graz	25.0	25.0
S-RENT DOO BEOGRAD	Belgrade	62.5	62.5

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Other			
"Sparkassen-Haftungs Aktiengesellschaft"	Vienna	43.2	43.2
Atrium Center s.r.o.	Bratislava	19.8	0.0
AWEKA - Kapitalverwaltungsgesellschaft m.b.H.	Graz	25.0	25.0
Bee First Finance S.A. acting for and on behalf of its compartment Edelweiss 2013(1)	Luxembourg	100.0	0.0
BCR Finance BV	Amsterdam	93.6	93.3
BCR Fleet Management SRL	Bucharest	93.5	93.2
BCR Partener Mobil SRL	Bucharest	93.6	93.3
BCR Payments Services SRL	Sibiu	93.6	93.3
BCR PENSII, SOCIETATE DE ADMINISTRARE A FONDURILOR DE PENSII PRIVATE SA	Bucharest	93.6	93.3
BCR Procesare SRL	Bucharest	93.6	93.3
BCR Real Estate Management SRL	Bucharest	93.6	93.3
BECON s.r.o.	Prague	19.8	0.0
Beta-Immobilienvermietung GmbH	Vienna	100.0	100.0
BGA Czech, s.r.o.	Prague	19.8	0.0
BRS Büroreinigungsgesellschaft der Steiermärkischen Bank und Sparkassen Aktiengesellschaft Gesellschaft m.b.H.	Graz	25.0	25.0
Campus Park a.s.	Prague	99.0	19.8
Capexit Beteiligungs Invest GmbH	Vienna	100.0	100.0
Capexit Private Equity Invest GmbH	Vienna	100.0	100.0
CEE Property Development Portfolio 2 N.V.	Amsterdam	99.0	19.8
CEE Property Development Portfolio B.V.	Amsterdam	19.8	19.8
Ceska sporitelna - penzijni spolecnost, a.s.	Prague	99.0	99.0
CP Praha s.r.o.	Prague	19.8	19.8
CPDP 2003 s.r.o.	Prague	99.0	19.8
CPDP Logistics Park Kladno I a.s.	Prague	99.0	19.8
CPDP Logistics Park Kladno II a.s.	Prague	99.0	19.8
CPDP Polygon s.r.o.	Prague	99.0	19.8
CPDP Prievozska a.s.	Bratislava	99.0	19.8
CPDP Shopping Mall Kladno, a.s.	Prague	99.0	19.8
CPP Lux S. 'ar.l.	Luxembourg	19.8	19.8
CS DO DOMU, A.S.	Prague	99.0	99.0
CS Investment Limited	St Peter Port	99.0	99.0
CS Property Investment Limited	Nicosia	99.0	99.0
Czech and Slovak Property Fund B.V.	Amsterdam	19.8	0.0
Czech TOP Venture Fund B.V.	Groesbeek	83.1	83.1
DIE ERSTE Immobilienvermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
EBB Beteiligungen GmbH	Vienna	100.0	100.0
EB-Beteiligungsservice GmbH	Vienna	99.9	99.9
EB-Grundstücksbeteiligungen GmbH	Vienna	100.0	100.0
EB-Restaurantsbetriebe Ges.m.b.H.	Vienna	100.0	100.0
EGB Capital Invest GmbH	Vienna	100.0	100.0
Erste Befektetesi Zrt.	Budapest	100.0	100.0
Erste Campus Mobilien GmbH & Co KG	Vienna	100.0	100.0
Erste Capital Finance (Jersey) PCC	St. Helier	100.0	100.0
ERSTE DMD d.o.o.	Zagreb	69.3	69.3
Erste Energy Services, a.s.	Prague	99.0	99.0
Erste Finance (Delaware) LLC	City of Wilmington	100.0	100.0
Erste Finance (Jersey) (6) Limited	St. Helier	100.0	100.0
Erste Finance (Jersey) Limited IV	St. Helier	100.0	100.0
Erste GCIB Finance I B.V.	Amsterdam	100.0	100.0
Erste Group IT International, spol. s.r.o.	Bratislava	100.0	100.0
Erste Group IT SK, spol. s r.o.	Bratislava	100.0	100.0

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Erste Group Services GmbH	Vienna	100.0	100.0
Erste Group Shared Services (EGSS), s.r.o.	Hodonin	99.6	99.6
ERSTE IN-FORG Korlatolt felelossegu tarsasag	Budapest	100.0	0.0
Erste Ingatlan Fejleszto, Hasznosito es Mernoki Kft. (vm. PB Risk Befektetesi es Szolgaltato Kft).	Budapest	100.0	100.0
ERSTE NEKRETNINE d.o.o. za poslovanje nekretninama	Zagreb	69.3	69.3
Erste Private Equity Limited	London	100.0	100.0
Erste Reinsurance S.A.	Luxembourg	100.0	100.0
Euro Dotacie, a.s.	Žilina	65.3	65.3
Financiara SA	Bucharest	91.2	90.9
Gallery MYSAK a.s.	Prague	99.0	19.8
Gladiator Leasing Limited	Pieta	99.9	99.9
GLL 29235 LIMITED	Pieta	99.9	99.9
GLL A330 Limited	Dublin 2	99.9	0.0
GLL MSN 038 / 043 LIMITED	Pieta	99.9	99.9
GRANTIKA Ceske sporitelny, a.s.	Brno	99.0	99.0
Haftungsverbund GmbH	Vienna	63.9	63.4
Immobilienverwertungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
KS - Dienstleistungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
KS-Beteiligungs- und Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
LANED a.s.	Bratislava	100.0	100.0
LIEGESA Immobilienvermietung GmbH Nfg OG	Graz	25.0	25.0
Lighthouse 449 Limited	Pieta	99.9	99.9
MBU d.o.o.	Zagreb	100.0	100.0
Nove Butovice Development s.r.o.	Prague	19.8	0.0
ÖCI-Unternehmensbeteiligungsgesellschaft.m.b.H.	Vienna	99.6	99.6
OM Objektmanagement GmbH	Vienna	100.0	100.0
Portfolio Kereskedelmi, Szolgaltato es Szamitastechnikai Kft.	Budapest	100.0	100.0
Procurement Services CZ s.r.o.	Prague	99.5	99.5
Procurement Services GmbH	Vienna	99.9	99.9
Procurement Services HR d.o.o.	Zagreb	99.9	99.9
Procurement Services HU Kft.	Budapest	99.9	99.9
Procurement Services RO srl	Bucharest	99.9	99.9
Procurement Services SK, s.r.o.	Bratislava	99.9	99.9
Quest Investment Services Limited	Sliema	0.0	0.0
Realitna spolocnost Slovenskej sporitelne, a.s.	Bratislava	100.0	100.0
Real-Service für oberösterreichische Sparkassen Realitätenvermittlungsgesellschaft m.b.H.	Linz	62.6	62.6
Real-Service für steirische Sparkassen, Realitätenvermittlungsgesellschaft m.b.H.	Graz	59.8	59.7
s ASG Sparkassen Abwicklungs- und Servicegesellschaft mbH	Graz	25.0	25.0
s IT Solutions AT Spardat GmbH	Vienna	82.2	82.2
s IT Solutions CZ, s.r.o.	Prague	99.6	99.6
s IT Solutions Holding GmbH	Vienna	100.0	100.0
s IT Solutions HR drustvo s ogranicenom odgovornoscu za usluge informacijskih tehnologija	Bjelovar	93.9	93.9
s IT Solutions SK, spol. s r.o.	Bratislava	99.8	99.8
s REAL Immobilienvermittlung GmbH	Vienna	96.1	96.1
s ServiceCenter GmbH (vm. CSSC)	Vienna	57.3	57.3
S Tourismus Services GmbH	Vienna	100.0	100.0
s Wohnbauträger GmbH	Vienna	90.8	90.8
s Wohnfinanzierung Beratungs GmbH	Vienna	75.4	75.4
sBAU Holding GmbH	Vienna	95.0	95.0
SC Bucharest Financial Plazza SRL	Bucharest	93.6	93.3
sDG Dienstleistungsgesellschaft mbH (vm. Sparkassen Zahlungsverkehrsabwicklungs GmbH)	Linz	57.8	57.8

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
S-Immobilien Weinviertler Sparkasse GmbH	Vienna	100.0	100.0
Sio Ingatlan Invest Kft.	Budapest	100.0	100.0
SK - Immobiliengesellschaft m.b.H.	Krems an der Donau	0.0	0.0
Smichov Real Estate, a.s.	Prague	19.8	0.0
Sparkasse Kufstein Immobilien GmbH & Co KG	Kufstein	0.0	0.0
Sparkasse S d.o.o.	Ljubljana	25.0	25.0
Sparkassen Real Vorarlberg Immobilienvermittlung GmbH	Dornbirn	48.1	48.1
Sparkassen-Real-Service für Kärnten und Osttirol Realitätenvermittlungs-Gesellschaft m.b.H.	Klagenfurt	55.6	55.5
Sparkassen-Real-Service -Tirol Realitätenvermittlungs-Gesellschaft m.b.H.	Innsbruck	66.8	66.8
Steiermärkische Verwaltungssparkasse Immobilien & Co KG	Graz	25.0	25.0
S-Tourismusfonds Management Aktiengesellschaft	Vienna	100.0	100.0
SUPORT COLECT SRL	Bucharest	93.6	93.3
SVD-Sparkassen-Versicherungsdienst Versicherungsbörse Nachfolge GmbH & Co. KG	Innsbruck	75.0	75.0
Transformovany fond penzijniho pripojisteni se statnim prispevkem Ceska sporitelna - penzijni spolecnost, a.s.	Prague	0.0	0.0
Trencin Retail Park a.s.	Bratislava	19.8	0.0
VERNOSTNI PROGRAM IBOD, a.s.	Prague	99.0	0.0

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Equity method investments			
Credit institutions			
NÖ Beteiligungsfinanzierungen GmbH	Vienna	30.0	30.0
NÖ Bürgschaften GmbH	Vienna	25.0	25.0
Prvá stavebná sporitelna, a.s.	Bratislava	35.0	35.0
SPAR-FINANZ BANK AG	Salzburg	50.0	50.0
Other financial institutions			
Fondul de Garantare a Creditului Rural IFN SA	Bucharest	31.2	31.1
Other			
APHRODITE Bauträger Aktiengesellschaft	Vienna	45.4	45.4
ASC Logistik GmbH	Vienna	24.0	24.0
EBB-Gamma Holding GmbH	Vienna	49.0	49.0
ERSTE d.o.o.	Zagreb	41.7	41.7
Erste ÖSW Wohnbauträger GmbH	Vienna	45.7	90.8
Gelup GesmbH	Vienna	31.7	31.7
Hochkönig Bergbahnen GmbH	Horn	45.35	45.35
Immobilien West GmbH	Salzburg	49.3	49.3
KWC Campus Errichtungsgesellschaft m.b.H.	Klagenfurt	12.5	12.5
Let's Print Holding AG	Graz	42.0	42.0
LTB Beteiligungs GmbH	Vienna	25.0	25.0
ROMANIAN EQUITY PARTNERS COÖPERATIEF U.A.	Amsterdam	66.7	66.7
RSV Beteiligungs GmbH	Vienna	33.3	33.3
Slovak Banking Credit Bureau, s.r.o.	Bratislava	33.3	33.3
VBV - Betriebliche Altersvorsorge AG	Vienna	26.9	26.9

Erste Group holds more than 50% of the equity shares of ROMANIAN EQUITY PARTNERS COÖPERATIEF U.A. which is classified as a joint venture.

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Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Other investments			
Credit institutions			
Adria Bank Aktiengesellschaft	Vienna	0.0	0.0
BRB Burgenländische Risikokapital Beteiligungen AG	Eisenstadt	6.4	6.4
Bürgschaftsbank Salzburg GmbH	Salzburg	18.0	18.0
EUROAXIS BANK AD Moskva	Moscow	0.0	0.0
Gorenjska Banka d.d.	Kranj	2.3	2.3
JUBMES BANKA AD BEOGRAD	Belgrade	0.0	1.6
Oberösterreichische Kreditgarantiegesellschaft m.b.H.	Linz	4.5	4.5
Oesterreichische Kontrollbank Aktiengesellschaft	Vienna	12.9	12.9
Open Joint Stock Company Commercial Bank "Center Invest"	Rostov-on-Don	9.8	9.8
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H.	Vienna	18.8	18.8
Steirische Beteiligungsfinanzierungsgesellschaft m.b.H.	Graz	4.7	4.7
Swedbank AB	Stockholm	0.1	0.1
VBV - Vorsorgekasse AG	Vienna	24.5	24.5
Waldviertler Volksbank Horn registrierte Genossenschaft mit beschränkter Haftung	Horn, Niederösterreich	0.0	0.0
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG (vorm.Kapital-Beteiligungs Aktiengesellschaft)	Vienna	15.6	16.0
Other financial institutions			
"Wohnungseigentümer" Gemeinnützige Wohnbaugesellschaft m.b.H.	Mödling	12.88	12.88
AS-WECO 4 Grundstückverwaltung Gesellschaft m.b.H.	Salzburg	29.98	29.98
Beogradska Berza, Akcionarsko Drustvo Beograd	Belgrade	12.57	9.28
C+R Projekt s r.o.	Prague	100.00	100.00
Company for Investment Funds Management "Erste Invest" a.d. Belgrade - in liquidation	Belgrade	0.00	100.00
Diners Club Bulgaria AD	Sofia	3.57	3.57
Diners Club Russia	Moscow	10.98	10.98
DINESIA a.s.	Prague	98.97	98.97
E-C-A-Holding Gesellschaft m.b.H.	Vienna	65.54	65.54
E-C-B Beteiligungsgesellschaft.m.b.H.	Vienna	24.67	24.67
EFH-Beteiligungsgesellschaft m.b.H.	Vienna	50.00	50.00
EWU Wohnbau Unternehmensbeteiligungs-Aktiengesellschaft	St. Pölten	12.80	12.80
FINANSIJSKI BERZANSKI POSREDNIK BEOGRADSKI ESKONTNI CENTAR AKCIONARSKO DRUŠTVO, BEOGRAD (STARI GRAD) - U STECAJU	Beograd	0.00	0.00
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii privati SA	Bucharest	8.90	8.88
GEBAU-NIOBAU Gemeinnützige Baugesellschaft m.b.H.	Maria Enzersdorf	12.17	12.17
Gemeinnützige Bau- und Siedlungsgenossenschaft "Waldviertel" registrierte Genossenschaft mit beschränkter Haftung	Raabs an der Thaya	0.00	0.00
Gemeinnützige Bau- und Siedlungsgesellschaft MIGRA Gesellschaft m.b.H.	Vienna	19.80	19.80
Gemeinnützige Baugenossenschaft in Feldkirch, registrierte Genossenschaft mit beschränkter Haftung	Feldkirch	0.00	0.00
Gemeinnützige Wohn- und Siedlungsgesellschaft Schönere Zukunft, Gesellschaft m.b.H.	Vienna	15.00	15.00
Gemeinnützige Wohnungsgesellschaft "Austria" Aktiengesellschaft	Mödling	12.68	12.68
German Property Invest Immobilien GmbH	Vienna	10.77	10.77
good.bee Holding GmbH	Vienna	60.00	60.00
GWS Gemeinnützige Alpenländische Gesellschaft für Wohnungsbau und Siedlungswesen m.b.H.	Graz	7.50	7.50
I+R Projekt Fejlesztési Korlátolt Felelösségü Társaság	Budapest	100.00	100.00
ILGES - Immobilien- und Leasing - Gesellschaft m.b.H.	Rohrbach in Upper Austria	40.00	40.00
K+R Projekt s.r.o.	Prague	100.00	100.00
KERES-Immorent Immobilienleasing GmbH	Vienna	25.00	25.00
Lorit Immobilien Leasing Gesellschaft m.b.H. in Liquidation	Vienna	56.24	56.24

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
MONTENEGRO BERZA AD Podgorica	Podgorica	0.08	0.00
Neue Eisenstädter gemeinnützige Bau-, Wohn- und Siedlungsgesellschaft m.b.H.	Eisenstadt	49.98	49.98
NÖ. HYPO LEASING - Sparkasse Region St. Pölten Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	0.00	0.00
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung	Vienna	100.00	100.00
ÖSW Wohnbauvereinigung Gemeinnützige Gesellschaft m.b.H.	Salzburg	15.37	15.37
ÖWB Gemeinnützige Wohnungsaktiengesellschaft	Salzburg	25.09	22.73
ÖWGES Gemeinnützige Wohnbaugesellschaft m.b.H.	Graz	2.50	2.50
REWE Magyarország Ingatlankezelö és - forgalmazó Korlátolt Felelössegü Társaság	Budapest	100.00	100.00
s Autoleasing SK, s.r.o.	Bratislava	98.97	98.97
S IMMOKO Leasing Gesmbh	Korneuburg	0.00	0.00
S-Leasing d.o.o., Sarajevo	Sarajevo	24.64	24.93
S-Leasing d.o.o., Skopje	Skopje	24.99	24.99
SPARKASSE Bauholding Gesellschaft m.b.H.	Salzburg	98.69	98.69
Sparkasse Bauholding Leasing I GmbH	Salzburg	98.69	98.69
STUWO Gemeinnützige Studentenwohnbau Aktiengesellschaft	Vienna	50.32	50.32
T+R Projekt Fejelsztési Korlátolt Felelösségü Társaság	Budapest	100.00	100.00
VISA INC.	Wilmington	0.00	0.00
Vorarlberger Sparkassen Beteiligungs GmbH	Dornbirn	0.00	0.00
WIEPA-Vermögensverwaltungsgesellschaft m.b.H.	Dornbirn	0.00	0.00
WNI Wiener Neustädter Immobilienleasing Ges.m.b.H.	Wiener Neustadt	0.00	0.00
Wohnungseigentum, Tiroler gemeinnützige Wohnbaugesellschaft m.b.H.	Innsbruck	19.06	19.06
Other			
"Die Kärntner - Förderungs- und Beteiligungsgesellschaft für die Stadt Friesach Gesellschaft m.b.H.	Friesach	25.00	25.00
"Die Kärntner" - Förderungsgesellschaft für das Gurktal Gesellschaft m.b.H.	Gurk	25.00	25.00
"Die Kärntner"-BTWF-Beteiligungs- und Wirtschaftsförderungsgesellschaft für die Stadt St. Veit/Glan Gesellschaft m.b.H.	St. Veit an der Glan	25.00	25.00
"Die Kärntner"-Förderungs- und Beteiligungsgesellschaft für den Bezirk Wolfsberg Gesellschaft m.b.H.	Wolfsberg, Kärnten	25.00	25.00
"Gasthof Löwen" Liegenschaftsverwaltung GmbH & Co., KG	Feldkirch	0.00	0.00
"Photovoltaik-Gemeinschaftsanlage" der Marktgemeinde Wolfurt	Wolfurt	0.00	0.00
"SIMM" Liegenschaftsverwertungsgesellschaft m.b.H.	Graz	25.00	25.00
"TBG" Thermenzentrum Geinberg Betriebsgesellschaft m.b.H.	Geinberg	1.08	1.08
"THG" Thermenzentrum Geinberg Errichtungs-GmbH	Linz	1.14	1.14
"TROPS" Beteiligungsgesellschaft m.b.H	St. Martin im Mühlkreis	5.00	5.00
1. Obermurtaler Brauereigenossenschaft in Murau registrierte Genossenschaft mit beschränkter Haftung	Murau	0.63	0.63
A.D.I. Immobilien Beteiligungs GmbH	Vienna	10.77	10.77
AB Banka, a.s. v likvidaci	Mlada Boleslav	4.45	0.00
Accession Mezzanine Capital III L.P.	St. Helier	3.33	3.73
Achenseebahn Aktiengesellschaft	Jenbach	0.00	0.00
Achtundsechzigste Sachwert Rendite-Fonds Holland GmbH & Co KG	Hamburg	0.00	0.00
Actera Partners L.P.	St. Helier	4.65	4.65
AD SPORTSKO POSLOVNI CENTAR MILLENNIUM VRŠAC	Vršac	0.18	0.00
Agrargemeinschaft Kirchschlag	Kirchschlag	0.00	0.00
AGRI-BUSINESS Kft. (in Konkurs)	Hegyeshalom	100.00	100.00
AKCIONARSKO DRUŠTVO DUNAV ZA PROIZVODNJU TEKSTILNIH I AMBALAŽNIH PROIZVODA CELAREVO - U STECAJU	Celarevo	4.69	0.00
AKCIONARSKO DRUŠTVO PETAR DRAPŠIN NOVI SAD - U RESTRUKTURIRANJU	Novi Sad	1.05	0.00

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
AKCIONARSKO DRUŠTVO ZA PROIZVODNJU DELOVA ZA MOTORE GARANT, FUTOG	Futog	6.16	0.00
AKCIONARSKO DRUŠTVO ZA PROIZVODNJU KABLOVA I PROVODNIKA NOVOSADSKA FABRIKA KABELA NOVI SAD	Novi Sad	1.14	0.00
AKIM Beteiligungen GmbH	Vienna	10.77	10.77
Alpbacher Bergbahn Gesellschaft m.b.H.	Alpbach	0.00	0.00
Alpendorf Bergbahnen AG	St. Johann im Pongau	0.02	0.17
AMAG Austria Metall AG	Braunau	0.30	0.30
aptus Immobilien GmbH	Berlin	10.77	0.00
Arena Melk GmbH	Melk	0.00	0.00
Argentum Immobilienverwertungs Ges.m.b.H.	Linz	28.29	28.29
ARWAG Holding-Aktiengesellschaft	Vienna	19.20	19.20
AS LEASING Gesellschaft m.b.H.	Linz, Donau	29.78	29.78
ASTRA BANKA AKCIONARSKO DRUŠTVO BEOGRAD - U STECAJU	Beograd	0.00	0.00
AS-WECO Grundstückverwaltung Gesellschaft m.b.H.	Linz	28.29	28.29
ATHOS Immobilien Aktiengesellschaft	Linz	0.99	0.99
Ausserferner Musical GmbH & Co KG	Bach	0.00	0.00
Austrian Reporting Services GmbH	Vienna	16.82	0.00
AWEKA-Beteiligungsgesellschaft m.b.H.	Vienna	25.00	25.00
B.A.O. Immobilienvermietungs GmbH	Vienna	9.93	9.93
Bad Leonfelden Hotelbetriebs Gesellschaft mbH	Bad Leonfelden	63.38	63.38
Bad Tatzmannsdorf Thermal- und Freizeitzentrum GesmbH & Co KG	Bad Tatzmannsdorf	0.87	0.87
Bäder - Betriebs - Gesellschaft m.b.H. der Stadt Schladming & Co Kommanditgesellschaft	Schladming	0.00	0.00
Balance Resort GmbH (vm. Wellness Hotel Stegersbach)	Stegersbach	100.00	100.00
BaltCap Private Equity Fund L.P.	St. Helier	7.94	7.94
Bancroft 3 L.P.	St. Helier	8.83	8.83
Bank-garázs Ingatlanfejlesztési és Vagyonhasznosító Kft.	Budapest	10.77	10.77
Bäuerliches Blockheizkraftwerk reg. Gen.m.b.H.	Kautzen	0.00	0.00
BBH Hotelbetriebs GmbH	Vienna	69.02	69.02
BC European Capital IX(3) LP	St.Peter Port	0.15	0.17
BCR Asigurari de Viata Vienna Insurance Group SA	Bucharest	5.06	5.04
BeeOne GmbH	Vienna	100.00	100.00
Berg- und Schilift Schwaz-Pill Gesellschaft m.b.H.	Schwaz	0.00	0.00
Bergbahn Aktiengesellschaft Kitzbühel	Kitzbühel	0.00	0.00
Bergbahn Lofer Ges.m.b.H.	Lofer	7.84	9.23
Bergbahn- und Skilift Gesellschaft St. Jakob i.D., Gesellschaft m.b.H.	St. Jakob in Defereggen	0.00	0.00
Bergbahnen Oetz Gesellschaft m.b.H.	Oetz	0.00	0.00
Bergbahnen Westendorf Gesellschaft m.b.H.	Westendorf	0.00	0.00
Betriebliche Altersvorsorge - Software Engineering GmbH	Vienna	24.25	24.25
BGM - IMMORENT Aktiengesellschaft & Co KG	Vienna	2.38	2.38
Biogenrohstoffgenossenschaft Kamptal und Umgebung registrierte Genossenschaft mit beschränkter Haftung	Gars am Kamp	0.00	0.00
Biomasse Heizwerk Zürs GmbH	Zürs	0.00	0.00
Biroul de credit SA	Bucharest	17.79	22.64
Biroul de Credit SRL	Chişinău	6.27	9.53
Bregenz Tourismus & Stadtmarketing GmbH	Bregenz	0.00	0.00
BSV Mountain Immobilieninvest GmbH	Klosterneuburg	0.00	0.00
BTV-Beteiligungs-, Treuhand-, Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.00	25.00
Buda Kereskedelmi Kozpont Kft	Budapest	10.77	10.77
Bursa Romana de Marfuri SA	Bucharest	2.44	2.43
Burza cennych papierov v Bratislave, a.s.	Bratislava	3.93	0.29

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Business Capital for Romania - Opportunity Fund Cooperatief UA	Amsterdam	77.98	77.73
BVP-Pensionsvorsorge-Consult G.m.b.H.	Vienna	26.94	26.94
Camelot Informatik und Consulting Gesellschaft.m.b.H.	Villach	4.11	4.11
Camping- und Freizeitanlagen Betriebsgesellschaft m.b.H.	St. Pölten	0.00	0.00
CAMPUS 02-Fachhochschule der Wirtschaft GmbH	Graz	3.75	3.75
Cargo-Center-Graz Betriebsgesellschaft m.b.H.	Kalsdorf bei Graz	1.63	1.63
Cargo-Center-Graz Betriebsgesellschaft m.b.H. & Co KG	Graz-St. Peter	1.63	1.63
Carlyle Europe Partners,L.P. (in Liquidation)	Vale	0.56	0.56
Casa de Compensare Bucuresti SA	Bucharest	0.35	0.34
Casa Romana de Compensatie Sibiu	Sibiu	0.35	0.35
CBCB-Czech Banking Credit Bureau, a.s.	Prague	19.79	19.79
CEE Beteiligungen GmbH	Vienna	10.77	10.77
CEE CZ Immobilien GmbH	Vienna	10.77	10.77
CEE Immobilien GmbH	Vienna	10.77	10.77
CEE PROPERTY BULGARIA EOOD	Sofia	10.77	10.77
CEE PROPERTY INVEST ROMANIA SRL	Bucharest	10.77	10.77
CEE Property-Invest Hungary 2003 Ingatlan Kft	Budapest	10.77	10.77
CEE PROPERTY-INVEST Immobilien GmbH	Vienna	10.77	10.77
CEE Property-Invest Ingatlan Kft.	Budapest	10.77	10.77
CEE Property-Invest Office 2004 Kft	Budapest	10.77	10.77
CEESEG Aktiengesellschaft	Vienna	12.57	12.57
CITY REAL Immobilienbeteiligungs- und Verwaltungsgesellschaft mbH	Graz	25.00	25.00
CITY REAL Immobilienbeteiligungs- und Verwaltungsgesellschaft mbH & Co KG	Graz	25.75	25.75
Croatia osiguranje d.d.	Zagreb	0.11	0.11
Dachstein Tourismus AG	Gosau	0.00	0.00
DC TRAVEL d.o.o. putnicka agancija	Zagreb	69.26	69.26
Die Kärntner Sparkasse - Förderungsgesellschaft für den Bezirk Hermagor Gesellschaft m.b.H.	Hermagor	25.00	25.00
Dolomitencenter Verwaltungs GmbH	Lienz	49.99	49.99
Dolomitengolf Osttirol GmbH (vm. Golf Errichtungs- und Betriebs GmbH)	Lavant, Lienz	0.00	0.00
DONAU Versicherung AG Vienna Insurance Group	Vienna	0.76	0.76
Dornbirner Seilbahn GmbH	Dornbirn	0.00	0.00
DRUŠTVO ZA KONSALTING I MENADŽMENT POSLOVE TRŽIŠTE NOVCA A.D. BEOGRAD (SAVSKI VENAC)	Beograd	0.80	0.00
DUAL Construct Invest S.R.L.	Bucharest	10.13	10.02
Duna Szalloda Zrt.	Budapest	10.77	10.77
E.I.A. eins Immobilieninvestitionsgesellschaft m.b.H.	Vienna	10.77	10.77
E.V.I. Immobilienbeteiligungs GmbH	Vienna	10.77	10.77
EBB Hotelbetriebs GmbH	Imst	100.00	100.00
EBB-Delta Holding GmbH	Vienna	100.00	100.00
EBB-Epsilon Holding GmbH	Vienna	100.00	0.00
EBG Europay Beteiligungs-GmbH	Vienna	22.41	22.41
EBSPK-Handelsgesellschaft m.b.H.	Vienna	29.67	29.68
EBV-Leasing Gesellschaft m.b.H.	Vienna	51.00	50.00
EC Energie Center Lipizzanerheimat GmbH	Bärnbach	0.05	0.05
ECE Einkaufs-Center Sofia Management OOD	Sofia	7.11	7.11
Egg Investment GmbH	Egg	0.00	0.00
E-H Liegenschaftsverwaltungs-GmbH	Etsdorf am Kamp	0.00	0.00
EH-Gamma Holding GmbH	Vienna	100.00	0.00
ELAG Immobilien AG	Linz	1.58	1.61
ELTIMA PROPERTY COMPANY s.r.o.	Prague	10.77	10.77
Energie AG Oberösterreich	Linz	0.15	0.15
Erste alpenländische Volksbrauerei Schladming registrierte Genossenschaft mit beschränkter Haftung	Schladming	0.06	0.06

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Erste Asset Management Deutschland Ges.m.b.H.	Zorneding	100.00	100.00
Erste Bank - Wiener Stadthalle Marketing GmbH	Vienna	60.00	60.00
Erste Campus Mobilien GmbH	Vienna	100.00	100.00
Erste Corporate Finance GmbH	Vienna	100.00	100.00
Erste Corporate Finance, a.s.	Prague	98.97	98.97
Erste Group Beteiligungen GmbH	Vienna	100.00	100.00
ERSTE Immobilien Aspernbrückengasse 2 GmbH & Co KG	Vienna	0.10	0.10
ERSTE OSIGURANJE VIENNA INSURANCE GROUP D.D.	Zagreb	3.46	3.46
ERSTE Vienna Insurance Group Biztosito Zrt.	Budapest	5.00	5.00
Erz und Eisen Regional Entwicklungs GmbH	Eisenerz	6.50	6.50
ESB Holding GmbH	Vienna	69.27	69.27
ESPA- Financial Advisors GmbH	Vienna	84.20	84.20
EUROCENTER d.o.o.	Zagreb	10.77	10.77
European Directories Parent S.A.	Luxembourg	2.19	0.00
EUROPEAN INVESTMENT FUND	Luxembourg	0.10	0.10
Fejer- Kondor Immobilienverwaltungsgesellschaft m.b.H.	Budapest	4.62	4.62
Fender KG, Hotel Hochfirst (vm.Gstrein & Fender KG)	Obergurgl	0.00	0.00
Fifth Cinven Fund (No.6) Limited Partnership	St Peter Port	0.20	0.00
Finanzpartner GmbH	Vienna	50.00	50.00
FINTEC-Finanzierungsberatungs- und Handelsgesellschaft m.b.H.	Vienna	25.00	25.00
FMTG Development GmbH	Vienna	0.00	0.00
FOTEC Forschungs- und Technologietransfer GmbH	Wiener Neustadt	0.00	0.00
Frankenmarkter Errichtungs- und Finanzierungsgesellschaft m.b.H.	Frankenmarkt	0.00	0.00
Freizeitanlage St. Martin i.M. Nachfolge GmbH & Co KG	St. Martin im Mühlkreis	5.00	5.00
Freizeitpark Zell GmbH	Zell am Ziller	0.00	0.00
Freizeitzentrum Zillertal GmbH	Fügen	0.00	0.00
Fügen Bergbahn Ges.m.b.H. & Co.KG	Fügenl	0.00	0.00
FWG-Fernwärmeversorgung Engelbrechts registrierte Genossenschaft mit beschränkter Haftung	Kautzen	0.00	0.00
FWG-Fernwärmeversorgung Raabs a.d. Thaya registrierte Genossenschaft mit beschränkter Haftung	Raabs an der Thaya	0.00	0.00
Galsterbergalm Bahnen Gesellschaft m.b.H. & Co KG	Pruggern	0.42	0.42
GALVÁNIHO 2, s.r.o.	Bratislava	10.77	10.77
GALVÁNIHO 4, s.r.o.	Bratislava	10.77	10.77
Galvaniho Business Centrum, s.r.o.	Bratislava	10.77	10.77
Garantiqa Hitelgarancia Zrt.	Budapest	2.17	3.53
Gastberger Hotelbetriebe GmbH & Co KG	St. Wolfgang im Salzkammergut	0.00	0.00
Gasteiner Bergbahnen AG	Bad Hofgastein	13.24	13.24
Gasthof Mitterwirt Ulrike Ottino-Haider	Dienten am Hochkönig	0.00	0.00
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H.	Vienna	0.91	0.94
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m. b. H.	Korneuburg	0.82	0.82
GEMDAT Oberösterreichische Gemeinde-Datenservice Gesellschaft m.b.H.	Linz	8.55	8.55
GEMDAT Oberösterreichische Gemeinde-Datenservice Gesellschaft m.b.H. & Co.KG	Linz	9.49	9.50
Genesis Private Equity Fund 'B' L.P.	St.Peter Port	98.97	98.97
Gerlitzen - Kanzelbahn - Touristik Gesellschaft m.b.H.&Co KG	Sattendorf	0.00	0.00
GERMAN PROPERTY INVESTMENT I APS (GPI I APS)	Arhus C	10.74	10.74
GERMAN PROPERTY INVESTMENT II APS (GPI II APS)	Arhus C	0.57	0.57
GERMAN PROPERTY INVESTMENT III APS (GPI III APS)	Arhus C	10.74	10.74
Gewerbe- und Dienstleistungspark der Gemeinde Bad Radkersburg und Radkersburg-Umgebung Kommanditgesellschaft	Bad Radkersburg	4.57	4.57

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
GIRO Elszámolásforgalmi Zrt.	Budapest	8.33	8.33
GLL 29235 Sweden AB	Stockholm	99.89	99.89
Goldegger-Skilifte Gesellschaft m.b.H. & Co. KG (vm. Buchberg - Skilift - Gellschaft m.b.H. & Co. KG	Goldegg	8.94	8.94
Golf Ressort Kremstal GmbH	Kematen an der Krems	0.00	0.00
Golf Ressort Kremstal GmbH & Co. KG.	Kematen an der Krems	0.00	0.00
Golfanlage Deutschlandsberg Errichtungs- und Betriebsgesellschaft m.b.H. & Co KG	Deutschlandsberg	1.00	1.00
Golfclub Bludenz-Braz GmbH	Bludenz - Braz	0.00	0.00
Golfclub Brand GmbH	Brand bei Bludenz	0.00	0.00
Golfclub Pfarrkirchen im Mühlviertel GmbH	Pfarrkirchen im Mühlkreis	0.23	0.23
GOLF-CLUB Schärding/Pramtal GMBH & CO KG	Taufkirchen a. d. Pram	0.14	0.14
Golfplatz Hohe Salve - Brixental Errichtergesellschaft m.b.H. & Co KG	Westendorf	0.00	0.00
Golfresort Haugschlag GmbH & Co KG	Haugschlag	0.00	0.00
good.bee credit IFN S.A.	Bucharest	60.00	29.40
Grema - Grundstückverwaltung Gesellschaft m.b.H.	Innsbruck	74.99	74.99
Großarler Bergbahnen Gesellschaft mit beschränkter Haftung & Co KG	Großarl	0.48	0.48
GW St. Pölten Integrative Betriebe GmbH	St.Pölten-Hart	0.00	0.00
GXT Vermögensverwaltung GmbH & Co KG	Vienna	0.00	0.00
H.S.E. Immobilienbeteiligungs GmbH	Vienna	10.77	10.77
H.W.I. I APS	Arhus C	10.74	10.74
H.W.I. IV APS	Arhus C	10.74	10.74
Hansa Immobilien OOD	Sofia	10.77	10.77
HAPIMAG Verwaltungs- und Vertriebsgesellschaft Havag AG	Baar	0.00	0.00
Harkin Limited	Dublin	100.00	100.00
Harrys Hotel Home Wien Millenium GmbH	Innsbruck	0.00	0.00
Hauser Kaibling Seilbahn- und Liftgesellschaft m.b.H. & Co. KG.	Haus im Ennstal	0.41	0.41
Health and Fitness International Holdings N.V.	Willemstad	3.47	3.47
Heiltherme Bad Waltersdorf GmbH	Bad Waltersdorf	4.50	4.50
Heiltherme Bad Waltersdorf GmbH & Co KG	Bad Waltersdorf	4.13	4.13
Hinterstoder-Wurzeralm Bergbahnen Aktiengesellschaft	Hinterstoder	0.29	0.29
HOLDING RUDARSKO METALURŠKO HEMIJSKI KOMBINAT TREPCA AD ZVECAN - U RESTRUKTUIRANJU	Zvecan	0.00	0.00
Hollawind - Windkraftanlagenerrichtungs- und Betreibergesellschaft mit beschränkter Haftung	Göllersdorf	25.00	25.00
Hotel Chesa Monte GmbH	Fiss	0.00	0.00
Hotel Corvinus Gesellschaft m.b.H. & Co KG	Vienna	100.00	100.00
Hotel DUNA Beteiligungs Gesellschaft m.b.H.	Vienna	10.77	10.77
HPBM Unternehmensberatung GmbH (vm. H & H Catering GmbH)	Vienna	0.00	0.00
Hrvatski olimpijski centar Bjelolosica d.o.o. (Kroatisches Olympiazentrum)	Jesenak	1.15	1.15
Hrvatski registar obveza po kreditima d.o.o. (HROK)	Zagreb	7.28	7.28
HV-Veranstaltungsservice GmbH	Stotzing	100.00	100.00
Ikaruspark GmbH	Berlin	10.77	10.77
ILGES - Liegenschaftsverwaltung G.m.b.H.	Rohrbach in Upper Austria	40.00	40.00
IMMO Primum GmbH	St. Pölten	0.00	0.00
IMS Nanofabrication AG	Vienna	0.01	0.01
Informativni centar Bjelovar d.o.o.	Bjelovar	1.44	1.44
Innofinanz-Steiermärkische Forschungs- und Entwicklungsförderungsgesellschaft m.b.H.	Graz	3.13	3.13
Innovationszentrum Reutte GmbH	Reutte/Pflach	0.00	0.00

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Innovationszentrum Reutte GmbH & CO KG	Reutte/Pflach	0.00	0.00
Investicniweb s.r.o.	Prague	99.48	99.48
IPD - International Property Development, s.r.o.	Bratislava I	10.77	10.77
JADRAN dionicko drustvo za hotelijerstvo i turizam	Crikvenica	0.03	0.03
JAVNO SKLADIŠTE SLOBODNA CARINSKA ZONA NOVI SAD AD NOVI SAD	Novi Sad	5.20	0.00
JUGOALAT-JAL - U STECAJU	Novi Sad	5.02	0.00
Kapruner Freizeitzentrum Betriebs GmbH	Kaprun	0.02	0.02
Kapruner Promotion und Lifte GmbH	Kaprun	6.41	6.41
Kisvallalkozas-fejlesztö Penzügyi Zrt.	Budapest	1.14	1.14
Kitzbüheler Anzeiger Gesellschaft m.b.H.	Kitzbühel	0.00	0.00
Kleinkraftwerke-Betriebsgesellschaft m.b.H.	Vienna	100.00	100.00
Kommanditgesellschaft MS "SANTA LORENA" Offen Reederei GmbH & Co.	Hamburg	0.00	0.00
Kommanditgesellschaft MS "SANTA LUCIANA" Offen Reederei GmbH & Co.	Hamburg	0.00	0.00
Kraftwerksmanagement GmbH	Vienna	100.00	100.00
Kreco Realitäten Aktiengesellschaft	Vienna	19.75	19.75
Kreditni Biro Sisbon d.o.o.	Ljubljana	1.65	1.03
KULSKI ŠTOFOVI' FABRIKA ZA PROIZVODNJU VUNENIH TKANINA I PREDIVA AKCIONARSKO DRUŠTVO IZ KULE - U	Kula	6.15	0.00
Kurzentrum "Landsknechte" Bad Schönau Gesellschaft m.b.H.	Bad Schönau	0.00	0.00
ländleticket marketing gmbh	Bregenz	0.00	0.00
Landzeit Restaurant Angath GmbH	St. Valentin	0.00	0.00
Langenloiser Liegenschaftsverwaltungs-Gesellschaft m.b.H.	Langenlois	0.00	0.00
Lantech Innovationszentrum GesmbH	Landeck, Tirol	0.00	0.00
Latifundium Holding Gesellschaft m.b.H.	Vienna	100.00	100.00
LBH Liegenschafts- und Beteiligungsholding GmbH	Innsbruck	74.99	74.99
Lead Equities II. Auslandsbeteiligungs AG	Vienna	12.96	0.00
Lead Equities II. Private Equity Mittelstandsfinanzierungs AG	Vienna	12.96	12.96
Lebens.Resort & Gesundheitszentrum GmbH	Ottenschlag	0.00	0.00
Lebensquell Bad Zell Gesundheits- und Wellnesszentrum GmbH&CoKG	Bad Zell	0.00	0.00
Lienzer-Bergbahnen-Aktiengesellschaft	Gaimberg	0.00	0.00
Liezener Bezirksnachrichten Gesellschaft m.b.H.	Liezen	1.14	1.14
LINEA Beteiligungs-Gesellschaft m.b.H.	Vienna	100.00	100.00
LOCO 597 Investment GmbH	Egg	0.00	0.00
Luitpoldpark-Hotel Betriebs- und Vermietungsgesellschaft mbH	Füssen	74.99	71.24
Lützow-Center GmbH	Berlin	10.77	10.77
LV Holding GmbH	Linz	28.48	28.49
Maior Domus Hausverwaltung GmbH	Berlin	10.77	10.77
Maissauer Amethyst GmbH	Maissau	0.00	0.00
MAJEVICA HOLDING AKCIONARSKO DRUŠTVO, BACKA PALANKA - U RESTRUKTURIRANJU	Backa Palanka	5.18	0.00
Mariazeller Schwebebahnen Gesellschaft m. b. H.	Mariazell	1.25	1.25
Markt Carree Halle Immobilien GmbH	Berlin	10.77	10.77
Marktbürgerschaft Gröbming Dachstein-Therme Bohr- und Erschließungs GmbH & Co KG	Gröbming	0.26	0.26
Marktgemeinde Bad Mitterndorf Thermalquelle Erschließungsges. m.b.H.	Bad Mitterndorf	0.63	0.63
Maros utca Kft.	Budapest	10.77	10.77
MasterCard Incorporated	Purchase	0.03	0.03
Mayrhofner Bergbahnen Aktiengesellschaft	Mayrhofen	0.00	0.00
MCG Graz e.gen.	Graz	1.39	1.39
Medimurske novine d.o.o., Cakovec nema fin. Izvjesca	Cakovec	4.90	4.90
MEG-Liegenschaftsverwaltungsgesellschaft m.b.H.	Vienna	100.00	100.00
Mittersiller Golf- und Freizeitanlagen Gesellschaft m.b.H.	Mittersill	0.00	0.00
Montana Tech Components AG	Menziken	1.50	0.00
MOPET CZ a.s.	Prague	90.04	12.37

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
MPC Rendite-Fonds Leben plus spezial III GmbH & Co KG	Quickborn	0.00	0.00
MUNDO FM & S GmbH	Vienna	100.00	100.00
Murauer WM Halle Betriebsgesellschaft m.b.H.	Murau	3.06	3.06
Musikkonservatoriumserrichtungs- und vermietungsgesellschaft m.b.H.	St. Pölten	0.00	0.00
Nagymezo utcai Projektfejlesztesi Kft	Budapest	10.77	10.77
Natursee und Freizeitpark Wechselland GmbH	Pinggau	0.40	0.40
Natursee und Freizeitpark Wechselland GmbH & Co KG in Liqu.	Pinggau	0.12	0.12
Neubruck Immobilien GmbH	St. Anton an der Jeßnitz	0.00	0.00
Neuhofner Bauträger GmbH	Neuhofen an der Krems	0.00	0.00
Neutorgasse 2(8) Projektverwertungs GmbH	Vienna	10.77	10.77
Newstin, a.s.	Prague	17.64	17.64
Oberösterreichische Unternehmensbeteiligungsgesellschaft m.b.H.	Linz	4.50	4.50
Oberpinzgauer Fremdenverkehrsförderungs- und Bergbahnen AG	Neukirchen	0.00	0.00
Obertilliacher Bergbahnen-Gesellschaft m.b.H.	Obertilliach	0.00	0.00
Öhlknecht-Hof Errichtungs- und Verwaltungsgesellschaft m.b.H.	Horn	0.00	0.00
ÖKO-Heizkraftwerk GmbH	Pöllau	0.00	0.00
ÖKO-Heizkraftwerk GmbH & Co KG	Pöllau	0.00	0.00
Omniasig Vienna Insurance Group SA	Bucharest	0.10	0.16
OÖ HightechFonds GmbH	Linz	6.09	6.09
OÖ Science-Center Wels Errichtungs-GmbH	Wels	0.69	0.69
Ortswärme Fügen Gesellschaft m.b.H.	Fügen	0.00	0.00
Österreichische Wertpapierdaten Service GmbH	Vienna	32.69	32.69
Osttiroler Wirtschaftspark GesmbH	Lienz	0.00	0.00
ÖVW Bauträger GmbH	Vienna	100.00	100.00
Panoramabahn Kitzbüheler-Alpen GmbH	Hollersbach	0.00	0.00
PCC- Hotelerrichtungs- und Betriebsgesellschaft m.b.H. & Co. KG	Vienna	7.56	7.56
PCC-Hotelerrichtungs- und Betriebsgesellschaft m.b.H.	Vienna	10.77	10.77
Planai - Hochwurzen - Bahnen Gesellschaft m.b.H.	Schladming	0.69	0.69
Planung und Errichtung von Kleinkraftwerken Aktiengesellschaft	Vienna	82.74	82.74
Poistovna Slovenskej sporitelne, a.s. Vienna Insurance Group	Bratislava	5.00	5.00
Pojistovna Ceske sporitelny, a.s., Vienna Insurance Group	Pardubice	4.95	0.00
PREDUZECE ZA PRUŽANJE CONSULTING USLUGA BANCOR CONSULTING GROUP DOO NOVI SAD	Novi Sad	2.62	1.92
PRIVREDNO DRUŠTVO ZA PROIZVODNJU I PRERADU CELIKA ŽELEZARA SMEDEREVO DOO SMEDEREVO	Smederevo	0.00	0.00
Prvni certifikacni autorita, a.s.	Prague	23.01	23.01
PSA Payment Services Austria GmbH (vormals ADF Services GmbH)	Vienna	18.22	18.22
Radio Osttirol GesmbH	Lienz	0.00	0.00
RADIO VRŠAC DRUŠTVO SA OGRANICENOM ODGOVORNOŠCU U MEŠOVITOJ SVOJINI, VRŠAC - U STECAJU	Vršac	6.37	0.00
Radstadt Tourismusaufschließungsgesellschaft n.b.R.	Radstadt	12.55	12.55
Rätikon-Center Errichtungs- und Betriebsgesellschaft m.b.H.	Bludenz	0.00	0.00
Realitäten und Wohnungsservice Gesellschaft m.b.H.	Köflach	4.78	4.78
Realitni spolecnost Ceske sporitelny, a.s.	Prague	98.97	98.97
REGA Property Invest s.r.o.	Prague	10.77	10.77
Regionale Entwicklungs GmbH - Vöcklatal	Frankenburg	0.00	0.00
REGIONALNA AGENCIJA ZA RAZVOJ MALIH I SREDNJIH PREDUZECA ALMA MONS D.O.O.	Novi Sad	3.32	3.83
RegioZ Regionale Zukunftsmanagement und Projektentwicklung Ausseerland Salzkammergut GmbH	Bad Aussee	5.00	5.00
RegioZ Regionale Zukunftsmanagement und Projektentwicklung Ausseerland Salzkammergut GmbH & Co KEG	Bad Aussee	3.13	3.13
Respa GmbH	Kempten	0.00	0.00

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Reuttener Seilbahnen GmbH	Höfen	0.00	0.00
Reuttener Seilbahnen GmbH & CO KG	Höfen	0.00	0.00
Riesneralm - Bergbahnen Gesellschaft m.b.H. & Co. KG.	Donnersbach	0.01	0.01
ROTER INVESTITII IMOBILIARE S.R.L.	Bucharest	10.77	10.77
RTG Tiefgaragenerrichtungs und -vermietungs GmbH	Graz	25.00	25.00
RVG Czech, s.r.o.	Prague	19.79	0.00
RVS, a.s.	Bratislava	0.00	0.00
S - Leasing und Vermögensverwaltung - Gesellschaft m.b.H.	Peuerbach	0.00	0.00
S IMMO AG	Vienna	10.77	10.77
S IMMO Germany GmbH	Berlin	10.77	10.77
S Immo Geschäftsimmobilien GmbH	Berlin	10.77	10.77
S IMMO Hungary Kft.	Budapest	10.77	10.77
S IMMO Property Invest GmbH	Vienna	10.77	10.77
S Immo Wohnimmobilien GmbH	Berlin	10.77	10.77
S IMMOKO Holding GesmbH	Korneuburg	0.00	0.00
S Servis, s.r.o.	Znojmo	98.97	98.97
SALIX-Grundstückserwerbs Ges.m.b.H.	Eisenstadt	50.00	50.00
SALZBURG INNENSTADT, Vereinigung zur Förderung selbständiger Unternehmer der Salzburger Innenstadt, registrierte Genossenschaft mit beschränkter Haftung	Salzburg	1.98	1.98
Salzburger Unternehmensbeteiligungsgesellschaft mbH	Salzburg	18.80	18.80
SC World Trade Center Bucuresti SA	Bucharest	7.21	7.19
Schauersberg Immobilien Gesellschaft m.b.H.	Graz	25.00	25.00
Schiliftbetriebe Gemeinden Weer, Kolsassberg, Kolsass KEG	Kolsassberg	0.00	0.00
Schweighofer Gesellschaft m.b.H. & Co KG	Friedersbach	0.00	0.00
S-City Center Wirtschaftsgütervermietungsgesellschaft m.b.H.	Wiener Neustadt	0.00	0.00
S-Commerz Beratungs- und Handelsgesesellschaft m.b.H.	Neunkirchen	0.00	0.00
Seniorenresidenz "Am Steinberg" GmbH	Graz	25.00	25.00
Senningerfeld Projektenwicklungs und Verwertungs GmbH	Bramberg am Wildkogel	0.00	0.00
S-Finanzservice Gesellschaft m.b.H.	Baden bei Wien	0.00	0.00
S-Haugsdorf s.r.o.	Hodonice	0.00	0.00
SIAG Berlin Wohnimmobilien GmbH	Vienna	10.75	10.75
SIAG Deutschland Beteiligungs GmbH & Co. KG	Berlin	10.21	10.21
SIAG Deutschland Beteiligungs-Verwaltungs GmbH	Berlin	10.77	10.77
SIAG Fachmarktzentren, s.r.o.	Bratislava	10.77	10.77
SIAG FINANCING LIMITED	Nicosia	10.77	10.77
SIAG HOLDING LIMITED	Nicosia	10.77	10.77
SIAG Hotel Bratislava, s.r.o.	Bratislava	10.77	10.77
SIAG Leipzig Wohnimmobilien GmbH	Berlin	10.75	10.75
SIAG Multipurpose Center, s.r.o.	Bratislava	10.77	10.77
SIAG Property I GmbH	Berlin	10.77	10.77
SIAG Property II GmbH	Berlin	10.77	10.77
Silvrettaseilbahn Aktiengesellschaft	Ischgl	0.00	0.00
Skilifte Unken - Heutal Gesellschaft m.b.H. & Co, KG	Unken	0.00	0.00
Skilifte Unken Heutal Gesellschaft m.b.H.	Unken	2.19	2.19
SM-Immobiliengesellschaft m.b.H.	Melk	0.00	0.00
SN - Biogas GmbH	St.Pölten	0.00	0.00
SO Immobilienbeteiligungs GmbH	Vienna	10.77	10.77
Societate Dezvoltare Comercial Sudului (SDCS) S.R.L.	Bucharest	10.77	10.77
Societatea de Transfer de Fonduri si Decontari TransFonD SA	Bucharest	3.04	3.03
Society for Worldwide Interbank Financial Telecommunication scrl	La Hulpe	0.27	0.27
SPAKO Holding GmbH	Innsbruck	74.99	74.99
Sparfinanz-, Vermögens-, Verwaltungs- und Beratungs- Gesellschaft m.b.H.	Wiener Neustadt	0.00	0.00

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Sparkasse Amstetten Service und Verwaltungsges. m. b. H.	Amstetten	0.00	0.00
Sparkasse Bludenz Beteiligungsgesellschaft mbH	Bludenz	0.00	0.00
Sparkasse Bludenz Immoblienverwaltungsgesellschaft mbH	Bludenz	0.00	0.00
Sparkasse Imst Immobilienverwaltung GmbH	Imst	0.00	0.00
Sparkasse Imst Immobilienverwaltung GmbH & Co KG	Imst	0.00	0.00
Sparkasse Kufstein Immobilien GmbH	Kufstein	0.00	0.00
Sparkasse Lambach Versicherungsmakler GmbH	Lambach	0.00	0.00
Sparkasse Mühlviertel-West Holding GmbH	Rohrbach in Upper Austria	40.00	40.00
Sparkasse Nekretnine d.o.o.	Sarajevo	26.38	33.67
Sparkasse Niederösterreich Mitte West Beteiligungsgesellschaft m.b.H.	St. Pölten	0.00	0.00
Sparkasse Niederösterreich Mitte West Immobilien GmbH	St.Pölten	0.00	0.00
Sparkasse Niederösterreich Mitte West Stadtentwicklungs GmbH	St. Pölten	0.00	0.00
Sparkasse Reutte Liegenschaftsverwertungs GmbH	Reutte	0.00	0.00
Sparkassen - Betriebsgesellschaft mbH.	Linz	29.78	29.78
Sparkassen Bankbeteiligungs GmbH	Dornbirn	0.00	0.00
Sparkassen Beteiligungs GmbH & Co KG	Vienna	13.15	14.13
Sparkassen Facility Management GmbH	Innsbruck	74.99	74.99
Sparkassen IT Holding AG	Vienna	29.67	29.68
Sparkassen Versicherung AG Vienna Insurance Group	Vienna	5.00	5.00
SPES Bildungs- u. Studiengesellschaft m.b.H.& Co KG	Schlierbach	0.00	0.00
SPKB Beteiligungs- und Verwaltungsgesellschaft m.b.H.	Bregenz	0.00	0.00
Sport- und Freizeitanlagen Gesellschaft m.b.H.	Schwanenstadt	9.83	9.83
SPV - Druck Gesellschaft m.b.H	Vienna	99.86	99.86
S-Real, Realitätenvermittlungs- und -verwaltungs Gesellschaft m.b.H.	Wiener Neustadt	0.00	0.00
SREDISNJE KLIRINSKO DEPOZITARNO DRUSTVO D.D.(CENTRAL DEPOZITORY & CLEARING COMPANY Inc.)	Zagreb	0.21	0.21
St. Urbaner Schiliftgesellschaft m.b.H.	St. Urban	0.00	0.00
Stadtgemeinde Weiz - Wirtschaftsentwicklung KG	Weiz	0.50	0.50
Stadtmarketing-Ternitz Gmbh	Ternitz	0.00	0.00
Sternstein Sessellift Gesellschaft m.b.H.	Bad Leonfelden	7.56	7.56
Stoderzinken - Liftgesellschaft m.b.H. & Co KG	Gröbming	0.43	0.43
students4excellence GmbH	Vienna	25.75	20.00
Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) G.m.b.H.	Vienna	10.71	10.71
Szegedi út Ingatlankezelö Korlátolt Felelöségü Társaság	Budapest	10.77	10.77
SZG-Dienstleistungsgesellschaft m.b.H.	Salzburg	98.69	98.69
Tannheimer Bergbahnen GmbH & Co KG	Tannheim	0.00	0.00
Tauern SPA World Betriebs- Gmbh & Co KG	Kaprun	9.76	9.76
Tauern SPA World Betriebs-GmbH	Kaprun	12.01	12.01
Tauern SPA World Errichtungs- Gmbh & Co KG	Kaprun	9.76	9.76
Tauern SPA World Errichtungs-GmbH	Kaprun	12.01	12.01
TDZ Technologie- und Dienstleistungszentrum Donau-Böhmerwald Bezirk Rohrbach GmbH.	Neufelden	0.96	0.96
TECH21 Bürohaus und Gewerbehof Errichtungs- und Betriebsgesellschaft mbH & Co KG	Vienna	0.10	0.00
Technologie- und Dienstleistungszentrum Ennstal GmbH	Reichraming	0.00	0.00
TECHNOLOGIE- und GRÜNDERPARK ROSENTAL GmbH	Rosental an der Kainach	0.32	0.32
Technologie- und Innovationszentrum Kirchdorf GmbH	Schlierbach	0.00	0.00
Technologie- und Marketing Center Frohnleiten GmbH	Frohnleiten	2.50	2.50
Technologiezentrum Deutschlandsberg GmbH	Deutschlandsberg	7.25	7.25
Technologiezentrum Freistadt-Mühlviertel-Errichtungs- und Betriebsgesellschaft m.b.H.	Freistadt	1.17	1.17
Technologiezentrum Inneres Salzkammergut GmbH	Bad Ischl	0.00	0.00

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
Technologiezentrum Kapfenberg Vermietungs-GmbH	Kapfenberg	6.00	6.00
Technologiezentrum Perg GmbH	Perg	1.10	1.10
Technologiezentrum Salzkammergut GmbH	Gmunden	0.48	0.48
Technologiezentrum Salzkammergut-Bezirk Vöcklabruck GmbH (atyp.st. Einlage)	Attnang-Puchheim	0.00	0.00
Techno-Z Braunau Technologiezentrum GmbH	Braunau am Inn	0.00	0.00
Techno-Z Ried Technologiezentrum GmbH	Ried im Innkreis	0.00	0.00
TELEPARK BÄRNBACH Errichtungs- und Betriebsges.m.b.H.	Bärnbach	0.20	0.20
Tennis-Center Hofkirchen i. M. GmbH	Hofkirchen im Mühlkreis	7.28	7.28
TGZ Technologie- und Gründerzentrum Schärding GmbH	Schärding	2.99	2.99
Thayatal Hotel- und Golfanlagen Errichtungs- und Betriebsgesellschaft m.b.H.	Waidhofen an der Thaya	0.00	0.00
Thermalquelle Loipersdorf Gesellschaft m.b.H. & Co KG	Loipersdorf bei Fürstenfeld	0.00	0.00
Therme Wien Ges.m.b.H.	Vienna	15.00	15.00
Therme Wien GmbH & Co KG	Vienna	15.00	15.00
Tiefgarage Anger, Gesellschaft m.b.H. & Co. KG.	Lech	0.00	0.00
TIRO Bauträger GmbH	Innsbruck	74.99	74.99
Tispa Liegenschaftsverwaltungsgesellschaft mbH	Füssen	74.99	74.99
TIZ Landl - Grieskirchen GmbH	Grieskirchen	0.00	0.00
Tolleson a.s.	Prague	10.77	10.77
Tölz Immobilien GmbH	Berlin	10.75	10.75
Tourismus- u. Freizeitanlagen GmbH	Hinterstoder	0.00	0.00
Trencin Retail Park 1 a.s.	Bratislava	19.79	0.00
Trencin Retail Park 2 a.s.	Bratislava	19.79	0.00
Triglav d.d.	Rijeka	0.06	0.06
Trionis S.C.R.L.	Brüssel	1.24	1.24
Trziste novca d.d.	Zagreb	8.63	8.63
Tuxer Bergbahnen Aktiengesellschaft	Tux	0.00	0.00
UBG-Unternehmensbeteiligungsgesellschaft m.b.H.	Vienna	100.00	100.00
Unzmarkter Kleinkraftwerk-Aktiengesellschaft	Vienna	81.44	81.44
Valneva SE	Lyon	0.00	0.00
Valtecia Achizitii S.R.L.	Voluntari	100.00	100.00
Vasudvar Hotel Kft.	Budapest	100.00	100.00
VBV - Beratungs- und Service GmbH	Vienna	26.94	26.94
VBV - Pensionsservice-Center GmbH	Vienna	26.94	26.94
VBV-Pensionskasse Aktiengesellschaft	Vienna	26.94	26.94
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH	Vienna	25.60	25.60
VICTORIEI BUSINESS PLAZZA S.R.L.	Bucharest	10.77	10.77
Viertel Zwei Hoch GmbH & Co KG	Vienna	10.77	10.77
Viertel Zwei Hotel GmbH & Co KG	Vienna	10.77	10.77
Viertel Zwei Plus GmbH & Co KG	Vienna	10.77	10.77
VINIS Gesellschaft für nachhaltigen Vermögensaufbau und Innovation m.b.H.	Vienna	26.94	26.94
Visa Europe Limited	London	0.02	0.01
VMG Versicherungsmakler GmbH	Vienna	5.00	5.00
W.E.I.Z. Immobilien GmbH	Weiz	6.00	6.00
Waldviertel-Incoming Fremdenverkehrsförderungs- und Betriebsgesellschaft m.b.H.	Weitra	0.00	0.00
Waldviertler Leasing s.r.o.	Jindrichuv Hradec	0.00	0.00
Waldviertler Sparkasse von 1842 Leasing GmbH	Waidhofen an der Thaya	0.00	0.00
Wärmeversorgungsgenossenschaft Tamsweg registrierte Genossenschaft mit beschränkter Haftung	Tamsweg	0.28	0.29
Wassergenossenschaft Mayrhofen	Mayrhofen	0.00	0.00

Company name, registered office		2013 Interest of Erste Group in %	2012 Interest of Erste Group in %
WBV Beteiligungs- und Vermögensverwaltungsgesellschaft m.b.H.	Feldkirch	0.00	0.00
WEB Windenergie AG	Pfaffenschlag	0.00	0.00
WECO Treuhandverwaltung Gesellschaft m.b.H.	Salzburg	49.34	49.34
WED Holding Gesellschaft m b H	Vienna	19.24	19.24
WED Wiener Entwicklungsgesellschaft für den Donauraum Aktiengesellschaft	Vienna	11.93	11.93
Weißsee-Gletscherwelt GmbH	Uttendorf	0.00	0.00
WEST CONSULT Bauten- und Beteiligungsverwaltung GmbH	Salzburg	49.34	49.34
WEVA - Veranlagungs- und Beteiligungsgesellschaft m.b.H.	Linz	28.29	28.29
Wien 3420 Aspern Development AG	Vienna	23.24	23.24
Wirtschaftspark Kleinregion Fehring Errichtungs- und Betriebsgesellschaft m.b.H.	Fehring	2.01	0.00
WORLD TRADE HOTEL SA	Bucharest	7.21	7.19
Zagreb Stock Exchange, Inc.	Zagreb	2.28	2.28
Zweite Beteiligungsgesellschaft Reefer-Flottenfonds mbH & Co KG	Hamburg	0.00	0.00
ZWETTLER LEASING Gesellschaft m.b.H.	Zwettl	0.00	0.00

Vienna, 28 February 2014

The management board

Andreas Treichl mp
Chairman

Franz Hochstrasser mp
Vice Chairman

Andreas Gottschling mp
Member

Herbert Juranek mp
Member

Gernot Mittendorfer mp
Member

AUDITORS REPORT (REPORT OF THE INDEPENDENT AUDITORS)[1)]

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The management of Erste Group Bank AG is responsible for the Group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 245a UGB (Austrian Commercial Code). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain a reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2013 and of its financial performance and its cash flows for the fiscal year from 1 January 2013 to 31 December 2013 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the Management Report for the Group

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

Vienna, 28 February 2014

Sparkassen-Prüfungsverband
(Austrian Savings Bank Auditing Association)

Audit Agency
(Bank Auditor)

Friedrich O. Hief
Certified Accountant

Herwig Hierzer
Certified Accountant

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Helmut Maukner
Certified Accountant

Andrea Stippl
Certified Accountant

1) The report (in the German language, or translations into another language, including shortened or amended versions) may not be made public or used by third parties, when reference is made in whole or in part to the auditors' report, without the express written consent of the auditors.
This report has been translated from German into English for reference purposes only. Please refer to the official legally binding version as written and signed in German. Only the German version is definitive.

STATEMENT OF ALL MEMBERS OF THE MANAGEMENT BOARD

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

Vienna, 28 February 2014

The management board

Andreas Treichl mp
Chairman

Franz Hochstrasser mp
Vice Chairman

Andreas Gottschling mp
Member

Herbert Juranek mp
Member

Gernot Mittendorfer mp
Member

Glossary

Book value per share
Total equity attributable to owners of the parent of a public company, excluding participation capital, divided by the number of shares outstanding (excluding treasury shares).

Cash return on equity
Also referred to as cash ROE. Calculated as return on equity, but excluding the impact of non-cash items on net profit/loss for the year attributable to owners of the parent such as goodwill impairment and amortisation of customer relationships.

Cash earnings per share
Calculated as earnings per share based on net profit/loss for the year attributable to owners of the parent, adjusted for dividends on participation capital, excluding goodwill impairments and amortisation of customer relationships.

CEE (Central and Eastern Europe)
Encompasses the new member states of the EU that joined in 2004 and 2007, the CIS countries, states that evolved from the former Yugoslavia, as well as Albania.

Core tier-1 ratio (total risk in %)
The ratio of tier-1 capital (excluding hybrid capital pursuant to Section 23 (4a) and (4b) of the Austrian Banking Act) after regulatory deductions to the calculation basis for the capital requirement pursuant to Section 22 (1) of the Austrian Banking Act.

Cost/income ratio
General administrative expenses as a percentage of operating income.

Dividend yield
Dividend payment of the financial year as a percentage of the year-end closing price or the most recent price of the share.

Earnings per share
Net profit for the year attributable to owners of the parent adjusted for dividends of participation capital, divided by average shares outstanding.

Interest-bearing assets
Total assets less cash, derivative financial instruments, tangible and intangible assets, tax assets, assets held for sale and other assets.

Net interest margin
Net interest income as a percentage of average interest-bearing assets, calculated on a monthly basis.

Operating income
Consists of net interest income, net commission income and trading result.

Operating result
Operating income less operating expenses (i.e. general administrative expenses).

Price/earnings ratio
Closing share price of the financial year divided by earnings per share. Usually used for valuation comparisons.

Market capitalisation
Overall value of a company calculated by multiplying the share price by the number of shares outstanding.

Non-performing exposure (NPE) coverage ratio
Risk provisions for the credit risk exposure as a percentage of the non-performing credit risk exposure.

Non-performing exposure (NPE) ratio
Non-performing credit risk exposure as a percentage of total credit risk exposure.

Non-performing loans (NPL) coverage ratio
Risk provisions for loans and advances to customers as a percentage of non-performing loans and advances to customers.

Non-performing loans (NPL) ratio
Non-performing loans and advances to customers as a percentage of total loans and advances to customers.

Non-performing loans (NPL) total coverage ratio
Risk provisions and collateral for non-performing loans and advances to customers as a percentage of non-performing loans and advances to customers.

Return on equity
Also referred to as ROE. Net profit/loss for the year attributable to owners of the parent, as a percentage of average equity. The average equity is calculated based upon the equity outstanding as of the close of each of the 12 months during the year.

Risk categories
Risk categories are based on internal customer ratings and are used for classification of the bank's assets and contingent credit liabilities. Erste Group applies internal rating systems, which for private individuals comprise eight rating grades for non-defaulted customers and one rating grade for customers in default. For all other customer segments, the Group uses thirteen rating grades for non-defaulted customers and one rating grade for defaulted customers.

Risk category – low risk
Typically regional customers with well-established and rather long-standing relationships with Erste Group or large, internationally recognised customers. Strong and good financial positions and no foreseeable financial difficulties. Retail clients with long relationships with the bank, or clients with wide product

pool use. No late payments currently or in the most recent 12 months. New business is generally done with clients in this risk category.

Risk category – management attention

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

Risk category – substandard

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

Risk category – non-performing

One or more of the default criteria under Basel II are met: full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings.

Share capital

Total equity attributable to owners of the parent of a company, subscribed to by the shareholders at par.

Solvency ratio

The ratio of the sum of tier-1, tier-2 and tier-3 capital, after regulatory deductions, to the calculation basis for the capital requirement pursuant to Section 22 (1) of the Austrian Banking Act.

Tax rate

Taxes on income/loss as a percentage of pre-tax profit from continuing operations.

Tier-1 ratio (total risk)

The ratio of tier-1 capital (including hybrid capital pursuant to Section 23 (4a) and (4b) of the Austrian Banking Act) after regulatory deductions to the calculation basis for the capital requirement pursuant to Section 22 (1) of the Austrian Banking Act.

Total shareholder return

Annual performance of an investment in Erste Group Bank AG shares including all income streams (e.g. dividend for the year plus or minus gain or loss in the share price from the beginning to the end of the year).

Your notes

Important Addresses

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