Interim Report

Third Quarter 2014

ERSTE Group

Key financial data

Income statement

in EUR million	Q3 13	Q2 14	Q3 14	1-9 13	1-9 14
Net interest income	1,175.9	1,119.7	1,126.0	3,515.8	3,369.6
Net fee and commission income	449.5	454.9	465.8	1,343.7	1,372.7
Net trading and fair value result	80.7	87.7	28.4	184.2	166.5
Operating income	1,780.4	1,731.1	1,695.8	5,263.3	5,117.5
Operating expenses	-964.2	-933.1	-887.3	-2,924.4	-2,783.7
Operating result	**816.2**	**798.0**	**808.5**	**2,338.9**	**2,333.8**
Net impairment loss on non-fair value financial assets	-460.7	-431.9	-878.8	-1,245.0	-1,674.9
Post-provision operating result	**355.5**	**366.1**	**-70.3**	**1,093.9**	**658.8**
Other operating result	-142.6	-1,152.0	-356.8	-520.2	-1,628.6
Levies on banking activities	-62.4	-54.3	-54.6	-247.1	-208.7
Pre-tax result from continuing operations	219.6	-781.0	-414.0	598.0	-955.5
Taxes on income	-56.0	-235.9	-98.3	-31.0	-433.9
Net result for the period	**163.5**	**-1,016.9**	**-512.3**	**567.0**	**-1,389.3**
Net result attributable to non-controlling interests	35.2	16.2	42.0	136.4	94.6
Net result attributable to owners of the parent	**128.4**	**-1,033.1**	**-554.2**	**430.6**	**-1,484.0**
Earnings per share	0.26	-2.42	-1.30	0.85	-3.47
Cash earnings per share	0.35	-0.44	-1.39	1.06	-1.56
Return on equity	4.2%	-37.6%	-21.7%	4.6%	-18.3%
Cash return on equity	2.6%	-6.9%	-23.3%	4.6%	-8.2%
Net interest margin (on average interest-bearing assets)	2.71%	2.61%	2.68%	2.68%	2.64%
Cost/income ratio	54.2%	53.9%	52.3%	55.6%	54.4%
Provisioning ratio (on average gross customer loans)	1.42%	1.35%	2.75%	1.27%	1.75%
Tax rate	25.5%	-30.2%	-23.7%	5.2%	-45.4%

Balance sheet

in EUR million	Sep 13	Jun 14	Sep 14	Dec 13	Sep 14
Cash and cash balances	11,852	7,267	8,010	9,301	8,010
Trading, financial assets	53,554	52,288	51,051	51,269	51,051
Loans and receivables to credit institutions	7,757	8,548	7,166	8,377	7,166
Loans and receivables to customers	121,656	120,005	120,451	119,945	120,451
Intangible assets	2,766	1,438	1,456	2,441	1,456
Miscellaneous assets	10,500	8,852	8,839	8,786	8,839
Total assets	**208,084**	**198,398**	**196,973**	**200,118**	**196,973**
Financial liabilities - held for trading	7,154	7,152	8,488	6,475	8,488
Deposits from banks	23,163	18,803	16,483	17,299	16,483
Deposits from customers	122,010	120,250	120,061	122,415	120,061
Debt securities issued	32,303	31,033	31,211	33,124	31,211
Miscellaneous liabilities	8,159	7,081	7,078	6,020	7,078
Total equity	15,294	14,080	13,652	14,785	13,652
Total liabilities and equity	**208,084**	**198,398**	**196,973**	**200,118**	**196,973**
Loan/deposit ratio	99.7%	99.8%	100.3%	98.0%	100.3%
NPL ratio	9.6%	9.4%	8.9%	9.6%	8.9%
NPL coverage (exc collateral)	63.0%	64.0%	68.8%	63.1%	68.8%
CET 1 ratio (phased-in)	10.9%	11.7%	10.8%	11.4%	10.8%

Ratings

Fitch			
Long-term	A	A	A
Short-term	F1	F1	F1
Outlook	Stable	Stable	Negative
Moody´s			
Long-term	A3	A3	Baa2
Short-term	P-2	P-2	P-2
Outlook	Negative	Negative	Negative
Standard & Poor´s			
Long-term	A	A	A-
Short-term	A-1	A-1	A-2
Outlook	Negative	Negative	Negative

Letter from the CEO

Dear shareholders,

in line with guidance given for the full year of 2014 in early July Erste Group posted a net loss of EUR 1,484.0 million for the first nine months of 2014. The factors driving this result are already well known: adverse one-off effects and high risk costs incurred in connection with the final elimination of legacy issues, especially in Hungary and Romania. One of the key drivers was the impairment of intangible assets totaling EUR 931.7 million, most notably the write-down of goodwill in an amount of EUR 420.9 million as well as of customer relationships and brand in Romania in an amount of EUR 489.8 million. In addition, the result reported for the first nine months of 2014 already reflects the full recognition of risk-induced one-off effects announced for the financial year 2014 previously: in Romania, the accelerated reduction of non-performing loans was continued, with a total of EUR 400 million additionally posted in risk costs. An amount of EUR 360.8 million was allocated to cover costs resulting from the consumer loan law passed in Hungary this summer. The political debate over the forced discounted conversion of foreign-currency loans to local currency has not been closed yet. Such a move would in any case not be covered by supreme court rulings. We expect the issue of foreign currency loans in Hungary to be finally settled in 2015. The banking taxes levied in Austria, Hungary and Slovakia were lower than in the previous year but still substantial by international standards and had a negative impact of EUR 208.7 million on the result.

The macroeconomic environment in Central Eastern Europe has been characterised by steady developments in recent months. The CEE economies have continued to expand, albeit at a slower pace, while Austria has outperformed the euro area. Domestic demand has visibly improved further across the region while export has also contributed to growth with strong industrial production. Labour markets have also picked up in many of the CEE countries. In addition, sanctions imposed by Russia have only had a minor impact on CEE economics as trade flows between the two regions are limited. In light of very low inflation pressure, the key policy rates in Romania and Hungary were cut further to new historic lows. In Hungary, the most important event was the municipal elections, in which the centre right party again won, as had been expected.

There have thus been no surprises in the normal course of business. The decline in net interest income reflects the reality of a customer-centred bank in a persistently low interest rate environment. In Austria, the Czech Republic and Slovakia – i.e. the core markets that account for about two thirds of customer loans and deposits – the policy interest rate now stands at 5 basis points. In the first nine months of 2014, general administrative expenses were reduced by almost 5%. Going forward, strict cost management will remain a vital factor in maintaining a satisfactory operating result.

It is encouraging to see that the improvement in asset quality gained momentum in the reporting period. Non-performing loans (NPLs) declined for the fifth consecutive quarter, to EUR 11.4 billion. At the same time, Erste Group increased the volume of performing loans against the backdrop of subdued credit demand. Loan growth in Austria and in Slovakia offset the contraction of loan portfolios in Hungary, Romania, and Croatia. Erste Group's NPL ratio decreased markedly to 8.9% from 9.6% at year-end 2013. The NPL coverage ratio improved once again significantly, to 68.8%, the highest level since the onset of the financial crisis in 2008.

Erste Group has passed the asset quality review (AQR) and the associated stress test conducted by the European Central Bank (ECB) and the European Banking Authority (EBA), respectively, despite extremely harsh stress test scenarios applied, in particular, to some of its Central and East European core markets compared to Southern or Western European countries. Given the increase in risk provisions in Romania and Hungary in 2014 and communication with the ECB in the supervisory dialogue, we do not expect to post additional risk provisions.

Erste Group's status as one of the best-capitalised major Austrian banks has been confirmed. At the end of the third quarter of 2014, Erste Group's common equity tier 1 ratio (Basel 3, fully loaded) stood at 10.5%. This includes a positive impact on capital of about 60 basis points primarily related to the inclusion of savings banks' minority capital in Central and East European subsidiaries. We therefore expect the common equity tier 1 ratio to comfortably exceed 10% at year-end 2014 despite the loss announced for the current financial year.

The supervisory board has taken a number of important personnel decision for the future. Peter Bosek, who has been very successful in positioning the Austrian retail business and achieved important steps in the area of digital banking, will assume responsibility for the group-wide retail business on Erste Group's management board as of January 2015. Jozef Síkela, CEO of the subsidiary Slovenská sporiteľňa, will succeed Franz Hochstrasser as management board member for Corporates & Markets. The corporate business will remain important for Erste Group but the responsibility will be transferred increasingly to local management. Herbert Juranek will also leave the management board. A decision on his successor will be reached in the coming weeks. You may trust that the new management team will keep its focus on offering the customers of Erste Group sound, state-of-the art banking services in its core markets. This will safeguard our ability to generate profits that are sustainable over the long term and higher than our capital costs.

Andreas Treichl mp

Erste Group on the capital markets

EQUITY MARKET REVIEW

In the third quarter, geopolitical risks, downward revisions to economic forecasts and profit warnings caused uncertainty in international stock markets. The latest rate cut by the European Central Bank (ECB) and the continuing decline of bond market yields failed to provide sustainable momentum. National stock indices reflected differences in performance: while US indices hit new record highs, European stocks trailed US markets, with the majority ending the reporting period slightly lower. This was due to increasing signs of a slowing in the euro zone's economic recovery and a reporting season with weaker results in Europe than in the US.

The Dow Jones Industrial Index rose 1.3% to 17,042.90 points at the end of the reporting season and was hence 2.8% higher than at year-end 2013. The broader Standard & Poor's 500 Index advanced 0.6% in the third quarter to 1,972.29 points, gaining 6.7% year to date. The Euro Stoxx 600 Index was up 0.4% in the third quarter and, at 343,08 points, was 4.5 % higher year to date. The Austrian Traded Index (ATX) ended the third quarter down 11.9%, close to its annual low. At 2,203.94 points, the index had dropped 13.5% of its value year to date. In the third quarter, the Dow Jones Euro Stoxx Bank Index, which is composed of leading European bank shares, increased 1.8% to 149.21 points, up 5.5% versus year-end 2013. This was mainly attributable to the uncertainty over the potential consequences of the Ukraine-Russia crisis and, on average, lower corporate earnings.

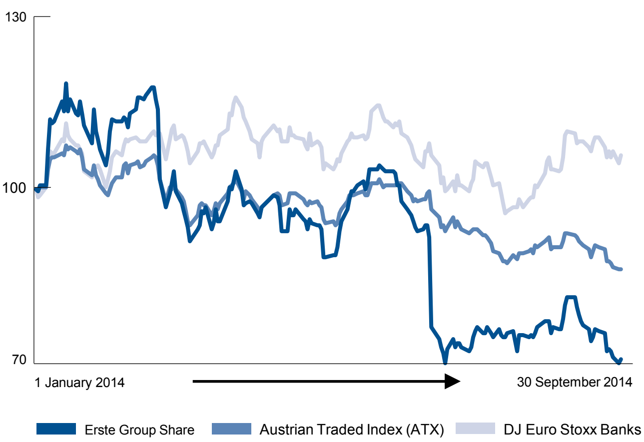
The focus of market participants was again on future central bank action against the backdrop of moderate economic growth in the US and economic stagnation in the euro zone. The ECB reduced its key interest rate once again in response to weak economic data and growing concerns about deflation as consumer price inflation fell to 0.3%, the lowest level since October 2009. The euro zone's key interest rate at which central bank funds are offered to the banking system was cut to a new record low of 0.05%. In another move, the ECB decided to purchase a large volume of bonds (quantitative easing) to supply liquidity to the market and stimulate economic activity in the euro zone. The US central bank (Fed) confirmed that it would keep its key interest rate low within a range of 0 to 0.25% for an extended period of time but announced a that its bonds-purchase programme would end in the near future.

SHARE PERFORMANCE

After the revision of the earnings outlook in early July, the price of the Erste Group share declined massively. The share kept trading within a narrow range around the level of EUR 19 even after the release of the better-than-expected operating result, the positive development of asset quality and the quarter-on-quarter improvement in capital ratios. The ECB's additional rate cut in early September did not have any lasting impact on the price of the Erste Group share. Analysts' and investors' focus remained in particular on the expected conversion of foreign-currency loans in Hungary and the asset quality review, which were reflected in the recent movements of the share price. In mid-August, Standard & Poor's downgraded the rating of Erste Group – along with those of other Austrian banks – to A-/A-2/negative. In early September, the rating of long-term unsecured senior debt was downgraded by Moody's to Baa2. On 30 September, the Erste Group share closed the third quarter at EUR 18,135, down 28.4% from year-end 2013.

The Erste Group share is traded on the stock exchanges of Vienna, Prague and Bucharest. In the first three quarters of 2014, trading volume on these stock exchanges averaged 996,985 shares per day and accounted for about 32% of total trading volume in Erste Group shares. More than half of the trading activity is executed over the counter (OTC) or through electronic trading systems.

Performance of the Erste Group Share (indexed)



INVESTOR RELATIONS

In the third quarter of 2014, the management and the investor relations team of Erste Group had a large number of one-on-one and group meetings, in which questions raised by investors and analysts were answered. Erste Group attended a large number of international banking and investor conferences staged, amongst others, by HSBC, Barclays, Unicredit and Bank of America Merrill Lynch, where it presented its strategy against the backdrop of the current environment.

Interim management report

In the interim management report, financial results from January-September 2014 are compared with those from January-September 2013 and balance sheet positions as of 30 September 2014 with those as of 31 December 2013.

EARNINGS PERFORMANCE IN BRIEF

Net interest income declined to EUR 3,369.6 million (EUR 3,515.8 million), mainly due to the persistently low interest rate environment and FX translation effects. **Net fee and commission income** increased to EUR 1,372.7 million (EUR 1,343.7 million) on the back of an improved result from asset management. The **net trading and fair value result** declined to EUR 166.5 million (EUR 184.2 million). **Operating income** amounted to EUR 5,117.5 million (-2.8%; EUR 5,263.3 million).

General administrative expenses declined by 4.8% to EUR 2,783.7 million (EUR 2,924.4 million), mainly due to lower personnel expenses on the back of lower average headcount. This led to an **operating result** of EUR 2,333.8 million (-0.2%; EUR 2,338.9 million) and an improved **cost/income ratio** of 54.4% (55.6%).

In line with the expected rise in 2014 risk costs announced on 3 July 2014, **net impairment loss on financial assets not measured at fair value through profit or loss** went up by 34.5% to EUR 1,674.9 million or 175 basis points of average customer loans (EUR 1,245.0 million or 120 basis points). This was attributable in particular to additional risk costs in Romania resulting from the announced accelerated NPL reduction. The **NPL ratio** declined substantially to 8.9% (9.6%) on the back of successful NPL sales in Romania. The **NPL coverage ratio** improved significantly to 68.8% (63.1%).

Other operating result amounted to EUR -1,682.7 million (EUR -520.2 million). This was primarily due to the write-down of goodwill in the amount of EUR 420.9 million as well as of brand and customer relationships in Romania of EUR 489.8 million in total. At EUR 208.7 million (EUR 247.1 million) levies on banking activities were again significant: EUR 95.3 million (EUR 125.0 million) in Austria, EUR 31.5 million (EUR 31.1 million) in Slovakia, and EUR 81.8 million (EUR 90.9 million) in Hungary (this included the full Hungarian banking tax of EUR 47.9 million for 2014). In addition, the item other operating result includes EUR 360.8 million in expenses expected by Erste Group as a result of the consumer loan law passed by the Hungarian parliament.

Taxes on income rose to EUR 433.9 million due to a negative change in deferred taxes (net) in the amount of EUR 141.1 million. The **net result attributable to owners of the parent** amounted to EUR -1,484.0 million (EUR 430.6 million), in line with guidance.

Total IFRS capital declined to EUR 13.7 billion (EUR 14.8 billion). **Common equity tier 1 capital** (CET 1, phased-in) decreased to EUR 10.9 billion versus EUR 11.2 billion (Basel 2.5). **Risk-weighted assets** (phased-in) increased to EUR 100.6 billion (EUR 97.9 billion). The **common equity tier 1 ratio** (CET 1, phased-in) stood at 10.8% versus 11.4% (Basel 2.5), the **total capital ratio** (Basel 3, phased-in) 15.7% versus 16.3% (Basel 2.5).

Total assets amounted to EUR 197.0 billion (EUR 200.1 billion). **Loans and advances to customers (net)** increased slightly to EUR 120.5 billion (EUR 119.9 billion). The **loan-to-deposit ratio** stood at 100.3% (98.0%)

OUTLOOK

For Erste Group (consolidated):

_ Risk costs of EUR 2.1-2.4 billion depending on booking of Hungarian consumer loan law impact (EUR 350-400 million, EUR 360.8 million of which have already been booked) in risk provisions or other operating result; any costs related to the unlikely, but still possible discounted conversion of Hungarian retail FX loans are not included in this guidance;
_ A net loss for 2014 of EUR 1.4-1.6 billion;
_ A CET 1-ratio (fully loaded, based on current definitions) of comfortably above 10.0% at year-end;
_ Strongly improved post-provision result and net profit (ROTE: 8-10%) in 2015, despite still disproportionate banking levies;

For the geographic segment Romania: a full normalisation of risk costs at 100-150 bps of average gross customer loans starting in 2015, accompanied by an accelerated NPL reduction already in 2014; a lower, but sustainable operating result due to a lower unwinding impact on net interest income;

For the geographic segment Hungary: a gradual normalisation of risk costs to 150-200 bps (by 2016) of average gross customer loans based on the assumption that all government actions will be completed in 2014; a lower, but sustainable operating result due to lower net interest income.

PERFORMANCE IN DETAIL

in EUR million	1-9 13	1-9 14	Change
Net interest income	3,515.8	3,369.6	-4.2%
Net fee and commission income	1,343.7	1,372.7	2.2%
Net trading and fair value result	184.2	166.5	-9.6%
Operating income	5,263.3	5,117.5	-2.8%
Operating expenses	-2,924.4	-2,783.7	-4.8%
Operating result	**2,338.9**	**2,333.8**	**-0.2%**
Net impairment loss on financial assets not measured at fair value through profit or loss	-1,245.0	-1,674.9	34.5%
Other operating result	-520.2	-1,628.6	>100.0%
Levies on banking activities	-247.1	-208.7	-15.6%
Pre-tax result from continuing operations	**598.0**	**-955.5**	**n/a**
Taxes on income	-31.0	-433.9	>100.0%
Net result for the period	**567.0**	**-1,389.3**	**n/a**
Net result attributable to non-controlling interests	136.4	94.6	-30.6%
Net result attributable to owners of the parent	**430.6**	**-1,484.0**	**n/a**

Net interest income

Net interest income declined to EUR 3,369.6 million (EUR 3,515.8 million), mainly due to continuing subdued loan demand in a low interest rate environment. The net interest margin (net interest income as a percentage of average interest-bearing assets) contracted from 2.68% to 2.64%.

Net fee and commission income

Net fee and commission income increased to EUR 1,372.7 million (EUR 1,343.7 million) due, among others, to improved asset management business and brokerage commissions.

Net trading and fair value result

The net trading and fair value result declined to EUR 166.5 million (EUR 184.2 million), mainly due to valuation results for financial liabilities.

General administrative expenses

in EUR million	1-9 13	1-9 14	Change
Personnel expenses	1,679.0	1,607.0	-4.3%
Other administrative expenses	860.9	821.9	-4.5%
Depreciation and amortisation	384.6	354.8	-7.7%
General administrative expenses	**2,924.4**	**2,783.7**	**-4.8%**

General administrative expenses declined to EUR 2,783.7 million (EUR 2,924.4 million) (currency-adjusted: -3.4%). **Personnel expenses** decreased to EUR 1,607.0 million (EUR 1,679.0 million) (currency-adjusted: -3.1%). **Other administrative expenses** decreased (currency-adjusted: -2.6%) to EUR 821.9 million (EUR 860.9 million) on the back of lower office-related expenses. **Depreciation and amortisation** declined (currency-adjusted: -6.3%) to EUR 354.8 million (EUR 384.6 million). The line item other administrative expenses included deposit insurance contributions in the amount of EUR 66.7 million (EUR 58.0 million). The line item depreciation and amortisation included the straight-line amortisation of intangible assets (i.e. customer relationships) in the amount of EUR 34.5 million (EUR 49.0 million).

The **headcount** has increased slightly since year-end 2013, by 0.8% to 46,037.

Headcount as of end of the period

	Dec 13	Sep 14	Change
Domestic	**15,659**	**15,576**	**-0.5%**
Erste Group, EB Oesterreich and subsidiaries	8,388	8,311	-0.9%
Haftungsverbund savings banks	7,271	7,265	-0.1%
Abroad	**30,011**	**30,461**	**1.5%**
Česká spořitelna Group	10,432	10,443	0.1%
Banca Comercială Română Group	7,020	7,093	1.0%
Slovenská sporiteľňa Group	4,206	4,252	1.1%
Erste Bank Hungary Group	2,778	2,798	0.7%
Erste Bank Croatia Group	2,584	2,746	6.3%
Erste Bank Serbia	922	961	4.2%
Savings banks subsidiaries	1,100	1,152	4.7%
Other subsidiaries and foreign branch offices	969	1,016	4.9%
Total	**45,670**	**46,037**	**0.8%**

Operating result

Driven by the decline in net interest income, operating income, at EUR 5,117.5 million (EUR 5,263.3 million), was down 2.8% percent. General administrative expenses were reduced by 4.8% to EUR 2,783.7 million (EUR 2,924.4 million), which kept the operating result stable at EUR 2,333.8 million (EUR 2,338.9 million).

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

Gains/losses from financial assets and liabilities not measured at fair value through profit and loss (net) declined to EUR 14.3 million (EUR 24.3 million), mainly due to the negative contribution from the repurchase of financial liabilities.

Net impairment loss on financial assets

Net impairment loss on financial assets rose to EUR 1,674.9 million (EUR 1,245.0 million). This development was largely attributable to the rise in the balance of the allocation and release of provisions for the lending business together with the costs of direct loan write-offs offset by income received from the recovery of loans already written off to EUR 1,683.3 million (EUR 1,217.4 million). Net impairment loss on financial assets not measured at fair value through profit or loss, based on the average volume of customer loans, amounted to 175 basis points (120 basis points). In addition, this line item included net impairment loss on financial assets – held to maturity and financial assets – available for sale in the amount of EUR 8.4 million (EUR -27.6 million).

Other operating result

Other operating result amounted to EUR -1,628.6 million (EUR -520.2 million). This was primarily attributable to write-downs: overall, goodwill write-downs amounted to EUR 420.9 million, thereof 319.1 million in Romania, EUR 61.4 million in Croatia and EUR 40.4 million at Steiermärkische Sparkasse, which holds a significant stake in Erste Bank Croatia. In addition, an amount of EUR 489.8 million was written down in Romania for customer relationships and brand.

Other operating result also included the allocation/release of other provisions in the amount of EUR -368.0 million (EUR -1.8 million), mainly provisions in the amount of EUR 360.8 million resulting from a law on consumer loans passed in Hungary in early July.

Levies on banking activities declined to EUR 208.7 million (EUR 247.1 million). A large proportion of these – EUR 81.8 million (EUR 90.9 million) – was levied in Hungary and comprised the following items: a financial transaction tax of EUR 27.3 million (EUR 36.9 million), the advance payment of the total banking tax for the year of 2014 in the amount of EUR 47.9 million (EUR 49.0 million; total banking tax for the year 2013) and the programme subsidising repayment of foreign-currency loans in the amount of EUR 6.6 million (EUR 5.1 million). Banking levies charged in Austria amounted to EUR 95.3 million (EUR 125.0 million) and in Slovakia to EUR 31.5 million (EUR 31.1 million).

Net result

The pre-tax result from continuing operations amounted to EUR -955.5 million (EUR 598.0 million).

The net result attributable to owners of the parent declined to EUR -1,484.0 million (EUR 430.6 million).

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Third quarter of 2014 compared to second quarter of 2014

in EUR million	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14
Income statement					
Net interest income	1,175.9	1,169.2	1,123.9	1,119.7	1,126.0
Net fee and commission income	449.5	462.8	452.1	454.9	465.8
Dividend income	20.2	21.6	14.6	15.4	33.0
Net trading and fair value result	80.7	34.6	50.4	87.7	28.4
Net result from equity method investments	7.5	2.1	3.1	8.3	0.1
Rental income from investment properties & other operating leases	46.6	41.6	46.5	45.1	42.5
Personnel expenses	-552.5	-553.4	-545.9	-546.1	-515.0
Other administrative expenses	-283.9	-285.1	-292.4	-265.2	-264.2
Depreciation and amortisation	-127.8	-133.1	-125.0	-121.8	-108.0
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	6.7	38.1	-3.7	4.9	13.2
Net impairment loss on financial assets not measured at fair value through profit or loss	-460.7	-529.4	-364.2	-431.9	-878.8
Other operating result	-142.6	-488.4	-119.8	-1,152.0	-356.8
Levies on banking activities	-62.4	-63.9	-99.8	-54.3	-54.6
Pre-tax result from continuing operations	**219.6**	**-219.6**	**239.5**	**-781.0**	**-414.0**
Taxes on income	-56.0	-147.5	-99.7	-235.9	-98.3
Net result for the period	**163.5**	**-367.1**	**139.8**	**-1,016.9**	**-512.3**
Net result attributable to non-controlling interests	35.2	3.2	36.5	16.2	42.0
Net result attributable to owners of the parent	**128.4**	**-370.3**	**103.3**	**-1,033.1**	**-554.2**

Net interest income rose slightly by 0.6% to EUR 1,126.0 million (EUR 1,119.7 million). **Net fee and commission income** increased by 2.4% to EUR 465.8 million (EUR 454.9 million). The **net trading and fair value result** declined by 67.6% to EUR 28.4 million (EUR 87.7 million). This was mainly attributable to a strong improvement in foreign exchange trading in the second quarter.

General administrative expenses decreased by 4.9% to EUR 887.3 million (EUR 933.1 million): Personnel expenses declined by 5.7% to EUR 515.0 million (EUR 546.1 million). Depreciation and amortisation decreased by 11.3% to EUR 108.0 million (EUR 121.8 million) on the back of the discontinuation of the customer relationships amortisation. Other administrative expenses went down by 0.4% to EUR 264.2 million (EUR 265.2 million). The **cost/income ratio** declined to 52.3% (53.9%).

Gains/losses from financial assets and liabilities not measured at fair value through profit and loss (net) improved to EUR 13.2 million (EUR 4.9 million), mainly due to losses from the buyback of financial liabilities in the previous period.

Net impairment loss on financial assets not measured at fair value through profit or loss rose to EUR -878.8 million (EUR -431.9 million), mostly due to higher risk costs in Romania.

Other operating result amounted to EUR -356.8 million (EUR -1,152.0 million), including EUR 230.5 million (EUR 130.3 million) in charges resulting from the Hungarian consumer loan law. The significant improvement was attributable to high write-downs in the previous quarter.

Levies on banking activities amounted to EUR 54.6 million (EUR 54.3 million). Thereof, EUR 11.7 million (EUR 11.1 million) were paid in Hungary: financial transaction taxes of EUR 9.4 million (EUR 8.8 million) plus EUR 2.3 million (EUR 2.2 million) for the programme subsidising repayment of foreign-currency loans. Banking taxes were also charged in Austria in the amount of EUR 32.1 million (EUR 32.7 million) and in Slovakia in the amount of EUR 10.8 million (EUR 10.5 million).

Pre-tax result amounted to EUR -414.0 million (EUR -781.0 million). The decline was largely due to the non-recurrence of write-downs posted in the second quarter. The **net result attributable to owners of the parent** amounted to EUR -554.2 million (EUR -1,033.1 million).

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 13	Sep 14	Change
Assets			
Cash and cash balances	9,301	8,010	-13.9%
Trading, financial assets	51,269	51,051	-0.4%
Loans and receivables to credit institutions	8,377	7,166	-14.5%
Loans and receivables to customers	119,945	120,451	0.4%
Intangible assets	2,441	1,456	-40.3%
Miscellaneous assets	8,786	8,839	0.6%
Total assets	**200,118**	**196,973**	**-1.6%**
Liabilities and equity			
Financial liabilities - held for trading	6,475	8,488	31.1%
Deposits from banks	17,299	16,483	-4.7%
Deposits from customers	122,415	120,061	-1.9%
Debt securities issued	33,124	31,211	-5.8%
Miscellaneous liabilities	6,020	7,078	17.6%
Total equity	14,785	13,652	-7.7%
Total liabilities and equity	**200,118**	**196,973**	**-1.6%**

Trading and investment securities held in various categories of financial assets declined slightly to EUR 51.1 billion (EUR 51.3 billion). The rise in the line item financial assets – available for sale did not fully offset the decline in the line items financial assets – held to maturity, financial assets – held for trading and financial assets – at fair value through profit or loss.

Loans and receivables to credit institutions (net) decreased to EUR 7.2 billion (EUR 8.4 billion). **Loans and receivables to customers (net)** increased slightly to EUR 120.5 billion (EUR 119.9 billion) although credit demand remained subdued in most business segments. **Allowances for loans and receivables to customers** shown as part of loans and receivables to customers increased moderately to EUR 7.9 billion (EUR 7.8 billion).

The **NPL ratio** – non-performing loans as a percentage of loans to customers – decreased substantially to 8.9% (9.6%). The **NPL coverage ratio** improved to 68.8% (63.1%).

Due to the recognition of impairments including goodwill, customer relationships and brand, **intangible assets** declined to EUR 1,5 billion (EUR 2.4 billion). **Miscellaneous assets** were unchanged at EUR 8.8 billion (EUR 8.8 billion) despite a write-down of deferred tax assets.

Financial liabilities – held for trading increased to EUR 8.5 billion (EUR 6.5 billion) on the back of an increased portfolio of derivatives.

Deposits from banks decreased to EUR 16.5 billion (EUR 17.3 billion), reflecting a decline in overnight deposits from credit institutions. **Deposits from customers** declined to EUR 120.1 billion (EUR 122.4 billion). This decline in deposits from customers reflects primarily the deconsolidation of the EUR 1.8 billion Czech pension fund. The **loan-to-deposit ratio** stood at 100.3% (98.0%).

Debt securities in issue, in particular bonds as well as mortgage and public sector covered bonds, declined to EUR 31.2 billion (EUR 33.1 billion) due to redemptions. **Miscellaneous liabilities** rose to EUR 7.0 billion (EUR 6.0 billion).

Erste Group's **shareholders' equity** declined to EUR 13.7 billion (EUR 14.8 billion). After regulatory deductions and filter according to the CRR, **tier 1 capital** amounted to EUR 10.9 billion (year-end 2013: Basel 2.5, EUR 11.6 billion), **common equity tier 1 capital** stood at EUR 10.9 billion (year-end 2013: core tier 1 capital, Basel 2.5, EUR 11.2 billion). **Risk-weighted assets** (RWA) increased to EUR 100.6 billion (EUR 97.9 billion).

As of 2014, Erste Group calculates consolidated regulatory capital according to Basel 3. In 2014, the calculation follows the requirements as defined within the capital requirements regulation (CRR) taking into consideration transitional provisions as defined within the Austrian "CRR-Begleitverordnung". Applicable percentages that are relevant for eligibility of capital instruments and regulatory deduction items as well as filter are defined within these transitional provisions. The **total capital ratio** in relation to the total risk (total eligible qualifying capital in relation to total risk pursuant to CRR) was 15.7% as of 30 September 2014 (year-end 2013, Basel 2.5: 16.3%), well above the legal minimum requirement.

The **tier 1 ratio** (total risk), which includes the capital requirements for market and operational risk, stood at 10.8% (year-end 2013, Basel 2.5: 11.8%). The **common equity tier 1 ratio** amounted to 10.8% as of 30 September 2014 (year-end 2013, Basel 2.5: 11.4%).

SEGMENT REPORTING

January-September 2014 compared with January-September 2013

Erste Group introduced a new segment reporting, starting from 1 January 2014 that is based on the matrix organisation and provides comprehensive information to assess the business line and geographic performance. Comparable figures for all quarters of 2013 were published on 28 February 2014. However, the segmentation criteria for corporate business were also changed with no retrospective adjustments. The former local large corporate business (included in the SME segment in 2013) was reallocated either to the Large Corporates segment or to the SME segment, depending on annual turnover thresholds.

The tables and information below provide a brief overview and focus on selected and summarised items. For more details please see Note 26. At www.erstegroup.com additional information is available in Excel format.

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

BUSINESS SEGMENTS

Retail

in EUR million	1-9 13	1-9 14	Change
Net interest income	1,669.4	1,633.4	-2.2%
Net fee and commission income	785.3	788.2	0.4%
Net trading and fair value result	45.9	45.5	-0.9%
Operating income	2,523.2	2,492.2	-1.2%
Operating expenses	-1,393.9	-1,338.6	-4.0%
Operating result	1,129.3	1,153.7	2.2%
Cost/income ratio	55.2%	53.7%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-348.0	-577.9	66.1%
Other result	-70.7	-439.3	>100.0%
Net result attributable to owners of the parent	536.6	26.0	-95.1%
Return on allocated capital	36.4%	1.9%	

The Retail segment comprises the entire business with private individuals, free professionals and micros in the responsibility of account managers in the retail network of the local banks cooperating with their specialised subsidiaries (such as factoring, leasing and asset management companies).

The decrease in net interest income was driven by lower deposit volumes and margins in Romania as well as shrinking loan volumes and margins in Hungary. These developments were partly offset by positive trends in the Austrian deposit business and growing lending business in Slovakia. Rental income increased by 55.4% due to the consolidation of a leasing subsidiary (sLeasing) in Croatia. Cost saving measures in the Czech Republic and Romania led to a reduction in operating expenses. Operating result thus increased, cost/income ratio decreased. The deterioration of net impairment loss on financial assets not measured at FV through P&L was driven by significantly higher risk costs in Romania on the back of the accelerated NPL reduction. Booking of provisions related to the consumer loan law in Hungary in an amount of EUR 360.8 million had a negative impact on the other result. This triggered the significant decrease of the net result attributable to the owners of the parent.

SME

in EUR million	1-9 13	1-9 14	Change
Net interest income	505.8	430.0	-15.0%
Net fee and commission income	170.0	148.0	-12.9%
Net trading and fair value result	22.2	15.7	-29.4%
Operating income	702.6	618.5	-12.0%
Operating expenses	-218.8	-214.2	-2.1%
Operating result	483.8	404.3	-16.4%
Cost/income ratio	31.1%	34.6%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-334.4	-395.1	18.2%
Other result	-19.4	11.6	n/a
Net result attributable to owners of the parent	95.6	8.9	-90.6%
Return on allocated capital	7.8%	0.4%	

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

Most of the negative developments were primarily related to the reallocation of a local large corporate portfolio, which in 2013 had been shown in the SME segment, to the Large Corporate segment: the decline in net interest income, in net fee and commission income as well as in net trading and fair value result. On the other hand, the portfolio reallocation led to a slight reduction of operating expenses; the cost/income ratio rose. Net impairment loss on financial assets not measured at FV through profit and loss increased substantially on the back of higher risk provisions in Romania. The other result improved mainly due to one-off income related to an insurance payment in Austria. The net result attributable to the owners of the parent declined.

Asset/Liability Management & Local Corporate Center

in EUR million	1-9 13	1-9 14	Change
Net interest income	172.8	115.1	-33.4%
Net fee and commission income	-74.0	-62.3	-15.7%
Net trading and fair value result	-56.9	11.6	n/a
Operating income	89.3	112.8	26.2%
Operating expenses	-72.4	-59.2	-18.2%
Operating result	16.9	53.6	>100.0%
Cost/income ratio	81.0%	52.5%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-6.0	-6.0	-1.3%
Other result	-85.5	-125.4	46.7%
Net result attributable to owners of the parent	58.2	-87.5	n/a
Return on allocated capital	3.5%	-6.6%	

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

Net interest income decreased considerably mainly due to lower ALM contribution. The increase in net fee and commission income was primarily related to the positive impact from lower fee expenses in Austria. The net trading and fair value result improved substantially due to a better result from derivatives. Operating expenses also improved mainly due to lower personnel expenses in Romania. Thus, the operating result improved significantly. The other result deteriorated as a consequence of the impairment of intangible assets in BCR as well as one-off revenues earned in 2013 in the Czech Republic. Taxes on income in 2013 benefited from a positive one-off impact from the release of deferred tax liabilities in Romania in the amount of EUR 127.7 million. Consequently, the net result attributable to the owners of the parent decreased significantly.

Savings Banks

in EUR million	1-9 13	1-9 14	Change
Net interest income	607.8	662.0	8.9%
Net fee and commission income	289.3	300.1	3.8%
Net trading and fair value result	14.5	3.1	-78.5%
Operating income	963.4	1,016.8	5.5%
Operating expenses	-688.4	-690.2	0.3%
Operating result	275.0	326.6	18.8%
Cost/income ratio	71.5%	67.9%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-120.6	-133.7	10.9%
Other result	-11.6	-20.0	72.0%
Net result attributable to owners of the parent	19.4	9.8	-49.5%
Return on allocated capital	6.7%	9.0%	

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

The increase in net interest income was attributable to the reduction of deposit interest rates due to the lower interest rate environment and a change in deposit structure. Together with the improved net fee and commission income it offset the drop in net trading and fair value result. Total operating income increased. Although operating expenses went up slightly, cost/income ratio improved. Net impairment loss on financial assets not measured at FV through profit and loss increased. The decline in other result was mainly caused by valuation effects. The banking tax increased to EUR 10.3 million (EUR 6.9 million) due to the revised banking tax regulation.

Large Corporates

in EUR million	1-9 13	1-9 14	Change
Net interest income	138.3	167.1	20.8%
Net fee and commission income	54.5	71.3	30.7%
Net trading and fair value result	6.8	7.9	17.2%
Operating income	199.6	246.3	23.4%
Operating expenses	-49.2	-60.6	23.3%
Operating result	150.4	185.7	23.5%
Cost/income ratio	24.6%	24.6%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-158.7	-302.9	90.9%
Other result	-20.5	-8.7	-57.7%
Net result attributable to owners of the parent	-22.8	-101.1	>100.0%
Return on allocated capital	-3.7%	-18.5%	

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

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

Commercial Real Estate

in EUR million	1-9 13	1-9 14	Change
Net interest income	127.4	113.5	-10.9%
Net fee and commission income	9.1	11.4	24.5%
Net trading and fair value result	5.0	-5.2	n/a
Operating income	207.5	152.8	-26.4%
Operating expenses	-98.1	-64.4	-34.3%
Operating result	109.4	88.4	-19.2%
Cost/income ratio	47.3%	42.2%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-269.3	-251.5	-6.6%
Other result	-45.1	-49.5	9.7%
Net result attributable to owners of the parent	-171.1	-205.9	20.3%
Return on allocated capital	-24.9%	-34.8%	

The Commercial Real Estate segment covers the real estate value chain (lending, leasing, real estate investment, project development and construction services as well as infrastructure business) for corporate clients, project developers, real estate investors, municipalities and other public sector agencies.

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

Other Corporate

in EUR million	1-9 13	1-9 14	Change
Net interest income	50.0	55.6	11.3%
Net fee and commission income	19.2	12.1	-36.8%
Net trading and fair value result	10.4	4.5	-57.3%
Operating income	79.6	72.8	-8.6%
Operating expenses	-36.3	-38.9	7.3%
Operating result	43.3	33.9	-21.8%
Cost/income ratio	45.6%	53.5%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-9.8	-13.7	38.7%
Other result	1.7	1.8	7.6%
Net result attributable to owners of the parent	27.2	16.9	-37.7%
Return on allocated capital	11.0%	10.5%	

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

The improvement of net interest income was mostly attributable to structured trade finance and aircraft business in London and to increased lending activities in New York International Business portfolio. Net fee and commission income declined primarily due to lower fees in structured trade finance and aircraft business and further reductions of the loan book of International Business in Austria. The drop in net trading and fair value result was mainly due to negative valuation effects of asset-backed securities and derivatives in the structured credit business, which could not be offset by the better performance of derivatives in hedging portfolio. Lower operating income and increased operating expenses led to a decline in the operating result, the cost/income ratio went up. Net impairment loss on financial assets not measured at FV through profit and loss increased on the back of higher risk provisions for loans and receivables in London Investment Banking portfolio related to the downgrade of Ukrainian customers. Overall, net result attributable to the owners of the parent remained at low level.

Group Markets

in EUR million	1-9 13	1-9 14	Change
Net interest income	157.2	149.7	-4.7%
Net fee and commission income	74.8	76.5	2.2%
Net trading and fair value result	106.6	88.4	-17.1%
Operating income	339.1	316.7	-6.6%
Operating expenses	-135.8	-131.0	-3.6%
Operating result	203.2	185.7	-8.6%
Cost/income ratio	40.1%	41.4%	
Net impairment loss on financial assets not measured at fair value through profit or loss	11.4	0.0	-99.9%
Other result	-1.3	-1.2	-3.6%
Net result attributable to owners of the parent	165.6	144.4	-12.8%
Return on allocated capital	48.2%	40.5%	

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

The net interest income declined primarily due to the extremely low interest rate environment affecting interest rate related products. Net fee and commission income improved due to increased sales and the performance of funds to institutional customers and bond issuance activities. The decline in the net trading and fair value result was mainly attributable to credit and rates trading, alternative investments portfolio management as well as valuation effects of interest related products. The operating result declined, attributable to decreased operating income, although operating expenses were reduced. The cost/income ratio deteriorated. The other result remained stable. Net result attributable to the owners of the parent declined.

Group Corporate Center

in EUR million	1-9 13	1-9 14	Change
Net interest income	106.0	46.5	-56.1%
Net fee and commission income	110.1	47.3	-57.0%
Net trading and fair value result	8.9	-7.4	n/a
Operating income	279.2	130.2	-53.4%
Operating expenses	-501.0	-521.7	4.1%
Operating result	-221.7	-391.5	76.6%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-8.4	5.7	n/a
Other result	-95.3	-690.1	>100.0%
Net result attributable to owners of the parent	-278.1	-1,295.6	>100.0%
Return on allocated capital	-5.6%	-33.0%	

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

The net interest income decrease was mainly attributable to the decreasing 5y moving average rate and thus a lower capital benefit from the free capital of the group. Net fee and commission income declined considerably due to higher fee expenses from internal service providers. However, at group level the impact was neutral due to consolidation shown in Intercompany Elimination. Operating expenses went up as a consequence of a change in the methodology of cost reimbursements. The corresponding positive counter effect was shown in other result (at group level the impact was neutral due to consolidation). The deterioration of the other result was driven mainly by higher goodwill impairments of EUR 420.9 million (EUR 52.2 million), whereby Romania accounted for EUR 319.1 million, Croatia for EUR 61.4 million, Steiermärkische Sparkasse, which holds a significant stake in Erste Bank Croatia, for EUR 40.4 million as well as the write-down of the entire remaining value of customer relationships and brand of BCR of EUR 470.7 million. A negative change in deferred taxes had further unfavourable impact on the result of the segment.

GEOGRAPHICAL SEGMENTS

Erste Bank Oesterreich & Subsidiaries

in EUR million	1-9 13	1-9 14	Change
Net interest income	414.2	456.1	10.1%
Net fee and commission income	248.4	255.9	3.0%
Net trading and fair value result	10.2	2.6	-74.2%
Operating income	705.3	750.9	6.5%
Operating expenses	-453.4	-446.4	-1.5%
Operating result	251.9	304.4	20.8%
Cost/income ratio	64.3%	59.5%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-45.5	-66.9	46.9%
Other result	-11.9	3.9	n/a
Net result attributable to owners of the parent	143.5	183.3	27.8%
Return on allocated capital	17.6%	23.3%	

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

The increase in net interest income was primarily attributable to deposit repricing. Net fee and commission income increased mainly due to the merger with Brokerjet. The decrease of net trading and fair value result was mainly due to lower valuation gains from derivatives. Operating expenses decreased – mainly due to cost savings related to personnel expenses –despite the merger with Brokerjet and contributed to the increase of the operating result. Cost/income ratio improved significantly. Net impairment loss on financial assets not measured at FV through profit and loss increased. Other result was positively affected by a one-off income from insurance payments. Overall, the net result attributable to owners of the parent improved considerably.

Savings Banks

The geographical segment Savings Banks is identical to the business segment Savings Banks (see page 10).

Other Austria

in EUR million	1-9 13	1-9 14	Change
Net interest income	304.6	302.2	-0.8%
Net fee and commission income	126.0	130.1	3.3%
Net trading and fair value result	42.3	2.7	-93.6%
Operating income	539.1	470.7	-12.7%
Operating expenses	-261.0	-231.1	-11.4%
Operating result	278.0	239.6	-13.8%
Cost/income ratio	48.4%	49.1%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-302.8	-191.0	-36.9%
Other result	-34.6	-41.8	20.6%
Net result attributable to owners of the parent	-57.4	-33.8	-41.0%
Return on allocated capital	-4.5%	-2.9%	

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

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

Czech Republic

in EUR million	1-9 13	1-9 14	Change
Net interest income	758.2	692.9	-8.6%
Net fee and commission income	328.5	300.0	-8.7%
Net trading and fair value result	59.7	62.6	4.8%
Operating income	1,172.7	1,079.8	-7.9%
Operating expenses	-551.0	-494.4	-10.3%
Operating result	621.7	585.4	-5.8%
Cost/income ratio	47.0%	45.8%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-112.8	-105.4	-6.6%
Other result	4.3	-5.3	n/a
Net result attributable to owners of the parent	408.9	378.9	-7.4%
Return on allocated capital	33.8%	35.3%	

The devaluation of the CZK due to the intervention of the Czech National Bank in November 2013 had a significant negative impact on the EUR figures of the Czech Republic segment. Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) decreased due to the persistently low interest rate environment and subdued loan demand, especially for consumer loans; mortgage loan volumes increased though. Net fee and commission income declined mostly due to lower private current account fees. Net trading and FV result increased due to improved result from foreign exchange transactions. Lower operating expenses related to cost reduction measures could not off-set the decrease in the operating income resulting in a decline of operating result. However, operating result in local currency terms went up marginally and the cost/income ratio improved. The deviation in net impairment loss on financial assets not measured at FV through P&L is attributable to the FX impact. Other result declined due to the non-recurrence of a one-off positive effect. Overall, these developments led to a decline in the net result attributable to the owners of the parent.

Slovakia

in EUR million	1-9 13	1-9 14	Change
Net interest income	324.0	336.0	3.7%
Net fee and commission income	86.9	91.1	4.7%
Net trading and fair value result	7.9	9.3	17.6%
Operating income	427.6	443.5	3.7%
Operating expenses	-182.9	-196.2	7.3%
Operating result	244.8	247.3	1.0%
Cost/income ratio	42.8%	44.2%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-29.5	-42.8	45.0%
Other result	-38.1	-33.6	-11.9%
Net result attributable to owners of the parent	140.0	131.6	-6.0%
Return on allocated capital	36.4%	34.6%	

The increase in net interest income in the Slovakia segment (comprising Slovenská sporiteľňa Group) was mainly attributable to higher new business volumes, namely housing and consumer loans, and a changed deposit structure. Despite the cancellation of loan account fees imposed by legislation, the net fee and commission income improved due to current account, insurance and securities fees. The rise in the net trading and fair value result was driven by the revaluation of the FV portfolio. The increase in operating expenses was mostly related to the EUR 8.1 million payment into the deposit insurance fund (no corresponding payment in 2013) and to higher personnel expenses. Owing to improved operating income, the operating result increased slightly. The cost/income ratio increased. Although net impairment loss on financial assets not measured at FV through profit and loss increased due to allocation of higher provisions in the retail, commercial real estate and SME business while large corporates developed positively, it remained at a low level. Other result improved due to lower provisions for contingent credit risk liabilities and higher gains from property, plant & equipment. The net result attributable to the owners of the parent declined.

Romania

in EUR million	1-9 13	1-9 14	Change
Net interest income	468.6	374.9	-20.0%
Net fee and commission income	116.9	121.4	3.9%
Net trading and fair value result	76.6	63.2	-17.5%
Operating income	668.1	564.1	-15.6%
Operating expenses	-277.3	-237.1	-14.5%
Operating result	390.8	327.1	-16.3%
Cost/income ratio	41.5%	42.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-346.4	-910.8	>100.0%
Other result	-51.1	-70.8	38.6%
Net result attributable to owners of the parent	113.7	-532.0	n/a
Return on allocated capital	11.3%	-66.3%	

Net interest income in the Romania segment (comprising Banca Comercială Română Group) decreased after sharp key rate cuts in 2013 and 2014, but also due to diminishing consumer loan volumes and subdued demand as well as fewer business opportunities on the corporate market. Net fee and commission income improved mainly due to higher fees related to insurance business and investment products. Net trading and fair value result declined due to a lower result from derivatives. Consequently, operating income decreased. Operating expenses decreased on the back of cost reduction measures. The operating result declined and the cost/income ratio deteriorated slightly. The net impairment loss on financial assets not measured at FV through profit and loss increased on the back of the announced accelerated NPL reduction. The net result attributable to the owners of the parent decreased significantly.

Hungary

in EUR million	1-9 13	1-9 14	Change
Net interest income	228.9	205.8	-10.1%
Net fee and commission income	92.1	103.7	12.6%
Net trading and fair value result	0.2	7.6	>100.0%
Operating income	321.3	318.0	-1.1%
Operating expenses	-134.7	-126.6	-6.0%
Operating result	186.6	191.4	2.5%
Cost/income ratio	41.9%	39.8%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-155.7	-101.9	-34.6%
Other result	-110.6	-450.3	>100.0%
Net result attributable to owners of the parent	-87.8	-370.7	>100.0%
Return on allocated capital	-23.2%	-105.5%	

Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) declined mainly due to decreasing loan volumes and margins in the retail business and the shrinking SME loan portfolio. Net fee and commission income improved primarily on the back of higher fees from payment transfers and asset management. Net trading and fair value result increased due to the higher result from derivative instruments. Operating expenses declined because of continued cost saving measures. This led to an increase of the operating result and improvement of the cost/income ratio. Net impairment loss on financial assets not measured at FV through profit and loss declined due to lower risk provisions on loans to customers in SME as well as in the retail business. Other result was negatively impacted by booking of provisions of EUR 360.8 million related to the consumer loan law. This led to significant deterioration of the net result attributable to the owners of the parent.

Croatia

in EUR million	1-9 13	1-9 14	Change
Net interest income	179.5	194.4	8.3%
Net fee and commission income	54.2	60.2	11.0%
Net trading and fair value result	16.6	20.2	22.1%
Operating income	251.2	300.1	19.5%
Operating expenses	-105.7	-134.2	27.0%
Operating result	145.5	165.9	14.0%
Cost/income ratio	42.1%	44.7%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-115.1	-118.3	2.9%
Other result	-3.1	-2.4	-22.5%
Net result attributable to owners of the parent	15.9	25.6	61.4%
Return on allocated capital	7.8%	11.4%	

Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) increased due to lower interest expenses for liabilities. Net fee and commission income improved primarily on the back of higher fees in the retail business as well as fees for arranging a government bond issue. The increase of the rental income by EUR 23.8 million due to consolidation of a leasing subsidiary (sLeasing) also had a positive impact on the operating income. Despite increased operating expenses because of the consolidation of sLeasing and ECC Slovenia subsidiaries, the operating result improved. The cost/income ratio went up. The increase in net impairment loss on financial assets not measured at FV through profit and loss was driven by higher risk provisions in commercial real estate business. As a consequence coverage improved. The net result attributable to the owners of the parent improved.

Serbia

in EUR million	1-9 13	1-9 14	Change
Net interest income	24.1	24.9	3.5%
Net fee and commission income	9.7	10.0	2.9%
Net trading and fair value result	1.9	1.7	-11.0%
Operating income	35.7	36.5	2.3%
Operating expenses	-27.1	-28.1	3.9%
Operating result	8.6	8.3	-2.7%
Cost/income ratio	76.0%	77.1%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-7.0	-9.0	29.1%
Other result	0.0	-0.6	n/a
Net result attributable to owners of the parent	1.2	-0.4	n/a
Return on allocated capital	3.5%	-1.2%	

Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased mainly as a result of higher margins from consumer loans in retail business. In addition, Asset/Liability management benefitted from liquidity surplus placements. Operating expenses increased mostly due to higher deposit insurance costs and the consolidation of S-Leasing. The increase in net impairment loss on financial assets not measured at FV through profit and loss was driven by new NPLs in retail business. As a result the net result attributable to the owners of the parent deteriorated.

Other

in EUR million	1-9 13	1-9 14	Change
Net interest income	206.1	120.5	-41.6%
Net fee and commission income	-8.2	0.2	n/a
Net trading and fair value result	-45.7	-6.6	-85.5%
Operating income	178.9	137.1	-23.4%
Operating expenses	-243.0	-199.4	-17.9%
Operating result	-64.0	-62.2	-2.8%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-9.6	5.0	n/a
Other result	-239.2	-993.5	>100.0%
Net result attributable to owners of the parent	-266.9	-1,276.1	>100.0%
Return on allocated capital	-4.6%	-28.3%	

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

The decline of the net interest income in the residual segment Other was mainly driven by the lower capital benefit from the free capital of the group. Net trading and fair value result improved significantly as revaluation results from derivatives and own issues turned positive. Operating expenses declined, which led to a slight improvement in operating result. The deterioration of the other result was driven mainly by higher goodwill impairments of EUR 420.9 million (EUR 52.2 million) whereby Romania accounted for EUR 319.1 million, Croatia for EUR 61.4 million, Steiermärkische Sparkasse, which holds a significant stake in Erste Bank Croatia, for EUR 40.4 million as well as the write-down of the entire remaining value of customer relationships and brand. In addition, a negative change in deferred taxes also had an unfavourable impact on the result of the segment.

Group condensed consolidated financial statements of Erste Group Bank AG

Interim report – Third quarter of 2014

I. Group condensed statement of comprehensive income

Income statement

in EUR thousand	Notes	1-9 13	1-9 14
Net interest income	1	3,515,823	3,369,623
Net fee and commission income	2	1,343,672	1,372,744
Dividend income	3	68,117	62,933
Net trading and fair value result	4	184,247	166,473
Net result from equity method investments		19,713	11,573
Rental income from investment properties & other operating leases	5	131,761	134,120
Personnel expenses	6	-1,678,999	-1,606,988
Other administrative expenses	6	-860,855	-821,877
Depreciation and amortisation	6	-384,558	-354,819
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	7	24,282	14,332
Net impairment loss on financial assets not measured at fair value through profit or loss	8	-1,245,014	-1,674,936
Other operating result	9	-520,179	-1,628,640
Levies on banking activities	9	-247,093	-208,665
Pre-tax result from continuing operations		**598,010**	**-955,461**
Taxes on income	10	-31,039	-433,883
Net result for the period		**566,970**	**-1,389,344**
Net result attributable to non-controlling interests		136,414	94,618
Net result attributable to owners of the parent		**430,556**	**-1,483,961**

Statement of comprehensive income

in EUR thousand	1-9 13	1-9 14
Net result for the period	**566,970**	**-1,389,344**
Other comprehensive income		
Items that may not be reclassified to profit or loss		
Remeasurement of net liability of defined pension plans	0	0
Deferred taxes relating to items that may not be reclassified	0	0
Total	**0**	**0**
Items that may be reclassified to profit or loss		
Available for sale reserve (including currency translation)	-73,822	418,036
Gain/loss during the period	-69,389	449,878
Reclassification adjustments	-4,432	-31,842
Cash flow hedge reserve (including currency translation)	-70,000	155,961
Gain/loss during the period	-70,800	201,274
Reclassification adjustments	800	-45,314
Currency translation	-63,700	2,673
Gain/loss during the period	-143,502	2,673
Reclassification adjustments	79,802	0
Deferred taxes relating to items that may be reclassified	51,500	-147,245
Gain/loss during the period	50,400	-163,459
Reclassification adjustments	1,100	16,214
Total	**-156,022**	**429,426**
Total other comprehensive income	**-156,022**	**429,426**
Total comprehensive income	**410,981**	**-959,918**
Total comprehensive income attributable to non-controlling interests	51,041	283,620
Total comprehensive income attributable to owners of the parent	**359,940**	**-1,243,538**

Earnings per share

		1-9 13	1-9 14
Net result attributable to owners of the parent	in EUR thousand	430,581	-1,483,961
Dividend on participation capital	in EUR thousand	-84,600	0
Net result for the period attributable to owners of the parent after deduction of the participation capital dividend	in EUR thousand	345,981	-1,483,961
Weighted average number of outstanding shares		405,544,748	427,572,880
Earnings per share	**in EUR**	**0.85**	**-3.47**
Weighted average diluted number of outstanding shares		407,737,075	427,572,880
Diluted earnings per share	**in EUR**	**0.85**	**-3.47**

Changes in number of shares and participation capital securities

	1-9 13	1-9 14
Number of shares		
Shares outstanding at the beginning of the period	375,715,367	415,076,934
Acquisition of treasury shares	-8,112,882	-9,616,907
Disposal of treasury shares	8,624,112	11,630,571
Capital increases due to ESOP and MSOP	0	0
Capital increases	35,231,353	0
Shares outstanding at the end of the period	411,457,950	417,090,598
Treasury shares	18,342,050	12,709,402
Number of shares issued at the end of the period	**429,800,000**	**429,800,000**
Weighted average number of outstanding shares	405,544,748	427,572,880
Dilution due to MSOP/ESOP	2,192,326	0
Dilution due to options	0	0
Weighted average diluted number of outstanding shares	407,737,075	427,572,880
Number of participation capital securities		
Participation capital securities outstanding at the beginning of the period	1,763,694	0
Acquisition of own participation capital securities	-1,768,437	0
Disposal of own participation capital securities	4,743	0
Participation capital securities outstanding at the end of the period	0	0
Own participation capital securities	0	0
Number of participation capital securities at the end of the period	**0**	**0**

Redemption of participation capital and implementation of a capital increase

On 8 August 2013 the outstanding participation capital of EUR 1.76 billion, of which EUR 1.205 billion were held by the Republic of Austria and EUR 559 million by private investors, was redeemed in full. In this context a capital increase against cash contributions was implemented with gross proceeds of approximately EUR 660.6 million on 2 July 2013. The subscription price amounted to EUR 18.75 per share and the subscription ratio was 4 new shares for each 45 shares held. 35,231,353 new shares were issued, the share capital increased from EUR 789,137,294 by EUR 70,462,706 to EUR 859,600,000.

Quarterly results

in EUR million	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14
Income statement					
Net interest income	1,175.9	1,169.2	1,123.9	1,119.7	1,126.0
Net fee and commission income	449.5	462.8	452.1	454.9	465.8
Dividend income	20.2	21.6	14.6	15.4	33.0
Net trading and fair value result	80.7	34.6	50.4	87.7	28.4
Net result from equity method investments	7.5	2.1	3.1	8.3	0.1
Rental income from investment properties & other operating leases	46.6	41.6	46.5	45.1	42.5
Personnel expenses	-552.5	-553.4	-545.9	-546.1	-515.0
Other administrative expenses	-283.9	-285.1	-292.4	-265.2	-264.2
Depreciation and amortisation	-127.8	-133.1	-125.0	-121.8	-108.0
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	6.7	38.1	-3.7	4.9	13.2
Net impairment loss on financial assets not measured at fair value through profit or loss	-460.7	-529.4	-364.2	-431.9	-878.8
Other operating result	-142.6	-488.4	-119.8	-1,152.0	-356.8
Levies on banking activities	-62.4	-63.9	-99.8	-54.3	-54.6
Pre-tax result from continuing operations	**219.6**	**-219.6**	**239.5**	**-781.0**	**-414.0**
Taxes on income	-56.0	-147.5	-99.7	-235.9	-98.3
Net result for the period	**163.5**	**-367.1**	**139.8**	**-1,016.9**	**-512.3**
Net result attributable to non-controlling interests	35.2	3.2	36.5	16.2	42.0
Net result attributable to owners of the parent	**128.4**	**-370.3**	**103.3**	**-1,033.1**	**-554.2**

Statement of comprehensive income					
Net result for the period	**163.5**	**-367.1**	**139.8**	**-1,016.9**	**-512.3**
Other comprehensive income					
Items that may not be reclassified to profit or loss					
Remeasurement of net liability of defined pension plans	0.0	-6.7	0.0	0.0	0.0
Deferred taxes relating to items that may not be reclassified	0.0	2.3	0.0	0.0	0.0
Total	**0.0**	**-4.5**	**0.0**	**0.0**	**0.0**
Items that may be reclassified to profit or loss					
Available for sale reserve (including currency translation)	28.8	-39.4	131.3	188.5	98.3
Gain/loss during the period	34.1	-23.3	140.5	196.7	112.6
Reclassification adjustments	-5.3	-16.1	-9.3	-8.3	-14.3
Cash flow hedge reserve (including currency translation)	-1.7	-1.9	22.7	97.0	36.2
Gain/loss during the period	1.7	-1.6	27.9	121.3	52.1
Reclassification adjustments	-3.4	-0.4	-5.2	-24.2	-15.9
Currency translation	-0.2	-177.7	-14.0	44.3	-27.6
Gain/loss during the period	-0.2	-177.7	-14.0	44.3	-27.6
Reclassification adjustments	0.0	0.0	0.0	0.0	0.0
Deferred taxes relating to items that may be reclassified	-2.3	-6.6	-51.3	-57.0	-39.0
Gain/loss during the period	-4.8	-9.4	-53.7	-71.6	-38.2
Reclassification adjustments	2.5	2.9	2.4	14.6	-0.8
Total	**24.6**	**-225.6**	**88.8**	**272.8**	**67.8**
Total other comprehensive income	**24.6**	**-230.0**	**88.8**	**272.8**	**67.8**
Total comprehensive income	**188.1**	**-597.1**	**228.6**	**-744.1**	**-444.4**
Total comprehensive income attributable to non-controlling interests	44.1	-33.7	42.1	167.5	74.0
Total comprehensive income attributable to owners of the parent	**144.1**	**-563.4**	**186.5**	**-911.6**	**-518.5**

II. Group condensed balance sheet

in EUR thousand	Notes	Dec 13	Sep 14
Assets			
Cash and cash balances	11	9,300,683	8,010,114
Financial assets - held for trading		12,283,046	11,640,683
Derivatives	12	6,342,237	7,610,934
Other trading assets	13	5,940,808	4,029,748
Financial assets - at fair value through profit or loss	14	528,984	443,879
Financial assets - available for sale	15	20,677,648	21,940,455
Financial assets - held to maturity	16	17,779,013	17,025,613
Loans and receivables to credit institutions	17	8,376,688	7,165,693
Loans and receivables to customers	18	119,944,501	120,451,271
Derivatives - hedge accounting	19	1,943,645	2,764,168
Property and equipment		2,319,501	2,355,674
Investment properties		950,572	952,000
Intangible assets		2,440,833	1,456,086
Investments in associates and joint ventures		207,594	190,615
Current tax assets		100,398	106,859
Deferred tax assets		719,015	460,846
Assets held for sale		74,774	150,289
Other assets	20	2,470,898	1,858,995
Total assets		**200,117,792**	**196,973,239**
Liabilities and equity			
Financial liabilities - held for trading		6,474,745	8,487,802
Derivatives	12	6,086,938	7,562,790
Other trading liabilities	21	387,807	925,011
Financial liabilities - at fair value through profit or loss		2,339,171	2,160,875
Deposits from banks		0	0
Deposits from customers		459,964	363,401
Debt securities issued	22	1,879,207	1,797,473
Other financial liabilities		0	0
Financial liabilities measured at amortised cost		170,785,614	166,138,990
Deposits from banks	23	17,299,491	16,482,695
Deposits from customers	23	121,955,141	119,697,596
Debt securities issued	23	31,244,697	29,414,001
Other financial liabilities		286,286	544,697
Derivatives - hedge accounting	19	644,319	754,906
Changes in fair value of portfolio hedged items		733,747	1,072,207
Provisions	24	1,447,605	1,822,163
Current tax liabilities		84,519	94,887
Deferred tax liabilities		169,392	199,359
Liabilities associated with assets held for sale		0	0
Other liabilities	25	2,653,713	2,590,130
Total equity		**14,784,966**	**13,651,920**
Equity attributable to non-controlling interests		3,465,959	3,706,999
Equity attributable to owners of the parent		11,319,006	9,944,921
Total liabilities and equity		**200,117,792**	**196,973,239**

III. Group condensed statement of changes in total equity

	Subscribed capital	Capital reserves	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Currency translation	Remeasurement of net liability of defined pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
As of 31 December 2013	**860**	**7,037**	**4,256**	**-33**	**259**	**-785**	**-277**	**2**	**11,319**	**3,466**	**14,785**
Changes in treasury shares	0	0	47	0	0	0	0	0	47	0	47
Dividends paid	0	0	-171	0	0	0	0	0	-171	-96	-266
Capital increases	0	0	0	0	0	0	0	0	0	0	0
Participation capital	0	0	0	0	0	0	0	0	0	0	0
Changes in scope of consolidation	0	0	-8	0	0	0	0	0	-8	54	46
Other changes	0	0	0	0	0	0	0	0	0	0	0
Acquisition of non-controlling interest	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	-1,484	156	173	-2	0	-87	-1,244	284	-960
Net result for the period	0	0	-1,484	0	0	0	0	0	-1,484	95	-1,389
Other comprehensive income	0	0	0	156	173	-2	0	-87	240	189	429
As of 30 September 2014	**860**	**7,037**	**2,641**	**124**	**432**	**-786**	**-277**	**-85**	**9,944**	**3,707**	**13,652**
As of 1 January 2013	**2,547**	**6,472**	**4,395**	**41**	**227**	**-555**	**-268**	**-4**	**12,855**	**3,483**	**16,338**
Restatement	0	0	1	0	-11	0	0	0	-10	8	-2
Restated as of 1 January 2013	**2,547**	**6,472**	**4,396**	**41**	**216**	**-555**	**-268**	**-4**	**12,845**	**3,491**	**16,336**
Changes in treasury shares	0	0	16	0	0	0	0	0	16	0	16
Dividends paid	0	0	-299	0	0	0	0	0	-299	-41	-340
Capital increases	70	567	0	0	0	0	0	0	638	0	638
Participation capital	-1,757	0	0	0	0	0	0	0	-1,757	0	-1,757
Changes in scope of consolidation	0	0	-11	0	0	0	0	0	-11	0	-11
Other changes	-1	0	1	0	0	0	0	0	0	0	0
Acquisition of non-controlling interest	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	430	-72	43	-70	0	28	359	51	410
Net result for the period	0	0	430	0	0	0	0	0	430	136	566
Other comprehensive income	0	0	0	-72	43	-70	0	28	-71	-85	-156
As of 30 September 2013	**860**	**7,040**	**4,534**	**-31**	**259**	**-625**	**-269**	**24**	**11,792**	**3,500**	**15,293**

IV. Group condensed cash flow statement

in EUR million	1-9 13	1-9 14
Cash and cash equivalents at the end of the previous year	**9,740**	**9,301**
Cash flow from operating activities	3,193	434
Cash flow from investing activities	383	462
Cash flow from financing activities	-1,423	-2,192
Effect of currency translation	-41	6
Cash and cash equivalents at the end of period	**11,852**	**8,010**

V. Condensed notes to the group financial statements of Erste Group for the period from 1 January to 30 September 2014

BASIS OF PREPARATION

The condensed consolidated interim financial statements ("interim financial statements") of Erste Group for the period from 1 January to 30 September 2014 were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and are presented in accordance with the requirements of IAS 34 "Interim Financial Reporting". The Group's application of IFRS results in no differences between IFRS as issued by the International Accounting Standards Board ("IASB") and IFRS as endorsed by the EU.

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

BASIS OF CONSOLIDATION

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

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

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

As of 31 December 2013	**549**
Additions	
Entities newly added to the scope of consolidation	32
Disposals	
Companies sold or liquidated	-19
Mergers	-15
As of 30 September 2014	**547**

Deconsolidation in 2014

As of 1 January 2014 Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s. (Transformed pension fund) has been deconsolidated as a result of changes in the articles of the fund amending its investment strategy. The impact of deconsolidation was decrease of the group assets by EUR 1,702 million (thereof Financial assets - available-for-sale EUR 608 million, Financial assets - held to maturity EUR 368 million and Loans and receivables to credit institutions EUR 710 million) and decrease of the group liabilities by EUR 1,853 million (thereof Financial liabilities measured at amortised cost – Deposits from customers EUR 1,829 million).

ACCOUNTING AND MEASUREMENT METHODS

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

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

As a result of IFRS 10 application on 1 January 2014, Erste Group started with consolidation of 18 investment funds managed by asset management companies of the Group. In all of them Erste Group is also a significant investor, when considering fund units acquired by individual Erste Group entities. The consolidation has been applied retrospectively. All affected 2013 comparative figures have been restated. The effects of restating the income statement were insignificant. The effect of restating the group balance sheet as of 31 December 2013 is summarized below:

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

In 2014, Erste Group changed the structure of its balance sheet, income statement and some explanatory notes, in order to provide more reliable and relevant information about its financial position and performance.

The new structure has also been introduced in order to generate synergies in addressing the new IFRS-based Financial Reporting regulatory requirements ("FINREP"). FINREP was introduced in 2014 by the European Banking Authority ("EBA") and it represents a mandatory regulatory reporting framework applicable to EU based banking institutions.

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

Income statement

in EUR million		Switch of dividend income	Switch of rental and leasing income	Switch of equity method investment income	Split of general administ-rative expenses	Consoli-dation of net trading and fair value result	Reallo-cation of other operating result	Reallocation of customer relationship amortisation and deposit insurance	Switch of realised AfS or HtM gains/ losses	Switch of AfS or HtM measure-ment	Switch of off balance sheet provisions		
1-9 13	**Old structure**											**New structure**	**1-9 13**
3,661.0	Net interest income	-68.1	-57.4	-19.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Net interest income	3,515.8
-1260.0	Risk provisions for loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,260.0		0.0
1343.6	Net fee and commission income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Net fee and commission income	1,343.7
0.0		68.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Dividend income	68.1
239.3	Net trading result	0.0	0.0	0.0	0.0	-239.3	0.0	0.0	0.0	0.0	0.0		0.0
-2743.0	General administrative expenses	0.0	0.0	0.0	2,743.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
-576.3	Other operating result	0.0	0.0	0.0	0.0	0.0	469.3	107.0	0.0	0.0	0.0		0.0
-55.0	Result from financial instruments – at fair value through profit or loss	0.0	0.0	0.0	0.0	239.3	0.0	0.0	0.0	0.0	0.0	Net trading and fair value result	184.2
0.0		0.0	0.0	19.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Net result from equity method investments	19.7
0.0		0.0	131.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Rental income from investment properties & other operating leases	131.8
0.0		0.0	0.0	0.0	-1,679.0	0.0	0.0	0.0	0.0	0.0	0.0	Personnel expenses	-1,679.0
0.0		0.0	0.0	0.0	-802.9	0.0	0.0	-58.0	0.0	0.0	0.0	Other administrative expenses	-860.9
0.0		0.0	-74.4	0.0	-261.1	0.0	0.0	-49.0	0.0	0.0	0.0	Depreciation and amortisation	-384.6
0.0		0.0	0.0	0.0	0.0	0.0	6.3	0.0	18.0	0.0	0.0	Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	24.3
-13.0	Result from financial assets - available for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-9.6	22.6	0.0		0.0
1.5	Result from financial assets - held to maturity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-8.4	6.9	0.0		0.0
0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-27.6	-1,217.5	Net impairment loss on financial assets not measured at fair value through profit or loss	-1,245.0
0.0		0.0	0.0	0.0	0.0	0.0	-475.7	0.0	0.0	-1.9	-42.5	Other operating result	-520.2
0.0		0.0	0.0	0.0	0.0	0.0	-247.1	0.0	0.0	0.0	0.0	Levies on banking activities	-247.1
598.0	**Pre-tax profit/loss**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**Pre-tax result from continuing operations**	**598.0**
-31.0	Taxes on income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Taxes on income	-31.0
567.0	Post-tax profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
0.0	Post-tax profit from discontinuing operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
567.0	**Net profit/loss for the period**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**Net result for the period**	**567.0**
136.4	Attributable to non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Net result attributable to non-controlling interests	136.4
430.6	**Attributable to owners of the parent**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**Net result attributable to owners of the parent**	**430.6**

Assets

in EUR million		Reallocation of demand deposits (<24h)	Reallocation of non-consolidated subsidiaries and associates	Reallocation of movable other property	Switch to net book value of loans and receivables	Product split into measurement categories		
Dec 13	**Old structure**						**New structure**	**Dec 13**
8,670	Cash and balances with central banks	630	0	0	0	0	Cash and cash balances	9,301
9,062	Loans and advances to credit institutions	-630	0	0	-8,431	0		0
127,698	Loans and advances to customers	0	0	0	-127,698	0		0
-7,810	Risk provisions for loans and advances	0	0	0	7,810	0		0
0		0	0	0	0	0	Financial assets - held for trading	12,283
8,286	Derivative financial instruments	0	0	0	0	-1,944	Derivatives	6,342
5,941	Trading assets	0	0	0	0	0	Other trading assets	5,941
529	Financial assets - at fair value through profit or loss	0	0	0	0	0	Financial assets - at fair value through profit or loss	529
20,822	Financial assets - available for sale	0	-144	0	0	0	Financial assets - available for sale	20,678
17,781	Financial assets - held to maturity	0	0	0	-2	0	Financial assets - held to maturity	17,779
0		0	0	0	8,377	0	Loans and receivables to credit institutions	8,377
0		0	0	0	119,944	0	Loans and receivables to customers	119,945
0		0	0	0	0	1,944	Derivatives - hedge accounting	1,944
0		0	0	0	0	0	Changes in fair value of portfolio hedged items	0
2,057	Property and equipment	0	0	263	0	0	Property and equipment	2,320
951	Investment properties	0	0	0	0	0	Investment properties	951
2,441	Intangible assets	0	0	0	0	0	Intangible assets	2,441
208	Equity method investments	0	0	0	0	0	Investments in associates and joint ventures	208
100	Current tax assets	0	0	0	0	0	Current tax assets	100
719	Deferred tax assets	0	0	0	0	0	Deferred tax assets	719
75	Assets held for sale	0	0	0	0	0	Assets held for sale	75
2,590	Other assets	0	144	-263	0	0	Other assets	2,471
200,118	**Total assets**	**0**	**0**	**0**	**0**	**0**	**Total assets**	**200,118**

Liabilities and equity

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

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

Foreign currency translation

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

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

(i) Transactions and balances in foreign currency

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

(ii) Translation of the statements of Group companies

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

Financial instruments – recognition and measurement

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

Erste Group uses the following categories of financial instruments:

- financial assets or financial liabilities at fair value through profit or loss
- available-for-sale financial assets
- held-to-maturity investments
- loans and receivables
- financial liabilities measured at amortised cost

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

(i) Initial recognition

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

(ii) Initial measurement of financial instruments

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

(iii) Cash and cash balances

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

(iv) Derivative financial instruments

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

For presentation purposes derivatives are split into

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

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

Changes in fair value (clean price) of derivatives – held for trading are recognised in the income statement in the line item ‘Net trading and fair value result’.

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

Derivatives – hedge accounting are those which are designated as hedging instruments in hedges fulfilling the conditions of IAS 39. In the balance sheet, they are presented in the line item ‘Derivatives - hedge accounting’ on asset or liability side.

Changes in fair value (clean price) of derivatives in fair value hedges are recognised in the income statement in the line item ‘Net trading and fair value result’. Effective part of changes in fair value (dirty price) of derivatives in cash flow hedges is reported in other comprehensive income in the line item ‘Cash flow hedge reserve’. Ineffective part of changes in fair value (dirty price) of derivatives in cash flow hedges is recognised in profit or loss under the line item ‘Net trading and fair value result’.

Interest income/expense related to derivatives in fair value hedges is recognised in the income statement in the line item ‘Net interest income’. Interest income/expense from hedging derivatives in cash flow hedges is part of the dirty price measurement which is split into effective part and ineffective part as described above.

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

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

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

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

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

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

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

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

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

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

Financial liabilities designated at fair value through profit or loss are reported in the balance sheet under the line item ‘Financial liabilities designated at fair value through profit or loss’ further broken down into ‘Deposits from customers’ and ‘Debt securities issued’. Changes in fair value are recognised in the income statement under the line item ‘Net trading and fair value result’. Interest incurred is reported under the line item ‘Net interest income’.

(vii) Financial assets – available for sale
Available-for-sale financial assets include debt and equity securities as well as other interests in entities with lower than significant influence. Equity investments classified as available for sale

are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

Available-for-sale financial assets are measured at fair value. On the balance sheet, available-for-sale financial assets are disclosed under the line item 'Financial assets – available for sale'.

Unrealised gains and losses are recognised in other comprehensive income and reported in the 'Available for sale reserve' until the financial asset is disposed of or impaired. If available-for-sale assets are disposed of or impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss and reported in the line item 'Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net' in case of sale or in the line item 'Net impairment loss on financial assets' in case of impairment.

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

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

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

Interest earned on financial assets held to maturity is reported in the income statement under the line item 'Net interest income'. Losses arising from impairment of such financial assets are presented as 'Net impairment loss on financial assets'. Occasional realised gains or losses from selling are recognised in the income statement under the line item 'Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net'.

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

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

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

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

Impairment losses arising from loans and receivables are recognised in the income statement under the line item 'Net impairment loss on financial assets'.

(x) Financial liabilities measured at amortised cost
Financial liabilities are measured at amortised cost, unless they are measured at fair value through profit or loss.

For presentation in the balance sheet the line item 'Financial liabilities measured at amortised cost' is used. The liabilities are further broken down by 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

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

(xi) Relationships between balance sheet items, measurement methods and categories of financial instruments

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

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

Embedded derivatives

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

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

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

At Erste Group, derivatives that are not closely related and are separated are predominantly embedded in issued host debt instruments recognised as liabilities. The most typical cases are issues of bonds and deposits that contain interest caps, floors or collars in the money, CMS bonds without appropriate cap, contractual features linking payments to non-interest variables such as FX rates, equity and commodity prices and indices, or third-party credit risk.

Reclassifications of financial assets

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

Derecognition of financial assets and financial liabilities

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

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

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

Repurchase and reverse repurchase agreements

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

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

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

Securities lending and borrowing

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

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

Impairment of financial assets and credit risk losses of contingent liabilities

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

Erste Group uses the Basel 2 definition of default as a primary indicator of loss events. Default, as a loss event, occurs when

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

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

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

(i) Financial assets carried at amortised cost

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

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

Impairment losses on financial assets carried at amortised cost are recognised as loss allowance. On the balance sheet, loss allowances decrease the value of the assets. I.e. the net carrying amount of the financial asset presented in the balance sheet is the difference between the gross carrying amount and the cumulative loss allowance. This treatment holds for loss allowances for loans and receivables and for incurred but not reported losses (i.e. portfolio allowances) on held-to-maturity financial assets. Reconciliation of changes in these loss allowance accounts is disclosed in the notes. However, individual loss allowances for held to maturity financial assets are treated as direct reduction of the asset carrying amount and therefore reconciliation of changes is not disclosed in the notes.

In the income statement, impairment losses and their reversals are presented in the line item 'Net impairment loss on financial assets'.

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

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

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

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

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

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

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

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

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

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

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

reported under the line item 'Net interest income'. The change in the fair value of the hedged item attributable to the hedged risk is also recognised in the income statement under the line item 'Net trading and fair value result' and adjusts the carrying amount of the hedged item.

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

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

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

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

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

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

Details on valuation techniques applied for fair value measurement and on fair value hierarchy are disclosed in Note 30 Fair value of financial instruments.

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

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

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

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

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

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

the identifiable assets acquired and the liabilities assumed are generally recognised at their fair values.

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

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

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

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

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

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

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

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

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

Property and equipment

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

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

The estimated useful lives are as follows:

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

Land is not depreciated.

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

Investment properties

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

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

Rental income is recognised in the line 'Rental income from investment properties and other operating leases'. Depreciation is presented in the income statement in the line item 'Depreciation and amortisation' using the straight-line method over an estimated useful life. The useful lives of investment properties are identical to those of buildings reported under property and equipment. Any impairment losses, as well as their reversals, are recognised under the income statement line item 'Other operating result'.

Property Held for Sale (Inventory)

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

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

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

Intangible assets

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

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

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

Intangible assets with finite lives are amortised over their useful economic lives using the straight-line method. The amortisation period and method are reviewed at least at each financial year-end and adjusted if necessary. The amortisation expense on intangible assets with finite lives is recognised in the income statement under the line item 'Depreciation and amortisation'.

The estimated useful lives are as follows:

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

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

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

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

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

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

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

Non-current assets and disposal groups held for sale

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

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

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

Financial guarantees

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

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

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

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

Defined employee benefit plans

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

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

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

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

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

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

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

Provisions

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

Taxes

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

Treasury shares and contracts on treasury shares

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

Fiduciary assets

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

Dividends on ordinary shares

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

Recognition of income and expenses

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

(i) Net interest income

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

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

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

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

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

(iii) Dividend income
Dividend income is recognised when the right to receive the payment is established.

This line item includes dividend from shares and other equity-related securities in all portfolios as well as income from other investments in companies categorised as available for sale. It also contains dividends from subsidiaries and from associates or joint ventures which are not consolidated or not accounted for using the equity method due to their insignificance. Such non-consolidated associates, joint ventures and subsidiaries are presented as 'Other assets'.

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

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

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

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

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

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

(viii) Other administrative expenses
Other administrative expenses include information technology expenses, expenses for office space, office operating expenses, advertising and marketing, expenditures for legal and other consultants as well as sundry other administrative expenses. Furthermore the line item contains deposit insurance contributions expenses.

(ix) Depreciation and amortisation
This line item comprises depreciation of property and equipment, depreciation of investment property and amortisation of intangible assets.

(x) Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net
This line item includes selling and other derecognition gains or losses on available-for-sale and held-to-maturity financial assets, loans and receivables and financial liabilities measured at amortised cost. However, if such gains/losses relate to individually impaired financial assets they are included as part of net impairment loss.

(xi) Net impairment loss on financial assets
Net impairment losses on financial assets comprise impairment losses and reversals of impairment on loans and receivables, held-to-maturity and available-for-sale financial assets. Net impairment losses relate to allowances recognised both at individual and portfolio (incurred but not reported) level. Direct write-offs are considered as part of impairment losses. This line item also includes recoveries on written-off loans removed from the balance sheet.

(xii) Other operating result

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

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

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

APPLICATION OF AMENDED AND NEW IFRS/IAS

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

- IAS 27 (revised 2011) Separate Financial Statements
- IAS 28 (revised 2011) Investments in Associates and Joint Ventures
- Amendments to IAS 32 – Offsetting Financial Assets and Liabilities
- Amendments to IAS 36 – Recoverable Amounts Disclosures for Non-financial Assets
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition guidance
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities
- IFRIC 21 Levies.

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

- IFRS 10 has led to the consolidation of certain funds managed by Erste Group. For an overview of the prior year-end restatement financial effects due to the retrospective consolidation requirement of IFRS 10 refer to "Accounting and measurement methods".

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

1. Net interest income

in EUR million	1-9 13	1-9 14
Interest income		
Financial assets - held for trading	337.8	218.4
Financial assets - at fair value through profit or loss	8.1	2.7
Financial assets - available for sale	391.0	357.4
Financial assets - held to maturity	521.8	459.6
Loans and receivables	4,009.5	3,667.9
Derivatives - hedge accounting, interest rate risk	-22.8	30.8
Other assets	35.3	25.8
Total interest income	**5,280.7**	**4,762.6**
Interest expenses		
Financial liabilities - held for trading	-31.6	-46.4
Financial liabilities - at fair value through profit or loss	-44.9	-25.0
Financial liabilities measured at amortised cost	-1,971.9	-1,631.0
Derivatives - hedge accounting, interest rate risk	289.9	338.1
Other liabilities	-6.3	-28.7
Total interest expense	**-1,764.8**	**-1,393.0**
Net interest income	**3,515.8**	**3,369.6**

2. Net fee and commission income

in EUR million	1-9 13	1-9 14
Securities	113.4	129.8
Own issues	16.9	12.5
Transfer orders	89.3	107.7
Other	7.2	9.6
Clearing and settlement	-4.4	6.7
Asset management	139.2	168.5
Custody	47.2	34.9
Fiduciary transactions	0.7	1.7
Payment services	670.2	649.9
Card business	160.2	158.7
Other	510.0	491.2
Customer resources distributed but not managed	120.3	129.0
Collective investment	7.0	12.6
Insurance products	66.9	76.2
Building society brokerage	24.1	17.9
Foreign exchange transactions	18.0	15.6
Other	4.3	6.7
Structured finance	0.0	0.1
Servicing fees from securitization activities	0.3	0.0
Lending business	189.6	169.7
Guarantees given, guarantees received	21.4	28.7
Loan commitments given, loan commitments received	42.0	44.3
Other lending business	126.2	96.7
Other	67.1	82.5
Net fee and commission income	**1,343.7**	**1,372.7**

3. Dividend income

in EUR million	1-9 13	1-9 14
Financial assets - held for trading	2.8	1.4
Financial assets - at fair value through profit or loss	4.5	2.5
Financial assets - available for sale	53.5	37.9
Dividend income from equity investments	7.3	21.1
Dividend income	**68.1**	**62.9**

4. Net trading and fair value result

in EUR million	1-9 13	1-9 14
Net trading result	185.4	229.8
Securities and derivatives trading	48.0	116.6
Foreign exchange transactions	137.4	113.2
Result from financial assets and liabilities designated at fair value through profit or loss	-1.1	-63.3
Result from measurement/sale of financial assets designated at fair value through profit or loss	2.9	8.8
Result from measurement/sale of financial liabilities designated at fair value through profit or loss	-4.0	-72.1
Net trading and fair value result	**184.2**	**166.5**

5. Rental income from investment properties & other operating leases

in EUR million	1-9 13	1-9 14
Investment properties	59.1	63.8
Other operating leases	72.7	70.3
Rental income from investment properties & other operating leases	**131.8**	**134.1**

6. General administrative expenses

in EUR million	1-9 13	1-9 14
Personnel expenses	**-1,679.0**	**-1,607.0**
Wages and salaries	-1,235.6	-1,194.4
Compulsory social security	-361.2	-340.5
Long-term employee provisions	-43.4	-19.4
Other personnel expenses	-38.8	-52.8
Other administrative expenses	**-860.9**	**-821.9**
Deposit insurance contribution	-58.0	-66.7
IT expenses	-201.7	-197.8
Expenses for office space	-199.6	-185.0
Office operating expenses	-113.3	-93.5
Advertising/marketing	-112.9	-109.3
Legal and consulting costs	-93.4	-85.3
Sundry administrative expenses	-82.0	-84.3
Depreciation and amortisation	**-384.6**	**-354.8**
Software and other intangible assets	-108.2	-110.4
Owner occupied real estate	-62.7	-57.4
Investment properties	-74.4	-78.3
Customer relationships	-49.0	-34.5
Office furniture and equipment and sundry property and equipment	-90.2	-74.2
General administrative expenses	**-2,924.4**	**-2,783.7**

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

in EUR million	1-9 13	1-9 14
From sale of financial assets available for sale	9.6	21.2
From sale of financial assets held to maturity	8.4	2.9
From sale of loans and receivables	0.0	-0.4
From repurchase of liabilities measured at amortised cost	6.3	-9.4
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	**24.3**	**14.3**

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

in EUR million	1-9 13	1-9 14
Financial assets - available for sale	-20.6	8.8
Loans and receivables	-1,217.4	-1,683.3
Allocation to risk provisions	-2,257.0	-3,123.8
Release of risk provisions	1,127.1	1,506.8
Direct write-offs	-144.1	-159.5
Recoveries recorded directly to the income statement	56.6	93.2
Financial assets - held to maturity	-7.0	-0.4
Net impairment loss on financial assets not measured at fair value through profit or loss	**-1,245.0**	**-1,674.9**

9. Other operating result

in EUR million	1-9 13	1-9 14
Result from properties/movables/other intangible assets other than goodwill	-62.1	-537.3
Allocation to/release of other provisions	-1.8	-368.0
Allocation to/release of provisions for commitments and guarantees given	-42.5	-25.4
Levies on banking activities	-247.1	-208.7
Banking tax	-205.1	-174.8
Financial transaction tax	-42.0	-33.9
Other taxes	-16.8	-13.7
Impairment of goodwill	-52.2	-420.9
Result from other operating expenses/income	-97.6	-54.6
Other operating result	**-520.1**	**-1,628.6**

Provisions in Hungary

As a result of an act formally passed by the Hungarian Parliament early in July 2014, Erste Bank Hungary will compensate its customers in the area of consumer loans provided since May 2004. The compensation refers to bid-ask exchange rate spreads applied by the bank for disbursements and repayments of FX loans and unilateral interest rate increases for both FX and HUF loans.

The planned separate regulation regarding the manner of the settlement and the calculation methods is still subject of public discussion and was contrary to expectations not part of the legal act passed on 7 October 2014, detailing further the act of July. Therefore, Erste Group reflected the best estimate of the expected compensation in the balance sheet in the line item "Other provisions". The loss year-to-date shown in other operating result amounts to EUR 360.8 million, EUR 230.5 million thereof was booked in the third quarter of 2014.

Impairment of goodwill and other intangibles

As of 30 June 2014, Erste Group has performed a mid-year impairment test of the goodwill elements attributable to those cash generating units (subsidiaries) where indicators of possible impairments have been recently identified.

Banca Comercială Română SA ("BCR") lowered significantly its expectations of recovery for several large packages of non-performing loans, in the light of the low price offers received during the second quarter of 2014. In addition to the recent efforts of accelerating NPL volume reductions, this triggered a significant upwards adjustment of the risk cost forecast for the second half of 2014.

Erste Bank Croatia ("EBC") had to accommodate recently introduced local regulations regarding higher capital requirements, therefore indicating a potential decrease in EBC's future cash-generating capacity. This indication was deemed as potentially further affecting the cash generating unit of Steiermärkische Bank und Sparkassen Aktiengesellschaft ("STMK"), which holds a significant participation in Erste Bank Croatia.

The identification of these one-off indicators prompted the Group to conservatively revisit the budgeted future performance of the three mentioned subsidiaries and, consequently, to undertake an impairment test of the net carrying goodwill attributable to them as of 30 June 2014.

The analysis per each of these subsidiaries (cash generating units) of both the carrying goodwill as of 31 December 2013 (1 January 2014) and of the impairment losses recognised for the first half of the year 2014 is presented in the table below. The table also summarises the key elements of the approach taken in designing and performing the goodwill impairment test as of 30 June 2014 (with comparative values for 31 December 2013, as applicable).

	BCR	EBC	STMK	TOTAL
Carrying amount of Goodwill as at 1 January 2014	313	61	40	414
Effect of exchange rate changes for the first half of the year 2014	6	0	0	7
Basis on 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 2.38% p.a. throughout the tested CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 30 May 2014. The applied value used for the goodwill impairment assessment as at 31 December 2013: 2.73%.			***
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). The applied values are the same as used for the goodwill impairment test as at 31 December 2013.			***
Description of approach to determining values assigned to β Factor	Set as the median value of a set of levered β factors attributable to a representative sample of "peer banks" representative for each tested bank (CGU), as published by Bloomberg as at the reference date 30 May 2014.			***
The value assigned to β Factor	1,146 (31 December 2013: 1,218)	1,146 (31 December 2013: 1,218)	1,379 (31 December 2013: 1,223)	***
Description of approach to determining values assigned to Market Risk Premium	Set at 6.0% throughout relevant Group's CGUs based on publicly available evaluations by Austrian Chamber of Commerce (Kammer der Wirtschaftstreuhander). The applied values are the same as used for the goodwill impairment test as at 31 December 2013.			***
Period of cash flow projection (years)	5 years (2015 - 2019); extrapolation to perpetuity based on Terminal Growth Rate			***
Discount rate applied to cash flow projections (pre-tax)	15,04% (31 December 2013: 15,76%)	15,69% (31 December 2013: 16,98%)	12,28% (31 December 2013: 11,70%)	***
Goodwill impairment loss recognised in profit or loss for the first half (and the first nine months) of the year 2014	-319	-61	-40	-421
Post-impairment carrying amount of Goodwill as of 30 June 2014 and as of 30 September 2014	0	0	0	0

Thus, the carrying amount of the goodwill elements in connection with the three aforementioned subsidiaries (cash generating units) has been fully written-off as of 30 June 2014, resulting in an adverse impact of EUR 420.9 million in Group's consolidated other operating result for the first half (and the first nine months) of the year 2014.

Additionally, as a result of the aforementioned impairment testing of the BCR cash generating unit, Group's consolidated other operating result for the first nine months of the year 2014 has been adversely impacted by further related impairment allocations, primarily against the BCR brand (full write-off of the carrying amount of EUR 294.6 million) and the BCR customer list (full write-off of the carrying amount of EUR 176.1 million).

10. Taxes on Income

Group's consolidated net tax expense for the first nine month of 2014 amounted to EUR 433.9 million, thereof EUR 141.1 million net deferred tax expense. The main driver of the deferred tax impact has been the impairment of deferred tax assets.

The Group's consolidated net tax expense for the first nine months of 2013 of EUR 31.0 million included the one-off favorable impact of deferred tax liabilities in the amount of EUR 127.7 million released by Banca Comercială Română.

11. Cash and cash balances

in EUR million	Dec 13	Sep 14
Cash on hand	2,327	2,219
Cash balances at central banks	6,343	4,272
Other demand deposits	630	1,519
Cash and cash balances	**9,301**	**8,010**

12. Derivatives – held for trading

in EUR million	As of 31 December 2013 Notional value	Positive fair value	Negative fair value	As of 30 September 2014 Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**182,478**	**5,269**	**5,223**	**166,798**	**6,729**	**6,486**
Interest rate	151,475	4,463	4,546	129,529	6,035	5,989
Equity	734	50	13	1,215	35	6
Foreign exchange	29,601	746	653	34,953	645	474
Credit	331	0	6	383	1	5
Commodity	252	2	4	522	12	12
Other	84	8	1	197	1	0
Derivatives held in the banking book	**38,241**	**1,073**	**864**	**29,841**	**882**	**1,077**
Interest rate	21,175	720	608	17,186	632	752
Equity	1,860	41	40	361	82	62
Foreign exchange	14,354	254	141	11,229	91	189
Credit	496	9	8	590	11	11
Commodity	44	4	5	9	2	0
Other	313	45	63	467	63	62
Total	**220,719**	**6,342**	**6,087**	**196,639**	**7,611**	**7,563**

13. Other trading assets

in EUR million	Dec 13	Sep 14
Equity instruments	273	252
Debt securities	5,668	3,701
General governments	3,397	2,963
Credit institutions	1,960	390
Other financial corporations	21	131
Non-financial corporations	289	217
Loans and advances	0	77
Other trading assets	**5,941**	**4,030**

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

in EUR million	Dec 13	Sep 14
Equity instruments	207	202
Debt securities	322	242
General governments	63	13
Credit institutions	125	158
Other financial corporations	7	69
Non-financial corporations	127	2
Loans and advances	0	0
Financial assets - at fair value through profit or loss	**529**	**444**

15. Financial assets - available for sale

in EUR million	Dec 13	Sep 14
Equity instruments	1,236	1,324
Debt securities	19,442	20,616
General governments	10,439	13,396
Credit institutions	3,434	3,662
Other financial corporations	1,285	834
Non-financial corporations	4,284	2,724
Loans and advances	0	0
Financial assets - available for sale	**20,678**	**21,940**

16. Financial assets – held to maturity

in EUR million	Gross carrying amount		Collective allowances		Net carrying amount	
	Dec 13	Sep 14	Dec 13	Sep 14	Dec 13	Sep 14
General governments	15,195	15,023	-2	0	15,194	15,022
Credit institutions	1,529	1,065	0	-1	1,529	1,064
Other financial corporations	229	330	0	0	229	330
Non-financial corporations	828	610	0	-1	828	609
Total	**17,781**	**17,028**	**-2**	**-2**	**17,779**	**17,026**

17. Loans and receivables to credit institutions

Loans and receivables to credit institutions

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 30 September 2014				
Debt securities	445	0	0	445
Central banks	76	0	0	76
Credit institutions	369	0	0	369
Loans and receivables	6,770	-46	-3	6,721
Central banks	1,363	0	0	1,363
Credit institutions	5,407	-46	-3	5,358
Total	**7,215**	**-46**	**-3**	**7,166**

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 31 December 2013				
Debt securities	526	0	0	526
Central banks	76	0	0	76
Credit institutions	450	0	0	450
Loans and receivables	7,906	-54	-1	7,851
Central banks	1,278	0	0	1,278
Credit institutions	6,627	-54	-1	6,573
Total	**8,431**	**-54**	**-1**	**8,377**

Allowances for loans and receivables to credit institutions

in EUR million	As of	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	As of	Amounts written off	Recoveries of amounts previously written off
	Dec 13						Sep 14		
Specific allowances	**-54**	**-5**	**9**	**42**	**0**	**-38**	**-46**	**-7**	**6**
Debt securities	0	0	0	37	0	-37	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	37	0	-37	0	0	0
Loans and receivables	-54	-5	9	5	0	0	-46	-7	6
Central banks	0	0	0	1	0	-1	0	0	0
Credit institutions	-54	-5	9	4	0	0	-46	-7	6
Collective allowances	**-1**	**-3**	**0**	**4**	**0**	**-3**	**-3**	**0**	**0**
Debt securities	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Loans and receivables	-1	-3	0	4	0	-3	-3	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-1	-3	0	4	0	-3	-3	0	0
Total	**-55**	**-8**	**9**	**46**	**0**	**-41**	**-49**	**-7**	**6**
	Dec 12						Sep 13		
Specific allowances	**-61**	**-1**	**6**	**1**	**0**	**2**	**-53**	**-3**	**1**
Debt securities	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Loans and receivables	-61	-1	6	1	0	2	-53	-3	1
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-61	-1	6	1	0	2	-53	-3	1
Collective allowances	**-6**	**0**	**0**	**0**	**0**	**0**	**-6**	**0**	**0**
Debt securities	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Loans and receivables	-6	0	0	0	0	0	-6	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-6	0	0	0	0	0	-6	0	0
Total	**-67**	**-1**	**6**	**1**	**0**	**2**	**-59**	**-3**	**1**

18. Loans and receivables to customers

Loans and receivables to customers

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 30 September 2014				
Debt securities with customers	262	-13	-2	247
General governments	102	0	-1	101
Other financial corporations	28	0	0	28
Non-financial corporations	132	-13	-1	119
Loans and advances to customers	128,053	-7,107	-742	120,204
General governments	7,004	-8	-12	6,984
Other financial corporations	6,523	-135	-27	6,361
Non-financial corporations	53,531	-4,370	-403	48,757
Households	60,996	-2,594	-300	58,102
Total	**128,315**	**-7,120**	**-744**	**120,451**
As of 31 December 2013				
Debt securities with customers	306	-9	-2	294
General governments	36	0	0	36
Other financial corporations	0	0	0	0
Non-financial corporations	270	-9	-2	258
Loans and advances to customers	127,392	-7,093	-649	119,650
General governments	6,864	-6	-11	6,848
Other financial corporations	4,164	-187	-17	3,960
Non-financial corporations	59,571	-4,551	-365	54,655
Households	56,793	-2,348	-257	54,188
Total	**127,698**	**-7,102**	**-651**	**119,945**

Allowances for loans and receivables to customers

in EUR million	As of	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	As of	Amounts written off	Recoveries of amounts previously written off
	Dec 13						**Sep 14**		
Specific allowances	**-7,102**	**-2,664**	**1,425**	**1,074**	**159**	**-12**	**-7,120**	**-152**	**87**
Debt securities with customers	-9	-41	1	2	0	35	-13	-3	7
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-9	-41	1	2	0	35	-13	-3	7
Loans and advances to customers	-7,092	-2,623	1,424	1,071	159	-47	-7,107	-149	80
General governments	-6	-5	1	3	1	-2	-8	0	0
Other financial corporations	-183	-79	100	52	2	-27	-135	-2	0
Non-financial corporations	-4,594	-1,606	1,081	539	88	123	-4,370	-114	63
Households	-2,310	-932	243	477	69	-141	-2,594	-33	17
Collective allowances	**-651**	**-452**	**0**	**387**	**0**	**-29**	**-744**	**0**	**0**
Debt securities with customers	-2	-1	0	1	0	0	-2	0	0
General governments	0	0	0	0	0	-1	-1	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-2	0	0	0	0	1	-1	0	0
Loans and advances to customers	-649	-451	0	386	0	-29	-742	0	0
General governments	-11	-4	0	4	0	-1	-12	0	0
Other financial corporations	-16	-20	0	14	0	-4	-27	0	0
Non-financial corporations	-363	-204	0	175	0	-11	-403	0	0
Households	-258	-223	0	193	0	-13	-300	0	0
Total	**-7,753**	**-3,116**	**1,425**	**1,460**	**159**	**-41**	**-7,864**	**-152**	**87**

	Dec 12						**Sep 13**		
Specific allowances	**-6,879**	**-1,954**	**647**	**876**	**192**	**18**	**-7,100**	**-144**	**57**
Debt securities with customers	-3	-7	0	0	0	0	-10	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-3	-7	0	0	0	0	-10	0	0
Loans and advances to customers	-6,876	-1,947	647	876	192	18	-7,090	-144	57
General governments	-4	-5	0	3	0	0	-6	0	0
Other financial corporations	-26	-131	9	-3	0	0	-150	-1	4
Non-financial corporations	-4,528	-1,181	508	664	140	18	-4,379	-122	35
Households	-2,319	-630	130	212	51	0	-2,556	-21	18
Collective allowances	**-695**	**-302**	**0**	**250**	**0**	**10**	**-737**	**0**	**0**
Debt securities with customers	-2	0	0	0	0	0	-2	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-2	0	0	0	0	0	-2	0	0
Loans and advances to customers	-693	-301	0	250	0	10	-735	0	0
General governments	-10	-4	0	0	0	0	-14	0	0
Other financial corporations	-4	-19	0	0	0	4	-19	0	0
Non-financial corporations	-451	-227	0	250	0	6	-422	0	0
Households	-229	-51	0	0	0	0	-280	0	0
Total	**-7,574**	**-2,256**	**647**	**1,126**	**192**	**28**	**-7,837**	**-144**	**57**

19. Derivatives – hedge accounting

in EUR million	As of 31 December 2013 Notional value	Positive fair value	Negative fair value	As of 30 September 2014 Notional value	Positive fair value	Negative fair value
Fair value hedges	**33,814**	**1,870**	**605**	**29,902**	**2,569**	**740**
Interest rate	30,693	1,866	594	28,520	2,490	720
Equity	0	0	0	326	61	2
Foreign exchange	3,051	2	10	932	0	17
Credit	0	0	0	0	0	0
Commodity	0	0	0	13	0	0
Other	70	2	1	111	18	0
Cash flow hedges	**5,328**	**74**	**40**	**5,746**	**195**	**15**
Interest rate	4,866	73	32	4,650	190	9
Equity	0	0	0	0	0	0
Foreign exchange	443	1	7	1,073	6	6
Credit	0	0	0	0	0	0
Commodity	0	0	0	23	0	0
Other	20	1	1	0	0	0
Total	**39,142**	**1,944**	**644**	**35,648**	**2,764**	**755**

20. Other assets

in EUR million	Dec 13	Sep 14
Prepayments and accrued income	296	233
Inventories	462	503
Sundry assets	1,713	1,123
Other assets	**2,471**	**1,859**

21. Other trading liabilities

in EUR million	Dec 13	Sep 14
Short positions	335	521
Equity instruments	201	148
Debt securities	134	373
Debt securities issued	52	62
Sundry trading liabilities	0	343
Other trading liabilities	**388**	**925**

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

Debt securities issued

in EUR million	Dec 13	Sep 14
Subordinated liabilities	275	279
Subordinated issues and deposits	275	279
Supplementary capital	0	0
Hybrid issues	0	0
Other debt securities issued	1,604	1,519
Bonds	1,206	1,105
Certificates of deposit	0	0
Other certificates of deposits/name certificates	71	76
Mortgage covered bonds	327	337
Public sector covered bonds	0	0
Other	0	0
Debt securities issued	**1,879**	**1,797**

23. Financial liabilities measured at amortised costs

Deposits from banks

in EUR million	Dec 13	Sep 14
Overnight deposits	4,264	5,400
Term deposits	10,311	9,584
Repurchase agreements	2,724	1,498
Deposits from banks	**17,299**	**16,483**

Deposits from customers

in EUR million	Dec 13	Sep 14
Overnight deposits	**65,090**	**59,786**
Savings deposits	21,192	15,353
General governments	0	0
Other financial corporations	194	130
Non-financial corporations	1,420	1,924
Households	19,578	13,299
Non-savings deposits	43,897	44,433
General governments	3,158	3,977
Other financial corporations	2,464	3,586
Non-financial corporations	14,427	13,198
Households	23,849	23,672
Term deposits	**55,990**	**59,376**
Deposits with agreed maturity	51,856	55,920
Savings deposits	33,283	39,757
General governments	0	0
Other financial corporations	861	1,116
Non-financial corporations	1,266	1,187
Households	31,155	37,454
Non-savings deposits	18,574	16,163
General governments	1,860	1,667
Other financial corporations	1,247	3,471
Non-financial corporations	5,725	2,702
Households	9,741	8,324
Deposits redeemable at notice	4,134	3,456
General governments	56	2
Other financial corporations	105	38
Non-financial corporations	493	107
Households	3,480	3,309
Repurchase agreements	**876**	**535**
General governments	706	449
Other financial corporations	0	72
Non-financial corporations	169	15
Households	0	0
Deposits from customers	**121,955**	**119,698**
General governments	**5,780**	**6,095**
Other financial corporations	**4,871**	**8,412**
Non-financial corporations	**23,501**	**19,132**
Households	**87,803**	**86,058**

Debt securities issued

in EUR million	Dec 13	Sep 14
Subordinated liabilities	4,884	5,223
Subordinated issues and deposits	3,304	3,731
Supplementary capital	1,218	1,134
Hybrid issues	363	358
Other debt securities issued	26,361	24,191
Bonds	14,283	12,820
Certificates of deposit	811	521
Other certificates of deposits/name certificates	1,829	846
Mortgage covered bonds	7,055	6,912
Public sector covered bonds	2,116	2,824
Other	267	267
Debt securities issued	**31,245**	**29,414**

24. Provisions

in EUR million	Dec 13	Sep 14
Long-term employee provisions	1,032	1,012
Pending legal issues and tax litigation	172	162
Commitments and guarantees given	218	254
Provisions for guarantees - off balance sheet (defaulted customers)	119	146
Provisions for guarantees - off balance sheet (non-defaulted customers)	99	108
Other provisions	25	394
Provisions for onerous contracts	0	0
Other	25	394
Provisions	**1,448**	**1,822**

25. Other liabilities

in EUR million	Dec 13	Sep 14
Deferred income and accrued fee expenses	304	308
Sundry liabilities	2,350	2,282
Other liabilities	**2,654**	**2,590**

26. Segment reporting

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

Structural change

Following a strategic review, the segment structure as well as the methodology for capital allocation was changed. Erste Group therefore introduced a new segment reporting, starting from 1 January 2014. It is based on the matrix organisation (business and geographical information) and provides comprehensive information to assess the performance of the business and geographical segments. Details on the new segmentation as well as comparable figures for all quarters of 2013 were published on 28 February 2014.

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

Business segmentation

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

Retail

The Retail segment comprises the entire business with private individuals, free professionals and micros in the responsibility of account managers in the retail network of the local banks cooperating with their specialized subsidiaries (such as factoring, leasing and asset management companies). Retail products and services including current and savings accounts, mortgage and consumer loans, investment products, credit cards and cross selling products such as leasing, insurance, and building society products are offered via various distribution channels (branch networks and digital banking).

SME

The SME segment comprises the business with micros, small and medium-sized enterprises (SMEs), small public sector companies, and small financial institutions (e.g. third party leasing companies) in the responsibility of local corporate account managers. Local banks cooperate with specialized subsidiaries such as factoring and leasing companies. The turnover threshold for SMEs varies from country to country within the range of EUR 0.7 million and EUR 75 million.

Asset/Liability Management & Local Corporate Center

The Asset/Liability Management & Local Corporate Center (ALM & LCC) segment includes all asset/liability management functions (local and Erste Group Bank AG) as well as the local corporate centers which comprise internal service providers that operate on a non-profit basis and reconciliation items to local entity results. The corporate center of Erste Group Bank AG is included in the Group Corporate Center segment.

Savings Banks

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

Large Corporates

The Large Corporates (LC) segment comprises the business with large corporate customers whose annual turnover exceeds a defined threshold that starts from EUR 25 million and EUR 75 million respectively, depending on the country.

Commercial Real Estate

The Commercial Real Estate (CRE) segment covers the real estate value chain (lending, leasing, real estate investment, project development and construction services as well as infrastructure business) for corporate clients, project developers, real estate investors, municipalities and other public sector agencies.

Other Corporate

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

Group Markets

The Group Markets (GM) segment comprises the divisionalised business units Group Treasury and Capital Markets (except Equity Capital Markets) and includes the treasury activities of Erste Group Bank AG, the CEE subsidiaries, foreign branch offices in Hong Kong, New York, Berlin and Stuttgart as well as the business with institutional clients of Erste Asset Management. The focus is on client-oriented business with institutional clients. Group Markets is the internal trading unit for all classic treasury (such as FX, commodities and money market) and capital market products (such as bonds, interest rate derivatives, credit products).

Group Corporate Center

The Group Corporate Center (GCC) segment covers mainly centrally managed activities and items that are not directly allocated to other segments. It comprises the corporate center of Erste Group Bank AG (and thus dividends and the refinancing costs from participations, general administrative expenses), internal non-profit service providers (facility management, IT, procurement), amortisation of customer relationships at Banca Comercială Română, Erste Card Club d.d. and Ringturm KAG, goodwill impairments, the banking tax of Erste Group Bank AG, free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments) as well as the result of Erste Bank Ukraine which was sold in 2013.

In the first nine months of 2014 the write-down of the entire remaining value of customer relationships and brand in Romania totalled EUR 470.7 million. Goodwill impairments amounted to EUR 420.9 million, whereby Romania accounted for EUR 319.1 million, Croatia for EUR 61.4 million and Steiermärkische Sparkasse, which holds a significant stake in Erste Bank Croatia, for EUR 40.4 million.

Intragroup Elimination

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

Geographical segmentation

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

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

The geographical area Austria consists of the following three segments:

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

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

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

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

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

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

Measurement

The profit and loss statement of the segment report is based on the measures reported to the Erste Group management board for the purpose of allocating resources to the segments and assessing their performance.

Management reporting as well as the segment report for Erste Group, is based on IFRS. Accounting standards and methods as well as measurements used in segment reporting are the same as for the consolidated financial statement of accounting.

Capital consumption per segment is regularly reviewed by the management of Erste Group to assess the performance of the segments. The average allocated equity is determined by the credit risk, market risk and operational risk.

According to the regular internal reporting to Erste Group management board, total assets and total liabilities as well as risk weighted assets and allocated equity are disclosed per segment.

For measuring and assessing the profitability of segments, Erste Group also uses the return on allocated equity defined as net result for the period before minorities in relation to the average allocated equity of the respective segment. In addition the cost/income ratio is calculated for each segment as operating expenses (general administrative expenses) in relation to operating income (total of net interest income, net fee and commission income, dividend income, net trading and fair value result, net result from equity method investments, rental income from investment properties and other operating lease).

Business segments (1)

in EUR million	Retail		SME		ALM & LCC		Savings Banks		Large Corporates		Commercial Real Estate	
	1-9 13	1-9 14	1-9 13	1-9 14	1-9 13	1-9 14	1-9 13	1-9 14	1-9 13	1-9 14	1-9 13	1-9 14
Net interest income	1,669.4	1,633.4	505.8	430.0	172.8	115.1	607.8	662.0	138.3	167.1	127.4	113.5
Net fee and commission income	785.3	788.2	170.0	148.0	-74.0	-62.3	289.3	300.1	54.5	71.3	9.1	11.4
Dividend income	0.9	1.4	2.0	2.2	15.1	20.2	31.7	20.2	0.0	0.0	2.2	3.0
Net trading and fair value result	45.9	45.5	22.2	15.7	-56.9	11.6	14.5	3.1	6.8	7.9	5.0	-5.2
Net result from equity method investments	10.3	6.0	0.0	0.0	2.9	2.4	0.1	0.0	0.0	0.0	0.1	0.1
Rental income from investment properties & other operating leases	11.4	17.7	2.6	22.5	29.5	25.9	20.1	31.2	0.0	0.0	63.7	30.0
General administrative expenses	-1,393.9	-1,338.6	-218.8	-214.2	-72.4	-59.2	-688.4	-690.2	-49.2	-60.6	-98.1	-64.4
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.0	-0.1	5.7	3.4	6.9	-11.3	10.9	16.9	-3.1	0.7	0.0	0.0
Net impairment loss on financial assets not measured at fair value through profit or loss	-348.0	-577.9	-334.4	-395.1	-6.0	-6.0	-120.6	-133.7	-158.7	-302.9	-269.3	-251.5
Other operating result	-70.7	-439.2	-25.2	8.3	-92.4	-114.1	-22.5	-37.0	-17.4	-9.4	-45.1	-49.5
Levies on banking activities	-51.5	-49.6	-12.6	-8.0	-60.8	-60.6	-6.9	-10.3	-2.1	-2.7	-0.4	-0.4
Pre-tax result from continuing operations	**710.5**	**136.5**	**130.0**	**20.9**	**-74.6**	**-77.8**	**142.7**	**172.8**	**-28.7**	**-125.9**	**-205.0**	**-212.6**
Taxes on income	-154.8	-106.7	-32.2	-17.1	129.9	-9.2	-37.7	-38.4	7.8	15.2	29.6	3.3
Net result for the period	**555.7**	**29.8**	**97.8**	**3.7**	**55.3**	**-87.0**	**105.0**	**134.4**	**-20.9**	**-110.7**	**-175.3**	**-209.3**
Net result attributable to non-controlling interests	19.1	3.8	2.2	-5.2	-3.0	0.5	85.6	124.6	1.8	-9.5	-4.2	-3.4
Net result attributable to owners of the parent	**536.6**	**26.0**	**95.6**	**8.9**	**58.2**	**-87.5**	**19.4**	**9.8**	**-22.8**	**-101.1**	**-171.1**	**-205.9**
Operating income	2,523.2	2,492.2	702.6	618.5	89.3	112.8	963.4	1,016.8	199.6	246.3	207.5	152.8
Operating expenses	-1,393.9	-1,338.6	-218.8	-214.2	-72.4	-59.2	-688.4	-690.2	-49.2	-60.6	-98.1	-64.4
Operating result	**1,129.3**	**1,153.7**	**483.8**	**404.3**	**16.9**	**53.6**	**275.0**	**326.6**	**150.4**	**185.7**	**109.4**	**88.4**
Risk-weighted assets (credit risk, eop)	18,452	17,981	17,863	14,005	2,925	4,655	22,324	22,448	8,109	9,713	10,974	9,387
Average allocated capital	2,042	2,063	1,671	1,307	2,133	1,757	2,100	1,993	765	802	943	804
Cost/income ratio	55.2%	53.7%	31.1%	34.6%	81.0%	52.5%	71.5%	67.9%	24.6%	24.6%	47.3%	42.2%
Return on allocated capital	36.4%	1.9%	7.8%	0.4%	3.5%	-6.6%	6.7%	9.0%	-3.7%	-18.5%	-24.9%	-34.8%
Total assets (eop)	53,610	51,252	24,891	22,380	53,794	52,735	55,931	56,501	7,715	9,462	11,495	10,123
Total liabilities excluding equity (eop)	70,489	68,502	13,766	12,728	58,936	55,367	52,156	52,302	5,115	4,014	5,686	4,955

Business segments (2)

in EUR million	Other Corporate 1-9 13	Other Corporate 1-9 14	Group Markets 1-9 13	Group Markets 1-9 14	Group Corporate Center 1-9 13	Group Corporate Center 1-9 14	Intragroup Elimination 1-9 13	Intragroup Elimination 1-9 14	Total group 1-9 13	Total group 1-9 14
Net interest income	50.0	55.6	157.2	149.7	106.0	46.5	-18.8	-3.4	3,515.8	3,369.6
Net fee and commission income	19.2	12.1	74.8	76.5	110.1	47.3	-94.7	-19.9	1,343.7	1,372.7
Dividend income	0.0	0.5	0.5	2.2	15.8	13.8	-0.1	-0.6	68.1	62.9
Net trading and fair value result	10.4	4.5	106.6	88.4	8.9	-7.4	20.7	2.3	184.2	166.5
Net result from equity method investments	0.0	0.0	0.0	0.0	6.4	3.1	0.0	0.0	19.7	11.6
Rental income from investment properties & other operating leases	0.0	0.1	0.0	0.0	32.0	26.8	-27.5	-20.0	131.8	134.1
General administrative expenses	-36.3	-38.9	-135.8	-131.0	-501.0	-521.7	269.5	335.0	-2,924.4	-2,783.7
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	1.4	0.6	0.0	0.0	2.6	0.6	0.0	3.6	24.3	14.3
Net impairment loss on financial assets not measured at fair value through profit or loss	-9.8	-13.7	11.4	0.0	-8.4	5.7	-1.2	0.1	-1,245.0	-1,674.9
Other operating result	0.3	1.2	-1.3	-1.2	-97.9	-690.6	-148.1	-297.1	-520.2	-1,628.6
Levies on banking activities	0.0	0.0	-2.0	-2.2	-110.8	-75.0	0.0	0.0	-247.1	-208.7
Pre-tax result from continuing operations	**35.2**	**22.0**	**213.4**	**184.5**	**-325.5**	**-1,075.9**	**0.0**	**0.0**	**598.0**	**-955.5**
Taxes on income	-8.0	-5.1	-45.2	-37.3	79.6	-238.5	0.0	0.0	-31.0	-433.9
Net result for the period	**27.1**	**16.9**	**168.2**	**147.2**	**-245.9**	**-1,314.4**	**0.0**	**0.0**	**567.0**	**-1,389.3**
Net result attributable to non-controlling interests	0.0	0.0	2.6	2.7	32.2	-18.8	0.0	0.0	136.4	94.6
Net result attributable to owners of the parent	**27.2**	**16.9**	**165.6**	**144.4**	**-278.1**	**-1,295.6**	**0.0**	**0.0**	**430.6**	**-1,484.0**
Operating income	79.6	72.8	339.1	316.7	279.2	130.2	-120.2	-41.6	5,263.3	5,117.5
Operating expenses	-36.3	-38.9	-135.8	-131.0	-501.0	-521.7	269.5	335.0	-2,924.4	-2,783.7
Operating result	**43.3**	**33.9**	**203.2**	**185.7**	**-221.7**	**-391.5**	**149.3**	**293.4**	**2,338.9**	**2,333.8**
Risk-weighted assets (credit risk, eop)	3,210	2,598	1,710	3,920	1,064	2,512	0	0	86,633	87,219
Average allocated capital	329	215	466	485	5,835	5,318	0	0	16,284	14,742
Cost/income ratio	45.6%	53.5%	40.1%	41.4%	>100.0%	>100.0%	>100.0%	>100.0%	55.6%	54.4%
Return on allocated capital	11.0%	10.5%	48.2%	40.5%	-5.6%	-33.0%			4.7%	-12.6%
Total assets (eop)	3,771	3,633	28,344	18,913	15,168	8,142	-46,633	-36,169	208,084	196,973
Total liabilities excluding equity (eop)	45	92	20,875	13,672	12,356	7,855	-46,633	-36,167	192,790	183,321

Geographical segmentation - overview

in EUR million	Austria		Central and Eastern Europe		Other		Total group	
	1-9 13	1-9 14	1-9 13	1-9 14	1-9 13	1-9 14	1-9 13	1-9 14
Net interest income	1,326.5	1,420.3	1,983.2	1,828.9	206.1	120.5	3,515.8	3,369.6
Net fee and commission income	663.6	686.2	688.2	686.4	-8.2	0.2	1,343.7	1,372.7
Dividend income	47.4	46.5	4.9	3.1	15.8	13.3	68.1	62.9
Net trading and fair value result	67.0	8.5	162.9	164.6	-45.7	-6.6	184.2	166.5
Net result from equity method investments	5.7	1.9	7.6	6.6	6.4	3.1	19.7	11.6
Rental income from investment properties & other operating leases	97.6	75.0	29.7	52.4	4.5	6.7	131.8	134.1
General administrative expenses	-1,402.8	-1,367.7	-1,278.6	-1,216.6	-243.0	-199.4	-2,924.4	-2,783.7
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	13.1	16.8	4.8	3.7	6.4	-6.2	24.3	14.3
Net impairment loss on financial assets not measured at fair value through profit or loss	-469.0	-391.7	-766.4	-1,288.2	-9.6	5.0	-1,245.0	-1,674.9
Other operating result	-71.2	-74.7	-203.3	-566.7	-245.6	-987.3	-520.2	-1,628.6
Levies on banking activities	-14.4	-20.4	-121.9	-113.3	-110.8	-75.0	-247.1	-208.7
Pre-tax result from continuing operations	**277.9**	**421.0**	**633.0**	**-325.8**	**-312.9**	**-1,050.7**	**598.0**	**-955.5**
Taxes on income	-83.5	-128.0	-25.8	-61.6	78.3	-244.3	-31.0	-433.9
Net result for the period	**194.4**	**293.0**	**607.2**	**-387.4**	**-234.6**	**-1,295.0**	**567.0**	**-1,389.3**
Net result attributable to non-controlling interests	88.9	133.8	15.2	-20.3	32.2	-18.8	136.4	94.6
Net result attributable to owners of the parent	**105.5**	**159.3**	**592.0**	**-367.1**	**-266.9**	**-1,276.1**	**430.6**	**-1,484.0**
Operating income	2,207.8	2,238.4	2,876.6	2,742.0	178.9	137.1	5,263.3	5,117.5
Operating expenses	-1,402.8	-1,367.7	-1,278.6	-1,216.6	-243.0	-199.4	-2,924.4	-2,783.7
Operating result	**805.0**	**870.6**	**1,598.0**	**1,525.4**	**-64.0**	**-62.2**	**2,338.9**	**2,333.8**
Risk-weighted assets (credit risk, eop)	50,958	52,049	34,296	32,053	1,379	3,116	86,633	87,219
Average allocated capital	4,973	4,531	4,518	4,091	6,793	6,121	16,284	14,742
Cost/income ratio	63.5%	61.1%	44.4%	44.4%	>100.0%	>100.0%	55.6%	54.4%
Return on allocated capital	5.2%	8.6%	18.0%	-12.7%	-4.6%	-28.3%	4.7%	-12.6%
Total assets (eop)	137,866	131,554	81,766	75,543	-11,548	-10,124	208,084	196,973
Total liabilities excluding equity (eop)	116,612	108,881	73,212	67,612	2,966	6,829	192,790	183,321

Geographical area - Austria

in EUR million	EBOe & Subsidiaries 1-9 13	EBOe & Subsidiaries 1-9 14	Savings Banks 1-9 13	Savings Banks 1-9 14	Other Austria 1-9 13	Other Austria 1-9 14	Austria 1-9 13	Austria 1-9 14
Net interest income	414.2	456.1	607.8	662.0	304.6	302.2	1,326.5	1,420.3
Net fee and commission income	248.4	255.9	289.3	300.1	126.0	130.1	663.6	686.2
Dividend income	13.2	20.7	31.7	20.2	2.5	5.6	47.4	46.5
Net trading and fair value result	10.2	2.6	14.5	3.1	42.3	2.7	67.0	8.5
Net result from equity method investments	5.6	1.8	0.1	0.0	0.1	0.1	5.7	1.9
Rental income from investment properties & other operating leases	13.7	13.7	20.1	31.2	63.7	30.1	97.6	75.0
General administrative expenses	-453.4	-446.4	-688.4	-690.2	-261.0	-231.1	-1,402.8	-1,367.7
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.7	-0.8	10.9	16.9	1.5	0.6	13.1	16.8
Net impairment loss on financial assets not measured at fair value through profit or loss	-45.5	-66.9	-120.6	-133.7	-302.8	-191.0	-469.0	-391.7
Other operating result	-12.6	4.6	-22.5	-37.0	-36.2	-42.4	-71.2	-74.7
Levies on banking activities	-7.3	-9.8	-6.9	-10.3	-0.3	-0.3	-14.4	-20.4
Pre-tax result from continuing operations	**194.5**	**241.4**	**142.7**	**172.8**	**-59.4**	**6.8**	**277.9**	**421.0**
Taxes on income	-46.2	-51.2	-37.7	-38.4	0.5	-38.4	-83.5	-128.0
Net result for the period	**148.3**	**190.2**	**105.0**	**134.4**	**-58.9**	**-31.6**	**194.4**	**293.0**
Net result attributable to non-controlling interests	4.8	6.9	85.6	124.6	-1.5	2.3	88.9	133.8
Net result attributable to owners of the parent	**143.5**	**183.3**	**19.4**	**9.8**	**-57.4**	**-33.8**	**105.5**	**159.3**
Operating income	705.3	750.9	963.4	1,016.8	539.1	470.7	2,207.8	2,238.4
Operating expenses	-453.4	-446.4	-688.4	-690.2	-261.0	-231.1	-1,402.8	-1,367.7
Operating result	**251.9**	**304.4**	**275.0**	**326.6**	**278.0**	**239.6**	**805.0**	**870.6**
Risk-weighted assets (credit risk, eop)	11,573	12,408	22,324	22,448	17,060	17,193	50,958	52,049
Average allocated capital	1,129	1,092	2,100	1,993	1,743	1,446	4,973	4,531
Cost/income ratio	64.3%	59.5%	71.5%	67.9%	48.4%	49.1%	63.5%	61.1%
Return on allocated capital	17.6%	23.3%	6.7%	9.0%	-4.5%	-2.9%	5.2%	8.6%
Total assets (eop)	42,344	42,842	55,931	56,501	39,592	32,211	137,866	131,554
Total liabilities excluding equity (eop)	40,306	40,488	52,156	52,302	24,150	16,091	116,612	108,881

Geographical area - Central and Eastern Europe

	Czech Republic		Romania		Slovakia		Hungary		Croatia		Serbia		Central and Eastern Europe	
in EUR million	**1-9 13**	**1-9 14**	**1-9 13**	**1-9 14**	**1-9 13**	**1-9 14**	**1-9 13**	**1-9 14**	**1-9 13**	**1-9 14**	**1-9 13**	**1-9 14**	**1-9 13**	**1-9 14**
Net interest income	758.2	692.9	468.6	374.9	324.0	336.0	228.9	205.8	179.5	194.4	24.1	24.9	1,983.2	1,828.9
Net fee and commission income	328.5	300.0	116.9	121.4	86.9	91.1	92.1	103.7	54.2	60.2	9.7	10.0	688.2	686.4
Dividend income	1.9	1.7	2.3	0.5	0.3	0.6	0.0	0.1	0.3	0.2	0.0	0.0	4.9	3.1
Net trading and fair value result	59.7	62.6	76.6	63.2	7.9	9.3	0.2	7.6	16.6	20.2	1.9	1.7	162.9	164.6
Net result from equity method investments	0.0	0.0	0.0	0.4	7.1	5.2	0.0	0.0	0.5	1.2	0.0	-0.1	7.6	6.6
Rental income from investment properties & other operating leases	24.4	22.6	3.6	3.6	1.4	1.4	0.2	0.8	0.1	24.0	0.0	0.0	29.7	52.4
General administrative expenses	-551.0	-494.4	-277.3	-237.1	-182.9	-196.2	-134.7	-126.6	-105.7	-134.2	-27.1	-28.1	-1,278.6	-1,216.6
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	3.3	5.0	0.5	0.1	0.8	0.5	0.0	-3.6	0.2	1.5	0.0	0.1	4.8	3.7
Net impairment loss on financial assets not measured at fair value through profit or loss	-112.8	-105.4	-346.4	-910.8	-29.5	-42.8	-155.7	-101.9	-115.1	-118.3	-7.0	-9.0	-766.4	-1,288.2
Other operating result	1.0	-10.3	-51.6	-70.9	-38.9	-34.1	-110.6	-446.8	-3.3	-3.9	0.0	-0.6	-203.3	-566.7
Levies on banking activities	0.0	0.0	0.0	0.0	-31.1	-31.5	-90.8	-81.8	0.0	0.0	0.0	0.0	-121.9	-113.3
Pre-tax result from continuing operations	**513.2**	**474.7**	**-6.7**	**-654.6**	**177.2**	**171.0**	**-79.7**	**-360.9**	**27.4**	**45.2**	**1.7**	**-1.2**	**633.0**	**-325.8**
Taxes on income	-102.4	-92.0	126.4	86.1	-37.2	-39.4	-8.1	-9.9	-4.4	-7.1	-0.1	0.6	-25.8	-61.6
Net result for the period	**410.7**	**382.7**	**119.7**	**-568.4**	**140.0**	**131.6**	**-87.8**	**-370.7**	**23.0**	**38.1**	**1.5**	**-0.7**	**607.2**	**-387.4**
Net result attributable to non-controlling interests	1.8	3.8	6.0	-36.5	0.0	0.0	0.0	0.0	7.1	12.5	0.3	-0.2	15.2	-20.3
Net result attributable to owners of the parent	**408.9**	**378.9**	**113.7**	**-532.0**	**140.0**	**131.6**	**-87.8**	**-370.7**	**15.9**	**25.6**	**1.2**	**-0.4**	**592.0**	**-367.1**
Operating income	1,172.7	1,079.8	668.1	564.1	427.6	443.5	321.3	318.0	251.2	300.1	35.7	36.5	2,876.6	2,742.0
Operating expenses	-551.0	-494.4	-277.3	-237.1	-182.9	-196.2	-134.7	-126.6	-105.7	-134.2	-27.1	-28.1	-1,278.6	-1,216.6
Operating result	**621.7**	**585.4**	**390.8**	**327.1**	**244.8**	**247.3**	**186.6**	**191.4**	**145.5**	**165.9**	**8.6**	**8.3**	**1,598.0**	**1,525.4**
Risk-weighted assets (credit risk, eop)	14,622	13,408	7,580	5,870	4,261	4,357	4,013	3,606	3,266	4,285	553	527	34,296	32,053
Average allocated capital	1,627	1,448	1,414	1,146	514	508	507	470	396	447	60	72	4,518	4,091
Cost/income ratio	47.0%	45.8%	41.5%	42.0%	42.8%	44.2%	41.9%	39.8%	42.1%	44.7%	76.0%	77.1%	44.4%	44.4%
Return on allocated capital	33.8%	35.3%	11.3%	-66.3%	36.4%	34.6%	-23.2%	-105.5%	7.8%	11.4%	3.5%	-1.2%	18.0%	-12.7%
Total assets (eop)	36,667	32,631	15,267	13,854	11,574	12,612	8,469	6,373	8,956	9,267	833	806	81,766	75,543
Total liabilities excluding equity (eop)	32,991	28,982	13,613	12,695	10,061	11,182	7,852	5,841	7,984	8,231	710	681	73,212	67,612

27. Risk management

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

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

Current regulatory topics

Regulatory capital

Since 1, January 2014, Erste Group has been calculating the regulatory capital and the regulatory capital requirements according to Basel 3. The requirements are implemented within the European Union via the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR), as well as within the regulatory technical standards. Erste Group applies these rules and calculates the capital ratios according to Basel 3, taking into consideration the Austrian transitional provisions which are laid down in the CRR Begleitverordnung, published by the Austrian regulator.

The European Banking Authority (EBA) published the disclosure requirements for the regulatory capital and regulatory capital requirements on 26 July 2013. Erste Group has adapted the charts, which are published, accordingly. Positions which are not relevant for Erste Group or not having any impact on the capital ratios are not shown.

Own funds under Basel 3 consist of common equity tier 1 - CET1, additional tier 1 - AT1 and tier 2 – T2. In order to determine the capital ratios, each respective capital component, after consideration of all the regulatory deductions and filters, is set into relation to the total risk.

According to the final rules the minimum ratio for CET1 amounts to 4.5%, which can be increased based on the buffer regime according to CRD IV. The minimum capital requirement for tier 1 capital (CET1 plus AT1) and for total own funds are 6% and 8%, respectively. According to the Austrian transitional provisions the minimum ratios for 2014 amount to 4% for CET1, 5.5% for Tier 1 and 8% for total own funds. Additional capital buffers for the year 2014 have not been determined or communicated so far.

The consolidated regulatory capital and the consolidated regulatory capital requirements are calculated based on the CRR scope of consolidation. Based on Article 4 (1) (3), (16) to (27) CRR in line with Article 18 and 19 CRR, the scope consists of credit institutions, investment firms, financial institutions and ancillary service undertakings. This definition differs from the Accounting scope of consolidation according to IFRS which also includes insurance companies and other entities

Leverage ratio

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

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

Credit risk

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

Low risk

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

Management attention

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

Substandard

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

Non-performing

One or more of the default criteria under Basel 3 are met by the borrower: full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings.

For purposes of analysing non-performing positions, Erste Group applies the 'customer view' in Austria. Accordingly, if a 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 NPL whereas the other products of the same customer are considered performing.

Credit risk exposure

Credit risk exposure relates to the following balance sheet items:
- _ Financial assets - held for trading (without equity instruments),
- _ Financial assets - at fair value through profit or loss (without equity instruments),
- _ Financial assets - available for sale (without equity instruments),
- _ Financial assets - held to maturity,
- _ Loans and Receivables,
- _ Derivatives - hedge accounting, and
- _ Off balance sheet credit risks (primarily financial guarantees and undrawn irrevocable credit commitments).

From the first quarter of 2014, demand and overnight deposits with credit institutions are classified as "cash and balances with central banks" and therefore are no longer part of credit risk exposure.

The credit risk exposure comprises the gross amount without taking into account loan loss provisions, any collateral held (including risk transfer to guarantors), netting effects, other credit enhancements or credit risk mitigating transactions. The figures as of 31 December 2013 which are mentioned in this chapter refer to values after restatement of the consolidated financial statements. Similarly, absolute and percentage differences between 30 September 2014 and 31 December 2013 correspond to values of the restated balance sheet as of 31 December 2013.

The credit risk exposure of Erste Group decreased marginally by 0.1% or EUR 174 million from EUR 210.3 billion as of 31 December 2013 to EUR 210.1 billion as of 30 September 2014.

Erste Group's credit risk exposure is presented below divided into the following classes:
- _ by Basel 3 exposure class and financial instrument,
- _ by industry (NACE) and risk category,
- _ by country of risk and risk category,
- _ by business segment and risk category and
- _ by geographical segment and risk category.

Furthermore, a breakdown of loans and receivables to customers is presented as follows:
- _ loans and receivables to customers by business segment and risk category,
- _ loans and receivables to customers by geographical segment and risk category (inclusive coverage of non-performing loans by loans and receivables to customers) and
- _ loans and receivables to customers by geographical segment and currency.

Credit risk exposure

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

Credit risk exposure by Basel 3 exposure class and financial instrument

in EUR million	Loans and receivables to credit institutions	Loans and receivables to customers	Debt securities: Financial assets - held to maturity	Debt securities: Financial assets - held for trading	Debt securities: Financial assets - at fair value through profit or loss	Debt securities: Financial assets - available-for-sale	Positive fair value of derivatives	Contingent credit risk liabilities	Gross exposure
	At amortised cost			At fair value					
As of 30 Sep 2014									
Sovereigns	1,453	7,549	15,532	3,008	89	15,305	389	1,334	44,658
Institutions	5,732	89	856	527	97	2,922	9,175	257	19,656
Corporates	30	56,552	640	243	56	2,389	808	15,692	76,409
Retail	0	64,125	0	0	0	0	4	5,265	69,394
Total	**7,215**	**128,315**	**17,028**	**3,778**	**242**	**20,616**	**10,375**	**22,548**	**210,117**
As of 31 Dec 2013									
Sovereigns	1,462	7,659	15,449	5,026	144	12,682	524	1,227	44,174
Institutions	7,585	57	1,476	384	112	4,033	7,184	420	21,250
Corporates	14	57,288	856	258	65	2,720	576	15,446	77,224
Retail	0	62,695	0	0	0	6	2	4,940	67,643
Total	**9,062**	**127,698**	**17,781**	**5,668**	**322**	**19,442**	**8,286**	**22,033**	**210,291**

The assignment of obligors to Basel 3 exposure classes is based on legal regulations. For reasons of clarity, individual Basel 3 exposure classes are presented in aggregated form in the tables below and in other tables in the section 'Credit Risk'. The aggregated exposure class 'sovereigns' also contains regional and local governments as well as public sector entities in addition to central governments, central banks, international organisations and multinational development banks.

Loans and advances to credit institutions are shown including demand and overnight deposits as of 31 December 2013 and excluding demand and overnight deposits as of 30 September 2014.

Credit risk exposure by industry (NACE) and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 30 September 2014					
Agriculture and forestry	1,549	475	53	279	2,356
Mining	443	60	5	43	550
Manufacturing	9,963	1,534	261	1,711	13,469
Energy and water supply	3,267	429	92	210	3,997
Construction	6,565	1,507	164	1,437	9,673
Development of building projects	2,790	442	64	473	3,769
Trade	7,194	1,588	278	1,382	10,443
Transport and communication	4,511	518	101	314	5,444
Hotels and restaurants	2,215	1,017	291	622	4,146
Financial and insurance services	30,948	1,164	87	424	32,622
Holding companies	4,864	226	39	289	5,417
Real estate and housing	18,408	2,605	640	1,194	22,847
Services	4,840	883	148	469	6,340
Public administration	37,534	492	11	19	38,056
Education, health and art	2,057	489	51	324	2,921
Households	44,608	6,209	1,424	3,403	55,645
Other	464	117	1,012	16	1,608
Total	**174,567**	**19,087**	**4,617**	**11,847**	**210,117**
As of 31 December 2013					
Agriculture and forestry	1,580	471	84	270	2,405
Mining	390	131	5	63	589
Manufacturing	9,373	1,763	451	1,702	13,290
Energy and water supply	3,225	410	96	217	3,948
Construction	6,878	1,471	198	1,811	10,358
Development of building projects	2,858	385	48	600	3,892
Trade	7,139	1,597	310	1,536	10,583
Transport and communication	4,438	588	73	335	5,434
Hotels and restaurants	2,318	908	230	864	4,320
Financial and insurance services	32,569	1,694	49	497	34,808
Holding companies	4,722	329	23	311	5,386
Real estate and housing	17,454	2,720	556	1,244	21,974
Services	4,684	895	170	464	6,213
Public administration	37,224	548	32	22	37,827
Education, health and art	2,065	449	62	365	2,941
Households	43,383	6,281	1,362	3,408	54,434
Other	472	42	623	29	1,166
Total	**173,192**	**19,969**	**4,302**	**12,828**	**210,291**

Credit risk exposure by country of risk and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 30 September 2014					
Core markets	**144,055**	**17,420**	**4,253**	**10,554**	**176,282**
Austria	77,725	8,853	2,225	3,057	91,860
Czech Republic	28,236	2,514	467	1,054	32,272
Romania	10,998	2,261	481	2,735	16,476
Slovakia	14,679	811	277	553	16,319
Hungary	5,131	1,311	303	1,455	8,200
Croatia	6,589	1,314	409	1,552	9,864
Serbia	697	356	90	149	1,292
Other EU	**24,942**	**1,096**	**244**	**811**	**27,094**
Other industrialised countries	**2,720**	**37**	**54**	**119**	**2,930**
Emerging markets	**2,849**	**533**	**66**	**363**	**3,811**
Southeastern Europe/CIS	1,346	438	65	323	2,172
Asia	994	24	1	15	1,033
Latin America	93	33	0	3	129
Middle East/Africa	417	39	0	21	476
Total	**174,567**	**19,087**	**4,617**	**11,847**	**210,117**
As of 31 December 2013					
Core markets	**144,071**	**17,981**	**3,918**	**11,591**	**177,560**
Austria	75,710	8,225	1,599	3,289	88,824
Czech Republic	29,635	2,695	532	1,098	33,959
Romania	10,729	3,080	704	3,346	17,860
Slovakia	13,640	879	269	509	15,299
Hungary	7,177	1,334	292	1,671	10,474
Croatia	6,448	1,440	476	1,538	9,902
Serbia	731	327	45	139	1,242
Other EU	**23,681**	**1,195**	**296**	**865**	**26,037**
Other industrialised countries	**2,867**	**153**	**30**	**132**	**3,182**
Emerging markets	**2,574**	**641**	**57**	**240**	**3,511**
Southeastern Europe/CIS	1,442	596	57	205	2,300
Asia	675	12	0	17	704
Latin America	67	2	0	3	72
Middle East/Africa	389	30	0	15	435
Total	**173,192**	**19,969**	**4,302**	**12,828**	**210,291**

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

The change in credit risk exposure by EUR 174 million from 31 December 2013 to 30 September 2014 reflects a decrease of approximately EUR 1.3 billion, or 0.7%, in the core markets, coupled with an increase of EUR 1.1 billion, or 4.1%, in the other EU member states (EU 28 excluding core markets) and a decline of EUR 252 million, or 7.9%, in other industrialised countries, as well as a gain of nearly EUR 300 million, or 8.5%, in emerging markets. The countries of Erste Group's core market and the EU account for almost 96.8% of total credit risk exposure as of 30 September 2014. At 1.8%, credit risk exposure in emerging markets remains of minor significance.

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 30 September 2014					
Retail	42,194	5,104	1,256	3,311	51,866
Small and Medium Enterprises	19,929	3,104	430	2,541	26,004
Asset/Liability Management and Local Corporate Center	28,881	241	236	27	29,385
Savings Banks	42,725	7,175	1,148	2,539	53,587
Large Corporates	13,482	1,260	202	1,346	16,290
Commercial Real Estate	6,038	1,384	609	1,858	9,888
Other Corporate	3,472	347	49	188	4,056
Group Markets	16,861	316	17	3	17,197
Group Corporate Center	985	157	670	33	1,844
Total	**174,567**	**19,087**	**4,617**	**11,847**	**210,117**
As of 31 December 2013					
Retail	41,264	4,994	1,244	3,487	50,989
Small and Medium Enterprises	22,620	3,845	639	3,553	30,657
Asset/Liability Management and Local Corporate Center	27,428	429	126	30	28,013
Savings Banks	42,451	6,670	1,022	2,681	52,824
Large Corporates	10,826	896	266	653	12,642
Commercial Real Estate	6,309	1,780	580	2,210	10,879
Other Corporate	3,232	455	78	189	3,955
Group Markets	17,864	279	30	3	18,176
Group Corporate Center	1,197	620	317	22	2,156
Total	**173,192**	**19,969**	**4,302**	**12,828**	**210,291**

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 30 September 2014					
Austria	104,364	11,408	2,314	5,132	123,218
Erste Bank Oesterreich & Subsidiaries	32,050	2,814	506	1,078	36,448
Savings Banks	42,725	7,175	1,148	2,539	53,587
Other Austria	29,588	1,419	660	1,515	33,183
Central and Eastern Europe	61,571	7,440	1,633	6,641	77,285
Czech Republic	28,319	2,208	414	886	31,827
Romania	9,540	2,110	419	2,610	14,679
Slovakia	12,086	617	220	486	13,408
Hungary	4,274	1,025	250	1,282	6,830
Croatia	6,842	1,234	322	1,276	9,674
Serbia	509	247	9	102	866
Other	8,632	239	670	73	9,614
Total	**174,567**	**19,087**	**4,617**	**11,847**	**210,117**
As of 31 December 2013					
Austria	102,356	10,902	2,015	5,603	120,876
Erste Bank Oesterreich & Subsidiaries	31,423	2,447	400	1,143	35,413
Savings Banks	42,451	6,670	1,022	2,681	52,824
Other Austria	28,482	1,785	593	1,778	32,638
Central and Eastern Europe	62,162	8,355	1,969	7,202	79,688
Czech Republic	30,174	2,353	464	874	33,865
Romania	8,979	2,624	659	3,168	15,431
Slovakia	11,015	661	245	453	12,374
Hungary	5,064	1,111	235	1,425	7,834
Croatia	6,402	1,365	357	1,195	9,319
Serbia	528	241	10	86	865
Other	8,675	712	318	22	9,727
Total	**173,192**	**19,969**	**4,302**	**12,828**	**210,291**

Loans and receivables to customers

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

Loans and receivables to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross customer loans
As of 30 September 2014					
Retail	37,958	4,741	1,229	3,291	47,219
Small and Medium Enterprises	16,002	2,547	387	2,472	21,408
Asset/Liability Management and Local Corporate Center	91	31	55	26	202
Savings Banks	28,611	6,274	987	2,446	38,318
Large Corporates	7,067	836	150	1,164	9,218
Commercial Real Estate	5,593	1,321	566	1,847	9,327
Other Corporate	1,710	242	42	143	2,137
Group Markets	106	29	0	0	135
Group Corporate Center	202	73	43	33	350
Total	**97,341**	**16,093**	**3,459**	**11,422**	**128,315**
As of 31 December 2013					
Retail	37,190	4,704	1,215	3,466	46,576
Small and Medium Enterprises	16,523	3,134	568	3,413	23,638
Asset/Liability Management and Local Corporate Center	127	9	6	17	159
Savings Banks	28,566	5,898	880	2,571	37,915
Large Corporates	5,362	698	239	535	6,834
Commercial Real Estate	5,747	1,699	565	2,146	10,157
Other Corporate	1,331	322	59	126	1,838
Group Markets	207	30	0	0	238
Group Corporate Center	208	87	25	22	343
Total	**95,263**	**16,582**	**3,557**	**12,296**	**127,698**

Loans and receivables to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross customer loans
As of 30 September 2014					
Austria	62,670	9,884	1,908	4,879	79,341
Erste Bank Oesterreich & Subsidiaries	24,854	2,446	323	1,002	28,624
Savings Banks	28,611	6,274	987	2,446	38,318
Other Austria	9,206	1,165	598	1,431	12,399
Central and Eastern Europe	34,439	6,103	1,508	6,470	48,520
Czech Republic	15,545	1,772	355	867	18,539
Romania	4,974	1,670	386	2,538	9,568
Slovakia	6,989	579	209	422	8,198
Hungary	2,436	898	249	1,279	4,861
Croatia	4,107	1,098	302	1,263	6,771
Serbia	388	86	7	101	583
Other	232	106	43	73	453
Total	**97,341**	**16,093**	**3,459**	**11,422**	**128,315**
As of 31 December 2013					
Austria	61,666	9,596	1,666	5,280	78,207
Erste Bank Oesterreich & Subsidiaries	24,586	2,145	247	1,070	28,049
Savings Banks	28,566	5,898	880	2,571	37,915
Other Austria	8,514	1,552	539	1,638	12,243
Central and Eastern Europe	33,388	6,881	1,866	6,994	49,130
Czech Republic	15,360	1,875	410	850	18,495
Romania	4,652	2,103	645	3,052	10,453
Slovakia	6,204	624	234	407	7,469
Hungary	2,741	984	234	1,421	5,380
Croatia	4,048	1,210	333	1,179	6,771
Serbia	383	84	10	86	562
Other	208	105	25	22	361
Total	**95,263**	**16,582**	**3,557**	**12,296**	**127,698**

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

in EUR million	Non-performing loans	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (exc collateral)
As of 30 September 2014					
Retail	3,291	47,219	2,578	7.0%	78.4%
Small and Medium Enterprises	2,472	21,408	1,639	11.5%	66.3%
Asset/Liability Management and Local Corporate Center	26	202	15	12.6%	60.0%
Savings Banks	2,446	38,318	1,561	6.4%	63.8%
Large Corporates	1,164	9,218	872	12.6%	74.9%
Commercial Real Estate	1,847	9,327	1,102	19.8%	59.6%
Other Corporate	143	2,137	87	6.7%	60.9%
Group Markets	0	135	1	0.1%	668.3%
Group Corporate Center	33	350	8	9.3%	24.7%
Total	**11,422**	**128,315**	**7,864**	**8.9%**	**68.8%**
As of 31 December 2013					
Retail	3,466	46,576	2,361	7.4%	68.1%
Small and Medium Enterprises	3,413	23,638	2,124	14.4%	62.2%
Asset/Liability Management and Local Corporate Center	17	159	14	10.6%	83.2%
Savings Banks	2,571	37,915	1,551	6.8%	60.3%
Large Corporates	535	6,834	415	7.8%	77.7%
Commercial Real Estate	2,146	10,157	1,210	21.1%	56.4%
Other Corporate	126	1,838	73	6.8%	58.1%
Group Markets	0	238	0	0.0%	432.0%
Group Corporate Center	22	343	4	6.5%	20.0%
Total	**12,296**	**127,698**	**7,753**	**9.6%**	**63.1%**

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

in EUR million	Non-performing loans	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (exc collateral)
As of 30 September 2014					
Austria	4,879	79,341	3,072	6.1%	63.0%
Erste Bank Oesterreich & Subsidiaries	1,002	28,624	682	3.5%	68.1%
Savings Banks	2,446	38,318	1,561	6.4%	63.8%
Other Austria	1,431	12,399	829	11.5%	57.9%
Central and Eastern Europe	6,470	48,520	4,748	13.3%	73.4%
Czech Republic	867	18,539	682	4.7%	78.7%
Romania	2,538	9,568	2,084	26.5%	82.1%
Slovakia	422	8,198	358	5.1%	84.7%
Hungary	1,279	4,861	807	26.3%	63.1%
Croatia	1,263	6,771	743	18.7%	58.8%
Serbia	101	583	74	17.4%	73.0%
Other	73	453	44	16.1%	59.6%
Total	**11,422**	**128,315**	**7,864**	**8.9%**	**68.8%**
As of 31 December 2013					
Austria	5,280	78,207	3,102	6.8%	58.7%
Erste Bank Oesterreich & Subsidiaries	1,070	28,049	682	3.8%	63.7%
Savings Banks	2,571	37,915	1,551	6.8%	60.3%
Other Austria	1,638	12,243	868	13.4%	53.0%
Central and Eastern Europe	6,994	49,130	4,647	14.2%	66.4%
Czech Republic	850	18,495	667	4.6%	78.4%
Romania	3,052	10,453	2,043	29.2%	66.9%
Slovakia	407	7,469	352	5.4%	86.4%
Hungary	1,421	5,380	884	26.4%	62.2%
Croatia	1,179	6,771	635	17.4%	53.9%
Serbia	86	562	66	15.3%	76.6%
Other	22	361	5	6.2%	20.6%
Total	**12,296**	**127,698**	**7,753**	**9.6%**	**63.1%**

The NPL ratio is calculated by dividing non-performing loans and receivables by total loans and receivables. The NPL coverage ratio is calculated by dividing risk provisions by non-performing loans and receivables to customers. Collateral or other recoveries are not taken into account.

Loans and receivables to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Gross customer loans
As of 30 September 2014						
Austria	69,048	0	6,921	1,642	1,731	79,341
Erste Bank Oesterreich & Subsidiaries	25,836	0	2,533	55	200	28,624
Savings Banks	33,332	0	4,137	109	740	38,318
Other Austria	9,881	0	251	1,478	791	12,399
Central and Eastern Europe	21,171	24,083	2,928	277	62	48,520
Czech Republic	1,423	17,051	4	31	30	18,539
Romania	5,654	3,750	0	157	7	9,568
Slovakia	8,172	0	0	5	21	8,198
Hungary	1,120	1,380	2,342	18	0	4,861
Croatia	4,383	1,758	566	60	4	6,771
Serbia	419	142	16	5	0	583
Other	383	15	4	52	0	453
Total	**90,602**	**24,097**	**9,853**	**1,970**	**1,793**	**128,315**
As of 31 December 2013						
Austria	67,764	0	7,515	1,287	1,642	78,207
Erste Bank Oesterreich & Subsidiaries	25,065	0	2,718	42	225	28,049
Savings Banks	32,536	0	4,594	96	690	37,915
Other Austria	10,163	0	203	1,150	727	12,243
Central and Eastern Europe	21,537	24,084	3,154	312	43	49,130
Czech Republic	1,498	16,920	5	56	17	18,495
Romania	6,398	3,862	0	184	8	10,453
Slovakia	7,450	0	0	6	13	7,469
Hungary	1,192	1,648	2,538	2	0	5,380
Croatia	4,584	1,526	594	61	5	6,771
Serbia	415	127	16	4	0	562
Other	309	0	5	47	0	361
Total	**89,610**	**24,084**	**10,673**	**1,647**	**1,685**	**127,698**

Market risk

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

in EUR million	Dec 13	Sep 14
Interest	2.2	1.6
Currency	0.9	0.8
Shares	2.7	2.4
Commodity	0.3	0.2
Volatility	0.5	0.4
Total	**3.9**	**3.8**

The method used is subject to limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved. This restriction applies to the inclusion of credit spreads in the calculation of the VaR. Credit spreads are only applied to sovereign issuers. For all other positions, only the general market risk is considered.

Liquidity risk

In Erste Group's liquidity strategy for 2014 long term issuance is planned to reach EUR 1.75 billion during the year. Year-to-date issuance is in line with the plan, amounting to EUR 1,398 million and consisting of EUR 793 million in senior bonds, EUR 140 million in Pfandbriefe (covered bonds), and EUR 465 million in subordinated debt.

28. Related party transactions

As of 30 September 2014, Erste Group had in relation to the DIE ERSTE österreichische Spar-Casse Privatstiftung ('Privatstiftung') accounts payable of EUR 236.7 million (31 December 2013: EUR 49.9 million) and accounts receivable of EUR 26.5 million (31 December 2013: EUR 48.7 million). In addition, standard derivative transactions for hedging purposes were in place between Erste Group and Privatstiftung as of 30 September 2014, namely interest rate swaps with caps in the notional amount of EUR 282.0 million (31 December 2013: EUR 282.0 million). Furthermore, as of 30 September 2014 the Privatstiftung held bonds issued by Erste Group Bank AG in the amount of EUR 0,6 Mio (31 December 2013: EUR 5.2 million). Erste Group held as of 30 September 2014 debt securities issued by the Privatstiftung in the amount of EUR 5.4 million (31 December 2013: EUR 7.0 million).

29. Contingent liabilities - litigations

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

30. Fair value of financial instruments

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

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

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

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

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

Description of the valuation models and inputs

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

Securities

For plain vanilla (fixed and floating) debt securities the fair value is calculated by discounting the future cash-flows using a discounting curve depending on the interest rate for respective issuance currency and a spread adjustment. The spread adjustment is usually derived from the credit spread curve of the issuer. If no issuer curve is available the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the instruments. If no close proxy is available, the spread adjustment is estimated using other information, including estimation of the credit spread based on internal ratings and PDs or management judgment. For more complex debt securities (e.g. including option-like features as callable, cap/floor, index-linked) the fair value is determined using combinations of discounted cash-flow models and more sophisticated modeling techniques including also methods described for OTC-derivatives. The fair value of financial liabilities designated at Fair Value through Profit and Loss under the fair value option is determined in consistency with similar instruments held as assets. The spread adjustment for Erste Group's own credit risk is derived from buy-back levels of own issuances. Techniques for equity securities may also include models based on earnings multiples.

OTC-derivative financial instruments

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

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

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

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

According to the described methodology the cumulative CVA-adjustments amounts to EUR (57.3) million and the total DVA-adjustment amounts to EUR 11.5 million.

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

A level 3 position involves one or more significant inputs that are not directly observable on the market. Additional price verification steps need to be done. These may include reviewing relevant historical data and benchmarking to similar transactions, among others. This involves estimation and expert judgment.

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

Fair value hierarchy

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

	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	Dec 13	Sep 14	Dec 13	Sep 14	Dec 13	Sep 14	Dec 13	Sep 14
Assets								
Financial assets - held for trading	1,981	2,569	10,205	8,969	96	102	12,283	11,641
Derivatives	15	2	6,231	7,514	96	95	6,342	7,611
Other trading assets	1,966	2,567	3,975	1,455	0	7	5,941	4,030
Financial assets - at fair value through profit or loss	233	251	240	136	56	57	529	444
Financial assets - available for sale	14,601	16,185	5,632	5,352	248	206	20,481	21,744
Derivatives - hedge accounting	68	46	1,875	2,704	0	14	1,944	2,764
Total assets	**16,883**	**19,051**	**17,952**	**17,161**	**401**	**380**	**35,237**	**36,593**
Liabilities								
Financial liabilities - held for trading	348	534	6,127	7,954	0	0	6,475	8,488
Derivatives	12	14	6,075	7,549	0	0	6,087	7,563
Other trading liabilities	336	521	52	404	0	0	388	925
Financial liabilities - at fair value through profit or loss	0	0	2,339	2,161	0	0	2,339	2,161
Deposits from customers	0	0	460	363	0	0	460	363
Debt securities issued	0	0	1,879	1,797	0	0	1,879	1,797
Other financial liabilities	0	0	0	0	0	0	0	0
Derivatives - hedge accounting	15	3	629	752	0	0	644	755
Total liabilities	**362**	**537**	**9,096**	**10,866**	**0**	**0**	**9,458**	**11,404**

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

The total volume of Level 1 financial assets increased by EUR 2.168 billion in the first three quarters of 2014. The change in volume in Level 1 financial assets caused by matured, sold or newly purchased financial assets amounts to EUR 1.850 billion. The volume of financial assets which were reclassified from Level 2 to Level 1 due to changes in the valuation model or due to changes in market depth amounted to EUR 353 million.

The total volume of Level 2 financial assets decreased by EUR 791 million in the first three quarters of 2014. The rise of Level 2 derivatives of about EUR 2.112 billion is mainly caused by changes in market value. The change in volume in Level 2 financial assets caused by matured, sold or newly purchased financial assets amounted to EUR -2.540 billion.

The changes are summarized in the following table:

In EUR million	Level 1	Level 2
Securities		
Net transfer from Level 1	0	-353
Net transfer from Level 2	353	0
Net transfer from Level 3	0	-10
Purchases/sales/expiries	1,850	-2,540
Changes in derivatives	-35	2,112
Total year-to-date change	2,168	-791

Movements in Level 3 of financial instruments measured at fair value

The following table shows the development of fair value of securities for which valuation models are based on non-observable inputs.

in EUR million	As of	Gain/loss in profit or loss	Gain/loss in other compre-hensive income	Purchases	Sales/ settlements	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	As of
	Dec 13										Sep 14
Assets											
Financial assets - held for trading	96	-2	0	3	-1	0	0	5	0	0	102
Derivatives	96	-2	0	0	-1	0	0	0	0	0	95
Other trading assets	0	0	0	3	0	0	0	5	0	0	7
Financial assets - at fair value through profit or loss	56	-3	-1	7	-3	0	0	0	0	0	57
Financial assets - available-for-sale	248	-1	4	9	-61	0	0	5	0	2	206
Derivatives - hedge accounting	0	0	0	0	0	0	0	14	0	0	14
Total assets	**400**	**-5**	**3**	**19**	**-64**	**0**	**0**	**24**	**0**	**2**	**380**
	Dec 12										Sep 13
Assets											
Financial assets - held for trading	148	-23	0	11	-21	0	0	0	0	0	115
Derivatives	139	-24	0	0	0	0	0	0	0	0	115
Other trading assets	9	1	0	11	-21	0	0	0	0	0	0
Financial assets - at fair value through profit or loss	24	-1	0	5	0	0	0	10	0	0	36
Financial assets - available-for-sale	189	1	1	2	-25	19	0	7	-6	0	188
Derivatives - hedge accounting	0	0	0	0	0	0	0	0	0	0	0
Total assets	**360**	-23	**1**	**18**	**-46**	**19**	**0**	**17**	**-6**	**0**	**340**

During the third quarter reclassifications were made into Level 3 leading to a net increase of EUR 10 million on a YTD base.

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

in EUR million	Gain/loss in profit or loss 1-9 13	Gain/loss in profit or loss 1-9 14
Assets		
Financial assets - held for trading	-22.0	9.4
Derivatives	-22.0	9.4
Other trading assets	0.0	0.0
Financial assets - at fair value through profit or loss	-0.7	0.8
Derivatives - hedge accounting	0.0	0.0
Total	**-22.7**	**10.2**

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)
As of 30 September 2014					
Positive fair value of derivatives	Forwards, swaps, options	108.9	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.4% - 100% (16.9%)
				LGD	60%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	32.1	Discounted cash flow	Credit spread	0.9% – 7.5% (1.3%)
Financial assets - available for sale	Fixed and variable coupon bonds	173.0	Discounted cash flow	Credit spread	0.1% – 4.5% (1.9%)
As of 31 December 2013					
Positive fair value of derivatives	Forwards, swaps, options	96.0	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.23% - 100% (17.8%)
				LGD	40%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	6.8	Discounted cash flow	Credit spread	2.1% – 12% (3.3%)
Financial assets - available for sale	Fixed and variable coupon bonds	156.3	Discounted cash flow	Credit spread	0.5% – 4.5% (2.0%)

If the value of financial instruments is dependent on unobservable input parameters, the precise level for these parameters could be drawn from a range of reasonably possible alternatives. In preparing the financial statements, levels for the parameters are chosen from these ranges using judgment consistent with prevailing market evidence.

The following table shows the sensitivity analysis using reasonably possible alternatives per product type:

	Positive fair value changes when applying alternative valuation parameters		Negative fair value changes when applying alternative valuation parameters	
in EUR million	**Dec 13**	**Sep 14**	**Dec 13**	**Sep 14**
Derivatives	41.5	32.4	-31.0	-30.0
Income statement	-	32.4	-	-30.0
Other comprehensive income	-	0.0	-	0.0
Debt securities	12.9	16.8	-17.2	-22.4
Income statement	-	1.6	-	-2.1
Other comprehensive income	-	15.2	-	-20.3
Equity instruments	2.4	2.6	-4.7	-5.3
Income statement	-	0.4	-	-0.8
Other comprehensive income	-	2.2	-	-4.5
Total	**56.7**	**51.8**	**-52.9**	**-57.7**
Income statement	**-**	**34.4**	**-**	**-32.9**
Other comprehensive income	**-**	**17.4**	**-**	**-24.8**

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

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

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

Financial instruments whose fair value is disclosed in the notes

in EUR million	As of 31 December 2013 Carrying amount	As of 31 December 2013 Fair value	As of 30 September 2014 Carrying amount	As of 30 September 2014 Fair value
Assets				
Cash and cash balances	9,300	9,300	8,010	8,010
Financial assets - held to maturity	17,779	18,919	17,026	18,806
Loans and receivables to credit institutions	8,377	8,209	7,166	7,184
Loans and receivables to customers	119,945	118,177	120,451	120,756
Liabilities				
Financial liabilities measured at amortised cost	171,246	170,563	166,139	166,823
Deposits from banks	17,299	16,987	16,483	16,497
Deposits from customers	121,955	120,181	119,698	119,804
Debt securities issued	31,245	33,109	29,414	29,983
Other financial liabilities	286	286	545	538
Financial guarantees and commitments				
Financial guarantees	n/a	-223	n/a	-386
Irrevocable commitments	n/a	466	n/a	-7

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

	1-9 13	1-9 14
Domestic	**15,837**	**15,561**
Erste Group, EB Oesterreich and subsidiaries	8,464	8,318
Haftungsverbund savings banks	7,373	7,243
Abroad	**31,326**	**30,388**
Česká spořitelna Group	10,719	10,466
Banca Comercială Română Group	7,535	7,065
Slovenská sporiteľňa Group	4,215	4,225
Erste Bank Hungary Group	2,760	2,796
Erste Bank Croatia Group	2,545	2,716
Erste Bank Serbia	930	961
Erste Bank Ukraine	499	0
Savings banks subsidiaries	1,137	1,148
Other subsidiaries and foreign branch offices	986	1,011
Total	**47,163**	**45,949**

32. Regulatory capital and capital requirements

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

in EUR million	Article pursuant to CRR	Dec 13 Basel 2.5	Sep 14 Basel 3 Phased-in	Sep 14 Basel 3 Final
Common equity tier 1 capital (CET1)				
Capital instruments eligible as CET1 capital	26 (1) (a) (b), 27 to 30, 23 (1) (f), 42	0	7,247	7,247
Own CET1 instruments	36 (1) (f), 42	0	-51	-51
Retained earnings	26 (1) (c), 26 (2)	0	4,827	4,827
Interim loss	36 (1) (a)	0	-1,478	-1,478
Accumulated other comprehensive income	4 (100), 26 (1) (d)	0	-552	-552
Minority interest recognised in CET1 capital	4 (120) 84	0	3,049	3,049
Transitional adjustments due to additional minority interests	479, 480	0	116	0
Prudential filter: cash flow hedge reserve	33 (1) (a)	0	-108	-108
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	0	-54	-54
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	0	-15	-15
Value adjustments due to the requirements for prudent valuation	34, 105	0	-125	-125
Regulatory adjustments relating to unrealised gains and losses	467, 468	0	-593	-148
Goodwill	4 (113), 36 (1) (b), 37	0	-825	-825
Other intangible assets	4 (115), 36 (1) (b), 37 (a)	0	-617	-617
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	0	-195	-195
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	0	-285	-285
Other transitional adjustments CET1	469 to 472, 478, 481	0	2,680	0
Interim loss (80%)		0	1,182	0
Goodwill (80%)		0	660	0
Other intangibles (80%)		0	493	0
IRB shortfall of provisions to expected losses (80%)		0	228	0
Deferred tax assets that rely on future profitability and do not arise from temporary differences (100%)		0	117	0
Excess of deduction from AT1 items over AT1 capital	36 (1) (j)	0	-2,149	0
Common equity tier 1 capital (CET1)	**50**	**11,199**	**10,874**	**10,672**
Additional tier 1 capital (AT1)				
Capital instruments eligible as AT1 capital	51 (a), 52 to 54, 56 (a), 57	0	0	0
Own AT1 instruments	52 (1) (b), 56 (a), 57	0	0	0
Instruments issued by subsidiaries that are given recognition in AT1 capital	85, 86	0	0	0
Transitional adjustments due to grandfathered AT1 capital instruments	483 (4) (5), 484 to 487, 489, 491	0	300	0
AT1 instruments of financial sector entities where the institution has a significant investment	4 (27), 56 (d), 59, 79	0	0	0
Other transitional adjustments AT1	474, 475, 478, 481	0	-2,449	0
Interim loss (80%)		0	-1,182	0
Goodwill (80%)		0	-660	0
Other intangibles (80%)		0	-493	0
IRB shortfall of provisions to expected losses (40%)		0	-114	0
Excess of deduction from AT1 items over AT1 capital	36 (1) (j)	0	2,149	0
Additional tier 1 capital (AT1)	**61**	**361**	**0**	**0**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1) capital		**11,560**	**10,874**	**10,672**

The table will be continued on the subsequent page.

Continuation of the table:

in EUR million	Article pursuant to CRR	Dec 13 Basel 2.5	Sep 14 Basel 3 Phased-in	Sep 14 Basel 3 Final
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1) capital		**11,560**	**10,874**	**10,672**
Tier 2 capital (T2)				
Capital instruments and subordinated loans eligible as T2 capital	62 (a), 63 to 65, 66 (a), 67	0	3,388	3,388
Own T2 instruments	63 (b) (i), 66 (a), 67	0	-21	-21
Instruments issued by subsidiaries recognised in T2 capital	87, 88	0	410	410
Transitional adjustments due to additional recognition in T2 capital of instruments issued by subsidiaries	480	0	249	0
Transitional adjustments due to grandfathered T2 capital instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	0	58	0
IRB excess of provisions over expected losses eligible	62 (d)	0	755	755
Standardised approach general credit risk adjustments	62 (c)	0	147	147
Other transitional adjustments to tier 2 capital	476, 477, 478, 481	0	-114	0
IRB shortfall of provisions to expected losses (40%)		0	-114	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (27), 66 (d), 68, 69, 79	0	0	0
Items deductible due to transitional provisions in T2 capital	476 to 478, 481	0	0	0
Tier 2 capital (T2)	**71**	**4,206**	**4,873**	**4,679**
Short-term subordinated capital (tier-3)		**228**	**0**	**0**
Total own funds		**15,994**	**15,747**	**15,351**
Capital requirement	92 (3), 95, 96, 98	7,832	8,048	8,150
CET1 capital ratio	**92 (2) (a)**	**11.4%**	**10.8%**	**10.5%**
Tier 1 capital ratio	**92 (2) (b)**	**11.8%**	**10.8%**	**10.5%**
Total capital ratio	**92 (2) (c)**	**16.3%**	**15.7%**	**15.1%**

The capital structure table above is based on EBA´s final draft for implementing technical standards on disclosure for own funds published in the Official Journal of the European Union on 20 December 2013. Positions not relevant for Erste Group are not shown. Basel 3 final figures (fully loaded) are calculated based on the current requirements according to CRR. Changes are possible due to final Regulatory Technical Standards (RTS), that are not yet available. The Basel 2.5 comparison is limited to sum-positions as the composition according to Basel 3 materially deviates from the composition according to Basel 2.5. Risk data in the regulatory capital and capital requirements tables are preliminary.

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

in EUR million	Article pursuant to CRR	Dec 13 Calculation base/total risk	Dec 13 Capital requirement	Sep 14 Calculation base/total risk (phased-in)	Sep 14 Capital requirement (phased-in)
Total risk exposure amount	92 (3), 95, 96, 98	97,901	7,832	100,594	8,048
Risk-weighted assets (credit risk)	92 (3) (a) (f)	84,857	6,789	85,631	6,850
Standardised approach		19,590	1,567	18,561	1,485
IRB approach		65,267	5,221	67,070	5,366
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (iii), 92 (4) (b)	2,852	228	2,677	214
Operational risk	92 (3) (e) 92 (4) (b)	10,192	815	10,698	856
Exposure for CVA	92 (3) (d)	0	0	1,588	127
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	0	0	0	0

in EUR million	Article pursuant to CRR	Dec 13 Calculation base/total risk	Dec 13 Capital requirement	Sep 14 Calculation base/total risk (final)	Sep 14 Capital requirement (final)
Total risk exposure amount	92 (3), 95, 96, 98	0	0	101,874	8,150
Risk-weighted assets (credit risk)	92 (3) (a) (f)	0	0	86,911	6,953
Standardised approach		0	0	18,561	1,485
IRB approach		0	0	68,350	5,468
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (iii), 92 (4) (b)	0	0	2,677	214
Operational risk	92 (3) (e) 92 (4) (b)	0	0	10,698	856
Exposure for CVA	92 (3) (d)	0	0	1,588	127
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	0	0	0	0

33. Events after the reporting date

There were no significant events after the balance sheet date.

We have prepared this report with the greatest possible care and have thoroughly checked the data presented in it. However, we cannot rule out errors associated with rounding, transmission, typesetting or printing. The English version of the report is a translation.

Note regarding forward-looking statements

This report contains forward-looking statements. These statements are based on current estimates, assumptions and projections of Erste Group Bank AG and currently available public information. They are not guarantees of future performance and involve certain known and yet unknown risks and uncertainties and are based upon assumptions as to future events that may not prove to be accurate. Many factors could cause the actual results or performance to be materially different from those that may be expressed or implied by such statements. Erste Group Bank AG does not assume any obligation to update the forward-looking statements contained in this report.

Shareholder Events

27 February 2015	Full-year preliminary results 2014
27 March 2015	Annual financial report 2014
7 May 2015	Interim report Q1 2015
12 May 2015	Annual general meeting
7 August 2015	Half year financial report 2015
6 November 2015	Interim report Q3 2015

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Bloomberg:	EBS AV
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