Erste Group

Annual Report 2015

ERSTE Group

Extensive presence in Central and Eastern Europe

Key financial and operating data

in EUR million (unless otherwise stated)	2011	2012	2013	2014	2015
Balance sheet					
Total assets	**210,006**	**213,824**	**200,054**	**196,287**	**199,743**
Loans and receivables to credit institutions	7,506	9,008	8,377	7,442	4,805
Loans and receivables to customers	127,808	124,353	119,869	120,834	125,897
Trading, financial assets	52,981	57,932	51,269	50,131	47,542
Intangibles	3,532	2,894	2,441	1,441	1,465
Cash & Other assets	18,180	19,637	18,099	16,439	20,035
Total liabilities and equity	**210,006**	**213,824**	**200,054**	**196,287**	**199,743**
Bank deposits	23,785	21,822	17,299	14,803	14,212
Customer deposits	118,880	123,053	122,415	122,583	127,946
Debt securities	36,564	34,751	33,124	31,140	29,654
Trading liabilities & Other liabilities	15,597	17,860	12,494	14,319	13,124
Equity attributable to non-controlling interests	3,143	3,483	3,462	3,605	3,802
Equity attributable to owners of the parent	12,037	12,855	11,260	9,838	11,005
Own funds pursuant to Basel 3 (Final)					
Total risk exposure amount	114,019	105,323	97,901	101,870	100,281
Total own funds	16,415	16,311	15,994	15,853	17,284
Common equity tier 1 capital (CET1)	10,681	11,848	11,199	10,811	12,045
Tier 2 capital (T2)	4,092	3,791	4,206	5,042	5,239
Total capital ratio	14.4%	15.5%	16.3%	15.6%	17.2%
CET1 capital ratio	9.4%	11.2%	11.4%	10.6%	12.0%
Income statement					
Net interest income	5,368.7	5,041.5	4,685.0	4,495.2	4,444.7
Net fee and commission income	1,787.2	1,720.8	1,806.5	1,869.8	1,861.8
Net trading and fair value result	122.6	269.8	218.8	242.3	210.1
Operating income	7,531.0	7,281.1	6,995.1	6,877.9	6,771.8
Operating expenses	-3,971.9	-3,881.0	-3,896.1	-3,787.3	-3,868.9
Operating result	3,559.1	3,400.1	3,099.0	3,090.7	2,902.9
Net impairment loss on financial assets not measured at fair value through profit or loss	-2,365.2	-2,060.1	-1,849.9	-2,083.7	-729.1
Pretax result	-322.1	801.2	302.9	-727.7	1,639.1
Net result attributable to owners of the parent	-718.9	483.5	0.9	-1,382.6	968.2
Operating Data					
Headcount	50,452	49,381	45,670	46,067	46,467
Number of branches	3,176	3,063	2,833	2,792	2,735
Number of customers	17.0	17.0	16.5	16.2	15.8
Share price and key ratios					
High (EUR)	39.45	24.33	26.94	29.71	18.97
Low (EUR)	10.65	11.95	19.34	17.02	29.04
Closing price (EUR)	13.59	24.03	25.33	19.235	28.91
Price/earnings ratio	na	19.6	>100%	na	12.8
Dividend per share (EUR)	0.00	0.40	0.20	0.00	0.50
Payout ratio	0.0%	32.6%	>100%	0.0%	22.2%
Dividend yield	0.0%	1.7%	0.8%	0.0%	1.7%
Book value per share	26.1	27.9	26.2	22.9	25.6
Price/book ratio	0.5	0.9	1.0	0.8	1.1
Total shareholder return (TSR)	-59.3%	76.8%	7.1%	-23.3%	50.3%
Stock market data (Vienna Stock Exchange)					
Shares outstanding at the end of the period	390,767,262	394,568,647	429,800,000	429,800,000	429,800,000
Weighted average number of outstanding shares	377,670,141	391,631,603	411,553,048	427,533,286	426,726,297
Market capitalisation (EUR billion)	5.3	9.5	10.9	8.3	12.4
Trading volume (EUR billion)	10.9	7.4	8.3	9.3	10.0

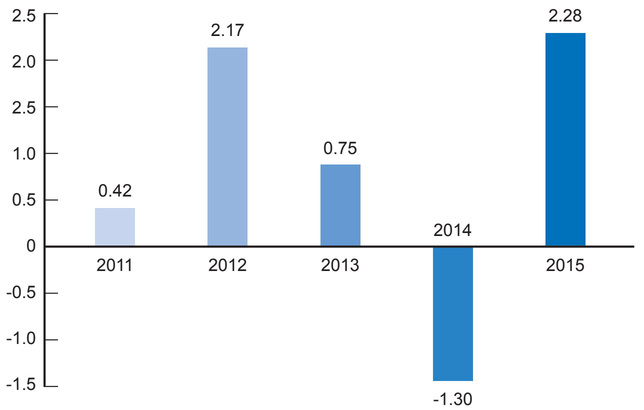
The figures for the comparative periods 2014 and 2013 are restated according to IAS 8. The resulting retrospective changes in the presentation are explained in chapter B on significant accounting policies in the consolidated financial statements 2015.

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

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

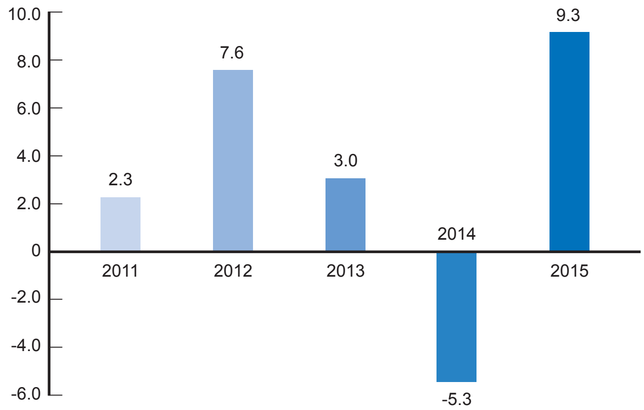
Shares outstanding include Erste Group shares held by savings banks that are members of the Haftungsverbund (cross-guarantee system).

Cash earnings per share (in EUR)

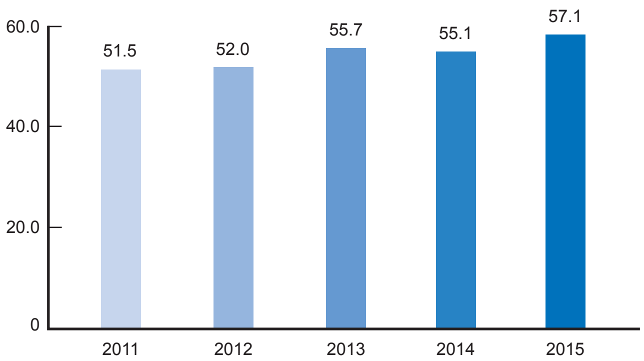


The figures for the comparative periods 2014 and 2013 are restated according to IAS 8.

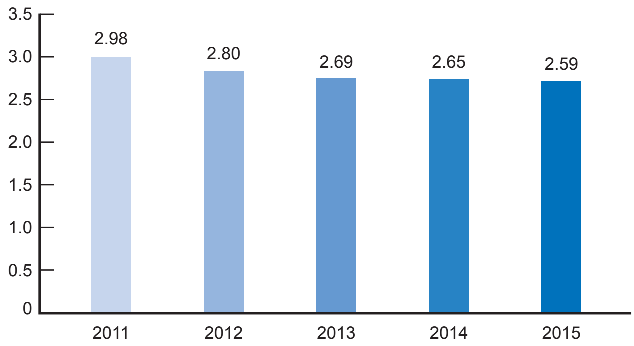
Cash return on equity (in %)



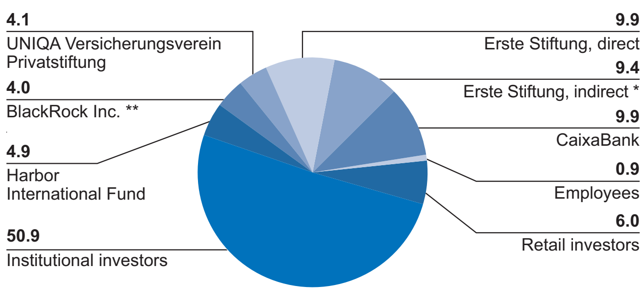
Cost/income ratio (in %)



Net interest margin (in %)

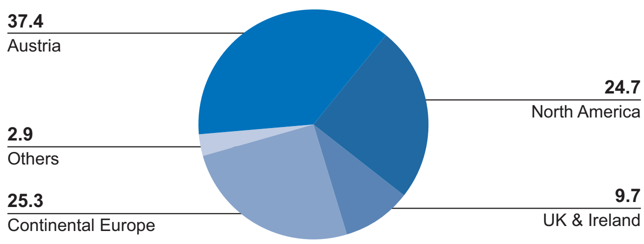


Shareholder structure as of 31 December 2015 by investors (in %)



*Includes voting rights of Erste Foundation, savings banks, savings bank foundations and Wiener Städtische Wechselseitige Versicherungsverein
** Based on voting rights related to shares

Shareholder structure as of 31 December 2015 by regions (in %)



Ratings as of 31 December 2015

Fitch	
Long-term	BBB+
Short-term	F2
Outlook	Stable
Moody's Investors Service	
Long-term	Baa2
Short-term	P-2
Outlook	Positive
Standard & Poor's	
Long-term	BBB+
Short-term	A-2
Outlook	Negative

Financial calendar 2016

Date	Event
4 May 2016	Interim report Q1 2016
11 May 2016	Annual general meeting
5 August 2016	Half year financial report 2016
4 November 2016	Interim report Q3 2016

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

Highlights

Net profit substantially improved

_ Net result of EUR 968.2 million
_ Significant decline of risk costs and lower one-off effects
_ Dividend of EUR 0.5 proposed to AGM

Loan growth continues in 2015

_ Performing loans increase to EUR 122.6 billion
_ Retail business as growth driver
_ Growth in Slovakia, Czech Republic and Austria

Asset quality improves substantially

_ NPL ratio improved to 7.1%
_ NPL coverage stood at 64.5%

Solid capital ratios

_ Capital clearly above all regulatory requirements
_ CET 1 ratio (Basel 3, final) increased to 12.0%
_ CET 1 capital (Basel 3, final) rose to EUR 12.0 billion
_ Moderate decline in risk-weighted assets

Operating result declining

_ Revenue decline due to low interest rate environment
_ Slight increase in personnel and other administrative expenses
_ Cost/income ratio at 57.1%

Excellent funding and liquidity position

_ Strong deposit base is key competitive advantage
_ Loan-to-deposit ratio at 98.4%

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Letter from the CEO

Dear shareholders,

Erste Group posted a net profit of EUR 968.2 million in 2015 amid a challenging banking environment. This solid result was largely attributable to a significant decline in risk costs and substantially lower one-off effects than in the previous year, which had been marked by the clean-up of legacy issues. Improved economic growth in Central and Eastern Europe supported robust loan growth of 4.2%. At the same time, asset quality improved significantly. Non-performing loans as a percentage of loans to customers (NPL ratio) dropped to 7.1%, the lowest level in five years. These positive developments should not disguise the fact, though, that the overall business environment remained challenging for Erste Group and loan growth did not fully offset the impacts of the persistent low-interest-rate environment on net interest income. In 2015, populist measures, this time in Croatia, as well as banking levies in Austria and Hungary, and to a reduced extent in Slovakia, weighed again on the result.

Against the backdrop of proliferating regulatory requirements on European banks, bank capitalisation has become a central concern. It is therefore gratifying and important that Erste Group's capital ratios developed very robustly while loan growth accelerated. At the end of December 2015, the common equity tier 1 ratio (Basel 3 fully loaded) stood at 12.0%. It was hence significantly above the minimum ratio of 9.75% required for the year 2016 as a result of the ECB's SREP ratio (set at 9.5% for 2016) plus the 0.25 percentage point systemic risk buffer imposed by the Austrian Financial Market Authority for 2016. This systemic risk buffer will rise year after year until it finally reaches 2 percentage points by 1 January 2019. The total capital ratio (Basel 3 final) amounted to 17.2%. At the annual general meeting, we will therefore propose to pay a dividend of EUR 0.5 per share.

Domestic demand drives growth in CEE

The economic development of the region underpinned Erste Group's solid result and confirmed once again the validity of our customer-centred business model and our strategy of positioning Erste Group as the leading retail bank in the European Union's Eastern growth area. Higher real wages boosted domestic demand and hence economic growth in CEE. With the exception of Croatia and Serbia, economic growth in Erste Group's Eastern European core markets exceeded the 1.9% average of the European Union's member states and the euro zone's 1.6%. The Czech Republic, Slovakia and Romania even posted GDP growth in excess of 3%, while Austria remained at the bottom of the table with 0.9%. The labour market improved in most of the CEE economies. The Austrian unemployment rate rose to 5.7% but was nevertheless again one of the lowest in Europe in 2015. FX exchange rates versus the euro were largely stable. In view of very low inflation pressure, the key policy rates in Romania and Hungary were cut further to new historic lows of 1.75% and 1.35% respectively. In the euro zone and in the Czech Republic, the base rate remained unchanged at five basis points. In March 2016, the European Central Bank (ECB) lowered its policy rate to zero percent for the first time. This decision was a severe blow to savers. Whether further monetary easing will result in more consumer spending is questionable, though. Especially in CEE, most bank customers must be able to live off savings. They do not have sufficient resources for investing in shares or other financial instruments.

The generally benign economic environment had a direct impact on Erste Group's balance sheet as it supported loan growth: growth was registered in Slovakia, in the Czech Republic and, in Austria, by both Erste Bank Oesterreich and the Savings Banks, specifically in the Retail, SME and Large Corporates segments. In Hungary, loan volume contracted once again; in Romania, the performing loan portfolio stabilised. At the same time, customer deposits increased despite the adverse effects of low interest rates on savers. This may also be interpreted as a clear sign of our customers' trust in Erste Group. At the end of December 2015, the loan-to-deposit ratio stood at 98.4%. Erste Group's short and long-term liquidity position remained excellent.

Non-performing loans as a percentage of loans to customers were down to 7.1%. This decline was attributable, on the one hand, to the successful sale of NPL portfolios in Croatia and Romania and, on the other, to the general improvement in asset quality. As we had done the year before, we again reduced non-performing loans and added performing loans. This improvement is all the more remarkable as in the fourth quarter we implemented the EBA definitions of non-performing loans, which had a negative impact of 38 basis points on the NPL ratio. This methodological effect also lowered the NPL coverage ratio to 64.5%.

Low-interest rate environment weighs on operating result

Net interest and net fee and commission income were almost stable in 2015. Rising demand for loans in Erste Group's key markets largely cushioned the adverse impact of low interest rates on operating income. In Romania, net interest income was negatively impacted by NPL sales, in Hungary by reduced volume after the conversion of foreign-currency loans. Net fee and commission income remained stable. While the trend in income from asset management was positive, income from lending decreased. Together with a lower net trading and fair value result this resulted in a decline in operating income to EUR 6.8 billion. General administrative expenses increased, ultimately also due to the fact that the line item other administrative expenses included higher regulatory expenses such as deposit insurance contributions in the amount of almost EUR 100 million. As had been anticipated, operating income decreased in 2015, by 6.1%.

Lower one-off effects

The solid result was due in part to the non-recurrence of the previous year's substantial negative one-offs, most notably close to EUR 1 billion in write-downs for goodwill, client relationships and brand. This resulted in a significant improvement in other operating result in 2015, even though populist political measures taken in the run-up to elections again had a negative impact: the recognition of EUR 129.5 million in provisions for losses resulting from legislation requiring the conversion of the entire Croatian CHF-denominated retail and corporate loan portfolio to euros. Risks related to consumer protection claims in Romania required further provisions in the amount of EUR 101.6 million. The sale of a participation had a positive effect in the amount of EUR 38.3 million.

Other recurring issues were political and regulatory costs, which were again high by international standards. Overall, Erste Group paid banking levies and financial transaction taxes in three countries in the total amount of EUR 236.2 million. While banking taxes have already been lowered in Slovakia, Hungary, by an act of parliament, has committed to a sharp reduction from 2016 onwards. Levies have remained disproportionately high in Austria. In 2015, their adverse impact was exacerbated further by the need for initial payments to European resolution funds in the aggregate amount of EUR 51.3 million, including EUR 32.1 million in Austria.

Sharp decline in risk costs

The reduction of risk costs contributed substantially to the improved result. Risk costs fell by about two-thirds to EUR 729.1 million or 56 basis points of average loans versus 163 basis points in 2014. After the successful portfolio clean-up in the previous year, provisioning requirements were significantly lower in Romania and Hungary. Impairments were also down in all Austrian segments. Generally, lower risk costs reflect the continuing positive trend in the asset quality development.

The new world of banking

The focus of the management board was in particular on advancing digitalisation and data quality projects, not least in order to meet the multitude of regulatory requirements. Our digital platform George, which has even attracted international attention, has been developed further and, in 2016, will also be rolled out in the Czech Republic and Slovakia. We invest in our capability to offer our customers bank products through a variety of channels in the future by means of digital services that can be accessed from home or while on the road via mobile devices, at small service centres in high-frequency locations or in one of the large flagship branches.

2016 will again be a challenge in view of the impacts of negative interest rates on the customer business or of consumer protection issues. For a bank like Erste Group with its almost 200-year tradition as a savings bank, passing negative interest rates on to retail clients is one step we want to avoid by all means. Margin erosion is certainly going to influence banks' pricing policies as banks, despite ongoing efficiency and cost-cutting efforts, will find it increasingly impossible to continue the cross-subsidisation of services which has been taken for granted so far. Despite these challenges we are confident that our strategy and market position will ensure that Erste Group will perform well over the long term and will be able to earn a premium on its capital costs.

Our success in 2015 is clearly attributable to our many thousand employees, who I wish to thank very cordially at this point. They will remain the most important interface to our customers, even in the digital age.

Andreas Treichl mp

Management board

Jozef Síkela, Andreas Gottschling, Andreas Treichl

Petr Brávek, Gernot Mittendorfer, Peter Bosek

Report of the supervisory board

Dear shareholders,

In an environment marked by geopolitical unrest and economic challenges, Erste Group posted a solid result. Unlike many other banks, Erste Group achieved lending growth and an improvement in its capitalisation in 2015. Its business model – serving customers in Central and Eastern Europe – has proved sustainable and appropriate.

In recognition of this successful performance and as a sign of continuity, the supervisory board extended Andreas Treichl's mandate as management board member early, on 16 September 2015, for a term ending on 30 June 2020 and reappointed him as chairman of the management board.

The duties and objectives of the supervisory board, particularly the monitoring of the management of the Group and the risk strategy were the subject of an in-depth dialogue between the European Central Bank and the supervisory board. By conducting several talks with the chairman of the supervisory board, attending one of the supervisory board meetings as a guest and receiving the meeting minutes of supervisory board meetings, the ECB collected information about the work of the supervisory board and its committees.

Due to the age limit specified in the articles of association, Georg Winckler retired from the supervisory board as of the annual general meeting 2015. He had been a member of the supervisory board since 1993 and, since 2005, first vice chairman of the supervisory board. I would like to thank Georg Winckler very cordially for his many years of successful service. Further changes in the supervisory board in 2015: at the annual general meeting held on 12 May 2015, Maximilian Hardegg, Gonzalo Gortázar Rotaeche and Antonio Massanell Lavilla were elected to the supervisory board; Wilhelm Rasinger was re-elected. Regina Haberhauer and Jozef Pinter were delegated to the supervisory board by the employees' council. I would also like to extend very heartfelt thanks for many years of collaboration to Bertram Mach, who has retired and whose delegation was therefore revoked by the employees' council.

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

In the course of 44 supervisory board and committee meetings, the management board promptly and comprehensively informed the supervisory board. This allowed us to act in accordance with the mandate laid down by law, the articles of association and the Austrian Code of Corporate Governance, as well as to ascertain the proper conduct of business.

The financial statements (consisting of the balance sheet, income statement and notes), the management report, the consolidated financial statements and the group management report for 2015 were audited by the legally mandated auditor, Sparkassen-Prüfungsverband, and by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., as supplementary auditor, and received an unqualified audit opinion. Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. was also contracted to perform a discretionary audit of the corporate governance report 2015. The audit did not give rise to any qualifications. Representatives of both auditors attended the financial statements review meetings of the audit committee and the supervisory board and presented their comments on the audits they had conducted.

Based upon our own review, we endorsed the findings of these audits and agreed with the proposal for appropriation of the profits. We have approved the financial statements and these have thereby been duly endorsed in accordance with section 96 para 4 of the Aktiengesetz (Austrian Stock Corporation Act). The management report, consolidated financial statements, group management report and corporate governance report have been reviewed and accepted.

The supervisory board thanks the management board and all employees of Erste Group for their great personal commitment and their successful work in the financial year ended.

For the supervisory board:
Friedrich Rödler mp
Chairman of the supervisory board

Vienna, March 2016

Erste Group on the capital markets

The year 2015 was a turbulent one for international stock markets. The main focus was again on the central banks' interest rate policies. While the European Central Bank (ECB) engaged in further easing, the US central bank (Fed) took steps towards a tightening of its monetary policy, which in December finally led to the first hike of key interest rates since June 2006. Geopolitical uncertainties, ranging from Greece to Russia/Ukraine and Syria, as well as the decelerating economic growth in China and the resulting impacts on the global economy caused some major stock market swings. The Erste Group share remained unaffected by global stock market volatility, and the negative trend in European banking shares advanced year on year more than 50% on the back of results that beat market expectations and a steady improvement in asset quality.

EQUITY MARKET REVIEW

A turbulent year for international stock exchanges

Supported by the ECB's continued monetary easing and the weak euro, European stock markets initially continued the rally that had started at the beginning of the year and maintained their relative strength versus US stock indices, posting two-digit gains well into the second quarter. Later in the year, Greek debt talks, concerns over Greece's ability to keep the euro, the disappointing development of the Chinese economy and its potential impact on the global economy as projected by the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF) resulted in increased volatility and substantially lower international stock markets. In the final quarter of the year ended, the ECB's announcement of a further easing of European monetary policy and the prospect of an initial rate hike by the Fed, which confirmed its confidence in the positive development of the US economy, led to a brief rebound of stock markets. The Dow Jones Industrials Index closed the year 2.2% down at 17,425.03 points. The broader Standard & Poor's 500 Index was almost unchanged year on year at 2,043.94, down 0.7%. Most of the European markets ended the period under review with gains. The Euro Stoxx 600 Index climbed 6.8% to 365.81 points; the Euro Stoxx 50 Index was up 3.8% at 3,267.52.

Monetary policies in Europe and the US

Against the backdrop of the underlying trends in major economies, the focus of market participants in 2015 was on the central banks' monetary policies. While Europe pursued an extremely expansionary monetary policy, with the ECB expanding the bond purchasing programme it had launched at the beginning of the year to a monthly volume of EUR 60 billion and extending it to March 2017, monetary policy in the US was in comparison less expansionary, with the Fed continuing to taper its quantitative easing programme and finally implementing the first rate hike that had already been expected for about one year. The US central bank raised its key interest rate for the first time in almost ten years and announced additional gradual increases. Since year-end 2008, which saw the climax of the global financial crisis and the threat of a meltdown of the US economy, the interest rate for lending to commercial banks had ranged between 0% and 0.25%. Rates were finally raised in view of the expected continuation of solid economic growth in the US, the recovery of the US labour market and the lowest unemployment rate since 2007.

Global economy growing more slowly than expected

Both the IMF and the OECD have revised their forecasts for global economic growth downwards despite the continuing robust performance of the US economy on the back of household spending and solid labour market data and the expected continuation of the moderate economic recovery in the eurozone. This was primarily attributable to the challenging situation in emerging markets, most notably China, which economists believe is heading for the lowest growth in decades. Additional uncertainty comes from slow growth in Japan as well as US monetary policy and its impacts on the US dollar. For the eurozone, the OECD forecasts economic growth to run at 1.4% in 2015 and 2.1% in 2016. The IMF projects 1.5% and 1.6% respectively. For the US, the OECD forecasts 2.0% for 2015 and 2.8% for 2016, the IMF 2.5% and 2.8% respectively.

European bank shares close lower

The positive momentum from the ECB's continuing loose monetary policy, which in the first quarter had still fuelled double-digit gains in European banking stocks, later on gave way to an increasingly heated political debate over Greek solvency and a potential exit of Greece from the eurozone. After the ECB had refused to increase its emergency liquidity assistance any further, capital controls were imposed and Greek banks were closed for a couple of weeks. The resulting weakening of European markets dragged down in particular bank shares, as investors feared a spreading of Greek turmoil to other eurozone countries and banks. In a volatile environment, markets tumbled further on the back of negative news from a number of European banks, tightened regulatory requirements imposed by the ECB's supervisory mechanism, the European Banking Authority (EBA) and the Single Resolution Mechanism (SRM) with regard to minimum capital ratios and the resolution of financial institutions. In the year ended, the Dow Jones Euro Stoxx Bank Index, which is composed of leading European bank stocks, declined by 4.9% to 127.87 points.

Vienna Stock Exchange among top performers

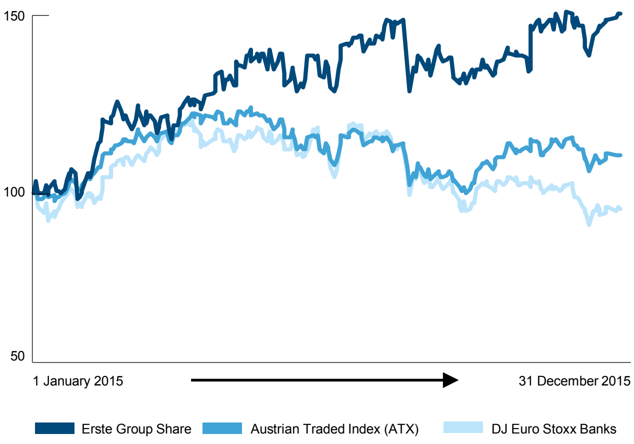
After dropping to its annual low of 2,122.08 points on 14 January, the Austrian Traded Index (ATX) posted significant gains in the first half of the year, supported by an easing of the tensions between Russia and Ukraine, lower oil prices and the weakening of the euro, and hit its annual high at 2,681.44 points on 15 May. In the third quarter, uncertainty surrounding Greek solvency and the plunge of the Chinese stock market also triggered market slides in Vienna, in tandem with the trends in other markets across Europe. Later in the year, the ATX benefited from the ECB's announcement of continuing quantitative easing and upbeat corporate news and had largely recovered by year-end. On the last trading day of 2015, the Austrian benchmark index closed at 2,396.94 points, up 11.0% year on year and among the top-performing European markets.

ERSTE GROUP SHARE

Share price up despite negative industry trends

Despite the trend of European bank shares, the Erste Group share showed a strong upward performance in the year ended, hitting its low of EUR 18.97 on 28 January 2015 and marking its high at EUR 29.04 on 30 November 2015. In the first quarter, the Erste Group share already traded 19.2% higher, buoyed up by the positive sentiment in European stock markets driven by the launch of the ECB's bond purchasing programme. While international stock indices and some European banking shares suffered significant losses later in the year, the Erste Group share resisted this trend and advanced further. Measured against the Euro Stoxx Bank Index, the Erste Group share was up 11.1% in the second quarter versus -4.9%, gained 1.8% in the third quarter (-12.4%), and advanced 11.5% in the fourth quarter (-2.6%). The Erste Group share's outperformance was attributable to the release of quarterly results that consistently beat market expectations, the decline in risk costs, a steady improvement in asset quality and strong capital ratios. In view of the positive development of earnings and the affirmation of the outlook given, a large number of analysts raised their earnings estimates and target prices for the Erste Group share. Closing at EUR 28.91 on the last trading day of the year 2015, the share was up 50.3% year on year, against the trend present among its European peers and significantly outperforming both the ATX and the Euro Stoxx Bank Index.

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



Performance of the Erste Group share versus indices

	Erste Group share	ATX	DJ Euro Stoxx Bank Index
Since IPO (Dec 1997)	160,9%	83,7%	-
Since SPO (Sep 2000)	146,0%	105,1%	-63,6%
Since SPO (Jul 2002)	65,9%	96,5%	-49,1%
Since SPO (Jan 2006)	-35,8%	-38,5%	-66,3%
Since SPO (Nov 2009)	-0,3%	-8,0%	-43,8%
2015	50,3%	11,0%	-4,9%

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

Number of shares, market capitalisation and trading volume

The number of shares of Erste Group Bank AG remained unchanged at 429,800,000. Due to the 50% rise of the share price, the market capitalisation of Erste Group rose to EUR 12.4 billion at year-end 2015 from EUR 8.3 billion in 2014.

Trading volume on the three stock exchanges (Vienna, Prague, Bucharest) on which the Erste Group share is listed averaged 910,499 shares per day and accounted for about 46% of the total trading volume in Erste Group shares. More than half of the trading activity was executed over the counter (OTC) or through electronic trading systems.

Erste Group in sustainability indices

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

DIVIDEND

Since 2005, the Erste Group's dividend policy has been guided by the bank's profitability, growth outlook and capital requirements. At the annual general meeting held on 12 May 2015 it was decided not to pay any dividends for the financial year 2014. For the financial year of 2015, the management board of Erste Group will propose to the annual general meeting to pay a dividend in the amount of EUR 0.50.

SUCCESSFUL FUNDING

In 2015, the Holding issued close to EUR 2.4 billion in bonds, including EUR 1 billion in two benchmark-sized mortgage covered bond issues. After Erste Group had not been active at capital markets in the covered bond format since 2012, the bank used favourable market conditions in the first and third quarter for issuing a 10-year and a 5-year mortgage-covered bond. In addition, approx. EUR 700 million in senior unsecured bonds were placed via private placements and with retail customers. Another EUR 600 million were funded by issuing subordinated bonds (tier 2). Overall, the average tenor of new issues was about 7.5 years in 2015.

INVESTOR RELATIONS

Open and regular communication with investors and analysts

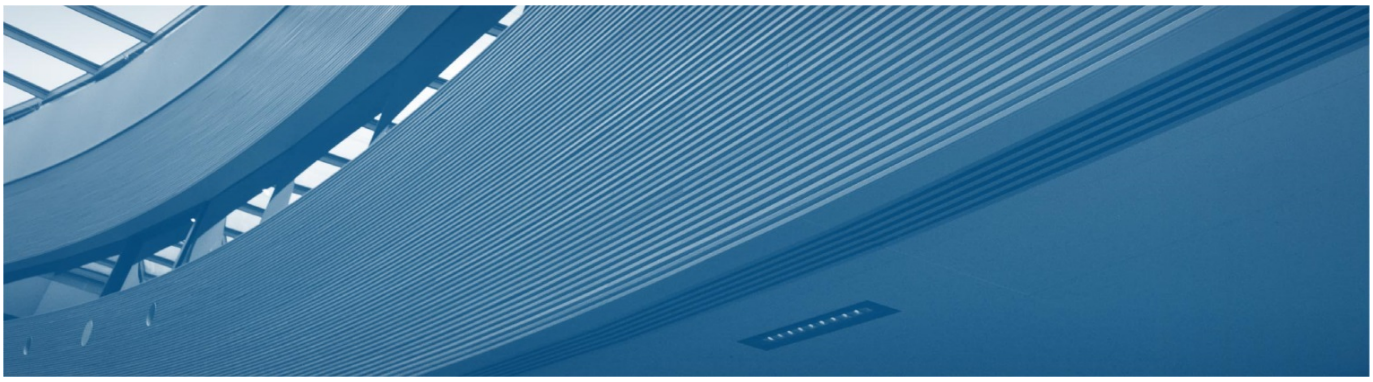
In 2015, Erste Group's management and the investor relations team met with investors in a total of 376 one-on-one and group meetings and conducted a large number of teleconferences with analysts and investors. The presentation of the 2014 annual result in Vienna was followed by the annual analysts' dinner and a road show day with investor meetings in London. A spring road show was conducted after the release of the first-quarter results and an autumn road show was held following the release of the third-quarter results in Europe and in the US. Erste Group presented its strategy in the current operating environment at international banking and investor conferences organised by the Vienna Stock Exchange, Kepler Cheuvreux, UBS, Morgan Stanley, HSBC, Concorde, RCB, J.P. Morgan, Deutsche Bank, Bank of America Merrill Lynch, Autonomous, Goldman Sachs, Barclays, UniCredit and Wood. 107 meetings were held to intensify the dialogue with bond investors. A large number of face-to-face meetings with analysts and portfolio managers were held at conferences, road shows and workshops hosted by UBS, Nomura, Barclays, Danske Bank, ING and Euromoney.

The website http://www.erstegroup.com/investorrelations provides comprehensive information on Erste Group and the Erste Group share. Investors and the broader public can also follow the investor relations team on the social media platform Twitter at http://twitter.com/ErsteGroupIR and on Slideshare at http://de.slideshare.net/Erste_Group. These sites provide users with the latest news on Erste Group on the social web.

As an additional service for investors and analysts, Erste Group offers a free Investor Relations app for iPhone, iPad and Android devices. This application enables users to access and download Erste Group Bank AG share price information, the latest investor news, multimedia files, financial reports and presentations as well as an interactive financial calendar and contact details for the investor relations team. More details on this service and downloading are available at http://www.erstegroup.com/en/investors/ir-service.

Analyst recommendations

In 2015, 26 analysts regularly released research reports about Erste Group, including one initial coverage analysis. The Erste Group Bank AG share was covered by financial analysts at the following national and international firms: Autonomous, Bank of America Merrill Lynch, Barclays, Berenberg, Citigroup, Commerzbank, Concorde, Credit Suisse, Deutsche Bank, Exane BNP Paribas, Goldman Sachs, HSBC, JP Morgan, KBW, Kepler Cheuvreux, Macquarie, mBank, Mediobanca, Morgan Stanley, Natixis, Nomura, RCB, SocGen, UBS, VTB Capital and Wood.
As of year-end, 19 recommendations had recently been issued for the share. Twelve analysts issued buy recommendations and seven rated the Erste Group share neutral. The average year-end target price was EUR 31.52. The latest updates on analysts' estimates for the Erste Group share are posted at http:www.erstegroup.com/en/investors/share/analyst-estimates.



Strategy

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

In 2015, the management board adopted a statement of purpose to reaffirm and state in more detail the purpose of Erste Group to promote and secure prosperity across the region. Building on this statement of purpose, a code of conduct defines binding rules of the day-to-day business for the employees and the members of both the management and supervisory board. At the same time, the code of conduct underlines that in pursuing its business activities, Erste Group values responsibility, respect and sustainability. The code of conduct is an important tool to preserve the reputation of Erste Group and to strengthen stakeholder confidence. Sustainability in this context means to operate the core business both in a socially and environmentally responsible manner and economically successful.

As a result of the financial and economic crisis, banks today face a new and substantially tougher regulatory framework. At the same time, Erste Group is confronted with a very difficult environment: with persistently low interest rates and no political support for the task of promoting economic growth in the bank's region.

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

Long-standing tradition in customer banking

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

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

Core markets in the eastern part of the European Union

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

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

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

Focus on sustainability and profitability

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

Through a combination of stable revenues, low loan loss provisions, and cost efficiency profits can be achieved in the long term. This is helped by a strong retail-based funding profile. When growth opportunities are elusive, as they will be from time to time, or the market environment is less favourable as a result of factors including high taxation, increased regulation or low interest rates, there will be a stronger focus on cost cutting. When the operating environment improves, more time will be devoted to capturing growth in a responsible way. Irrespective of the environment, Erste Group should benefit materially from operating in the region of Europe that offers the best structural growth opportunities for some time to come.

Erste Group's strategy

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

THE STRATEGY IN DETAIL

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

Retail business

Erste Group's key business is the retail business, covering the entire spectrum from lending, deposit and investment products to current accounts and credit cards. Erste Group's core competence in retail banking has historical roots. In 1819, wealthy Viennese citizens donated funds to establish Erste Group's predecessor, the first savings bank in Central Europe. It was their aim to bring basic banking services such as safe savings accounts and mortgage loans to wide sections of the population. Today, the bank serves a total of 16 million retail customers in its markets and operates about 2,800 branches. In addition, the bank uses and promotes digital distribution channels such as Internet and mobile banking as Erste Group is convinced that the importance of digital banking will further increase and will substantially change the future of retail business. George, Erste Group's new digital platform, was launched in Austria in 2015 and will be rolled out across the group. Wealthy private clients, trusts and foundations are served by the bank's private banking staff and benefit from services that are tailored to the needs of this target group.

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

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

SME and corporate business

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

Catering to their different requirements, Erste Group serves small and medium-sized enterprises locally in branches or separate commercial centres while multinational groups are serviced by the Group Corporates' units. This approach permits Erste Group to combine industry-specific and product expertise with an understanding of regional needs and the experience of the bank's local customer relationship managers.

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

Capital markets business

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

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

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

Public sector business

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

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

Interbank business

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

REGULATORY CHANGES IN BANKING

In the wake of the financial crisis, regulatory requirements for banks increased significantly with a view to establishing a framework for a more resilient global financial system. It has become the clear regulatory aim to prevent tax-payers from having to bail out financial institutions in future. To this effect, the new international regulatory framework for banks has been revised by the Basel Committee on Banking Supervision (Basel 3). The new regime is designed to strengthen the regulation, supervision and risk management of the banking sector. Within the European Union the Basel 3 legal framework is implemented through the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR).

The goal behind the reform measures is to improve the banking sector's ability to absorb any shocks arising from financial or economic stress, to strengthen the sector's transparency and disclosure requirements and to improve risk management and governance. Capital requirements have been tightened and minimum liquidity requirements have been introduced. To tackle potential weaknesses in the loss-absorbing capacity of banks additional capital buffers (capital conservation buffer, anti-cyclical buffer, systemic risk buffer) are to be introduced in various steps. In addition, the quality of equity and own funds instruments follows stricter rules. In 2015, many of the new rules were defined through regulations, explanations and recommendations by European and national regulators.

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

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

In August 2015, in the implementation of the directive on deposit guarantee schemes, the Deposit Guarantee and Investor Compensation Act (Einlagensicherungs- und Anlegerentschädigungsgesetz, ESAEG) was published. Following a transition period until year-end 2018, it stipulates a new structure and an ex ante formation of a deposit insurance funds by 2024.

To strengthen the Austrian banking industry, the Financial Markets Authority (FMA) introduced a systemic risk buffer for a series of Austrian credit institutions by way of ordinance (capital buffer ordinance). For the Holding, it amounts to 0.25% of risk-weighted assets as of 1 January 2016 and will be gradually increased to 2% until 1 January 2019.

As of year-end 2015, Erste Group reported a fully loaded Basel 3 CET1 (common equity tier-1) ratio of 12.0% and a total capital ratio of 17.2%. Despite increasing regulatory pressure in general and additional burdens on the capacity of retaining earnings as a result of bank levies in Austria, Hungary and Slovakia as well as contributions into national deposit insurance and resolutions funds, Erste Group remained well-capitalised and benefits from an excellent liquidity position, enabling it to proactively serve customers' needs.

LONG-TERM GROWTH TRENDS IN CENTRAL AND EASTERN EUROPE

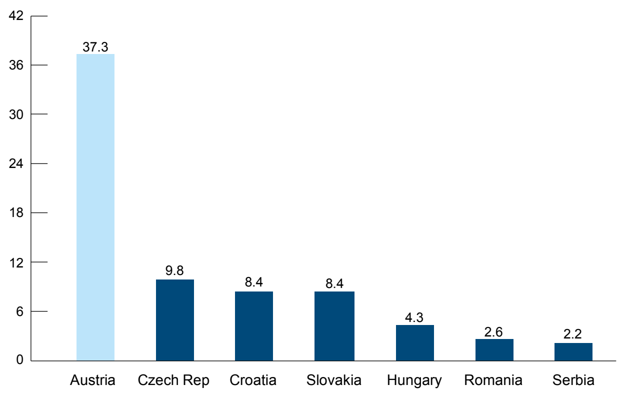
While the financial and economic crisis has slowed the economic catching-up process across the countries of Central and Eastern Europe, the underlying convergence trend continues. This is on the one hand due to the fact that the region has to make up for almost half a century of communist mismanagement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

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

In addition, most countries of Central and Eastern Europe have human resources that are at least equivalent to those of Western European countries but do not need to struggle with the unaffordable costs in the long term of the western welfare states and have labour markets that are considerably more flexible. These advantages are complemented by – on average – highly competitive export industries that benefit from wage costs that are low relative to workforce productivity and from investor-friendly tax and welfare systems.

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

Customer loans/capita in CEE (2015) in EUR thousand



Source: Local central banks, Erste Group

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

Management report

ECONOMIC ENVIRONMENT

In 2015, the global macroeconomic environment was particularly characterised by different money supply policies, which impacted global economic developments. The loose monetary policy (quantitative easing) pursued in Europe contrasted with the restrictive policy adopted in the United States. The Federal Reserve (Fed) eventually terminated the quantitative easing programme, and the interest rate reversal that had been anticipated for a whole year finally happened. The Fed's confidence reflected the positive economic development of the world's largest economy, consumer spending and employment visibly improved throughout 2015. The European Central Bank (ECB), on the other hand, continued its bond purchase programme initiated at the start of the year. Recovery of the euro zone remained on track as its economies were supported by strengthening domestic demand and exports. Although emerging markets and developing economies continued to outgrow advanced markets, their performances disappointed in 2015 – in particular in China, where decelerating economic growth reflected the ongoing correction in the property sector, weakness in industrial activity and slower loan growth. In addition, the Russian economy experienced an economic downturn due to weakening commodity prices and political tensions with Ukraine. A possible exit of Greece from the euro zone and implications of the military actions in Syria also led to uncertainties in 2015. Overall, the global economy grew by 3.1%, after 3.4% in 2014.

The United States' economy performed well in 2015. Solid labour market conditions continued to support consumption-led growth with job creation averaging more than 200,000 per month in 2015 and the unemployment rate falling to 5% in the final quarter of the year. Higher real disposable household income, boosted by employment gains, declining oil prices and moderate wage growth, led to rising personal consumption growth despite the increase in the savings ratio. Investments also developed satisfactorily with the sole exception of the oil sector. Foreign trade, on the other hand, was the weak spot of the US economy. The decline in net exports was mainly due to the strength of the dollar against the euro and the softness in external demand, particularly from large emerging markets. The fall of oil prices in the summer of the year and the strong currency led inflation to hover around zero in the second half of 2015. In December 2015, the Fed decided to raise short-term interest rates by 0.25% for the first time since the financial crisis. The central bank expressed its confidence that the US economy had recovered and job growth had strengthened sufficiently to allow it to raise the key policy rate. Altogether, the US economy grew by 2.4% in 2015

The economic performance of the euro zone was satisfactory but remained uneven in 2015. Germany, Europe's biggest economy, was supported by increasing consumption, growing investments and improved foreign trade. Consumption significantly benefitted from rising real wages and the low unemployment rate. Investments also contributed to the country's economic growth, driven mainly by strong activity in residential housing. The country's foreign trade was supported by strong exports, which benefitted from a weaker euro; this more than compensated for weaker exports to China. Spain was one of the most dynamic economies of the euro zone as the country benefitted from the comprehensive reforms that were adopted in the wake of the financial crisis. The economies of France and Italy, however, lagged behind those of Spain and Germany. The French government showed little willingness to implement reforms in 2015, while in Italy labour market reforms were implemented. In March 2015, the ECB announced plans to continue its monetary policy by purchasing public sector bonds, asset-backed securities and covered bonds with a monthly targeted amount of EUR 60 billion until at least September 2016. A further enhancement of monetary policy support until March 2017 was decided in December 2015. The ECB kept interest rates at the historic low of 5 basis points throughout the year. Overall, the eurozone economy grew by 1.5% in 2015.

The Austrian economy remained well diversified across sectors, benefitting from a sizeable, high value-added industrial base, its well-educated workforce and its important service sector. In terms of GDP per capita of approximately EUR 39,400, Austria remained one of the euro zone's most prosperous countries in 2015. Despite the fact that Austria grew less than the euro zone in 2015, the country's economic performance met expectations. Activity across all sectors of the economy rose. While foreign trade was negatively impacted by a noticeable decline in exports to China and Russia, the balance of trade remained positive. Domestic demand also contributed to economic growth despite a relatively low increase in disposable income. Overall, the country's economic growth stood at 0.8%. Austria's unemployment rate increased for the fourth consecutive year, but at 5.8% was still among the lowest in Europe. The troubled financial institution HETA Asset Resolution AG, formerly Hypo AlpeAdria International AG, continued to weigh on the fiscal outcome, and the public sector had to book illiquid assets of Kommunalkredit of around 2% of GDP, which also contributed to the increase of public debt in 2015. Public debt, as a percentage of GDP, increased to 87% (2014: 84.2%). As a result of the relatively low growth and elevated debt burden, Moody's downgraded the outlook of the country's sovereign rating in the last quarter of 2015.

Despite the relatively weak developments of some of the world's major emerging markets, the CEE economies achieved strong economic growth in 2015. This performance was mainly due to fiscal tightening packages carried out in previous years, improved external imbalances, very low inflation and the fact that the region's countries are net importers of energy. In addition, European Union fund absorption rates significantly improved in CEE, particularly in Hungary and the Czech Republic, the region's fastest growing economy. Overall, consumer confidence improved across the region, and domestic demand proved to be the main driver of economic growth. The car industry, which was one of the main contributors to exports, again supported the Czech, Slovak, Romanian and Hungarian economies. On the back of the ECB's monetary policy, the national banks in Hungary and Romania continued to cut their key rates. In the Czech Republic, the base rate remained at five basis points throughout the year, and the region's currencies remained broadly stable against the euro. The competitive economies of the region and decreasing unemployment rates supported current account balances in 2015. In addition, the region was characterised by solid public finances, as almost all countries fulfilled Maastricht criteria. Overall, the CEE economies grew, with the Czech Republic achieving the highest growth rate at 4.5%. Croatia, on the other hand, had the weakest growth at 1.5%, still emerging from a multi-year recession.

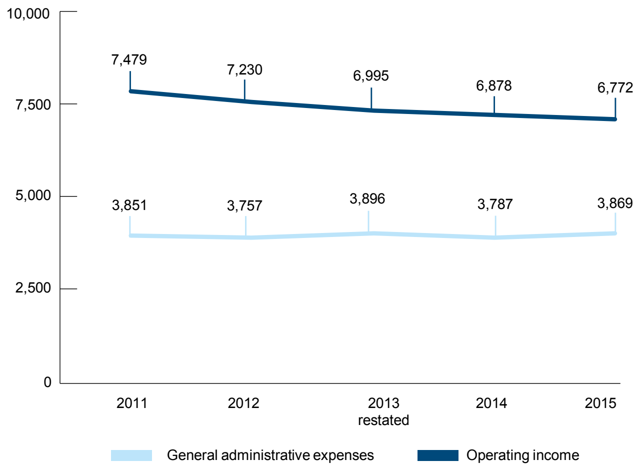
PERFORMANCE IN 2015

Acquisitions and disposals in Erste Group in 2015 did not have any significant impact and therefore had no effect on the rates of changes stated below. Details are provided in the notes to the consolidated financial statements.

Overview

Net interest income declined to EUR 4,444.7 million (EUR 4,495.2 million), mainly due to the persistently low interest rate environment, which was not fully offset by loan growth. **Net fee and commission income** declined slightly to EUR 1,861.8 million (EUR 1,869.8 million) due to lower income from lending business and payment services. The **net trading and fair value result** decreased to EUR 210.1 million (EUR 242.3 million). **Operating income** went down moderately to EUR 6,771.8 million (-1.5%; EUR 6,877.9 million).

Operating income and operating expenses in EUR million



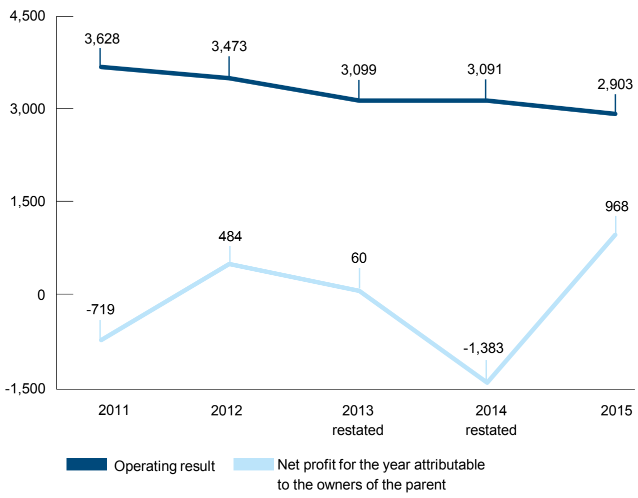
General administrative expenses rose to EUR 3,868.9 million (+2.2%; EUR 3,787.3 million). This resulted in a decline of the **operating result** to EUR 2,902.9 million (-6.1%; EUR 3,090.7 million). The **cost/income ratio** amounted to 57.1% (55.1%).

Net impairment loss on financial assets not measured at fair value through profit or loss (net) fell significantly to EUR 729.1 million or 56 basis points of average gross customer loans (-65.0%; EUR 2,083.7 million or 163 basis points), primarily due to a substantial decline in Romania, but also due to a positive trend in all Austrian segments. The **NPL ratio** improved further to 7.1% (8.5%). The **NPL coverage ratio** stood at 64.5% (68.9%).

Other operating result amounted to EUR -635.6 million (EUR -1,752.9 million). The significant positive change was attributable to the non-recurrence of high negative one-off effects in 2014 (primarily intangible write-downs). Current figures include the expense of contributions to national resolution funds in the amount of EUR 51.3 million payable in 2015 for the first time as well as losses in the amount of EUR 129.5 million resulting from legislation requiring the conversion of customer loans (Swiss francs to euro) in Croatia. In addition, provisions were recognised in the amount of EUR 101.6 million for risks related to Romanian consumer protection claims. At EUR 236.2 million (EUR 256.3 million), banking and financial transaction taxes were again significant: EUR 128.6 million (EUR 130.5 million) in Austria, EUR 23.6 million (EUR 31.5 million) in Slovakia and EUR 84.0 million (EUR 94.2 million) in Hungary.

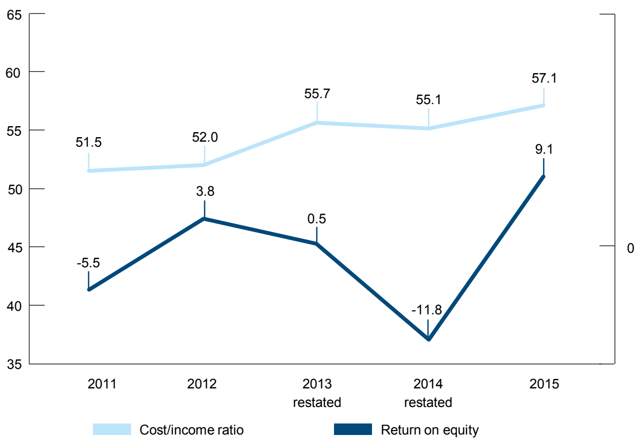
Due to the good risk development at the Savings Banks and the turnaround in Romania, the minority charge was high at EUR 307.0 million (EUR 133.4 million). The **net result attributable to owners of the parent rose** to EUR 968.2 million (EUR -1,382.6 million).

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



Cash return on equity, i.e. return on equity adjusted for non-cash expenses such as goodwill impairment and straight-line amortisation of customer relationships, stood at 9.3% (reported ROE:-9.3%) in 2015 versus -9.4% (reported ROE:-13.3%) in 2014.

Key profitability ratios in %



Cash earnings per share for the financial year 2015 amounted to EUR 2.23 (reported EPS: EUR 2.22) versus EUR -1.44 (reported EPS: -3.37) in 2014.

Total assets increased to EUR 199.7 billion (EUR 196.3 billion), driven mainly by the increase in customer lending volume, with **loans and receivables to customers (net)** rising to EUR 125.9 billion (EUR 120.8 billion). Within liabilities, **customer deposits** rose to EUR 127.9 billion (EUR 122.6 billion). The **loan-to-deposit ratio** stood at 98.4% (98.6%).

The **common equity tier 1 ratio** (CET 1, Basel 3 phased-in) stood at 12.3% (10.6%). The **total capital ratio** (Basel 3 phased-in) at 17.9% (15.7%).

Dividend

A dividend distribution amounting to EUR 0.50 per share will be proposed at the Annual General Meeting (2014: no dividend distribution).

Outlook

Operating environment anticipated to be conducive to credit expansion

In 2016, real GDP growth, driven primarily by robust domestic demand, of between 1.5% and 3.8% is expected for Erste Group's key markets, i.e. Austria, the Czech Republic, Slovakia, Romania, Hungary and Croatia. As in 2015, the contribution of net exports to GDP growth will again be less significant in 2016, though. Inflation will remain negligible in 2016 against the backdrop of a weak economic environment in Europe and the continuing decline in commodity prices. The economic growth anticipated for 2016 should support a further drop in unemployment in most of Erste Group's key countries. In Austria, the unemployment rate is expected to increase, however. The solid economic development in Erste Group's core markets will again be reflected by current account surpluses in 2016, with the exception of Romania, which is expected to post a current account deficit of 1.1%. The solid macroeconomic situation of Central and Eastern Europe is underpinned by continuing moderate levels of government debt in the Czech Republic, Slovakia and Romania, where public debt ratios should remain below the Maastricht limit of 60%. Overall, the 2016 economic outlook for Erste Group's markets in Central and Eastern Europe should hence be bright. In those circumstances, it is expected that loan demand should rise further in Erste Group's core countries.

Return on tangible equity (ROTE) expected at about 10-11% in 2016

In 2016, the business of Erste Group should benefit from the following factors: supported by the solid development of the overall economy, loan growth should continue and credit quality should improve amid a favourable risk environment. The sale of a participation in VISA will result in a positive one-off impact of about EUR 127 million pre-tax. While higher lending volume has a positive impact on net interest income, the persistently low interest rate environment will result in lower returns from investments in government bonds and will also adversely affect the liabilities side. Banking levies (comprising banking taxes in Austria, Hungary and Slovakia), the Hungarian financial transaction tax as well as resolution funds and deposit insurance fund contributions) will have a negative pre-tax impact of about EUR 360 million. In 2016, the bank will continue to pursue the digital transformation as one of its key business policy objectives: the newly designed digital platform George will be expanded further and, after its successful launch in Austria, will also be rolled out in the Czech Republic. Overall, the bank is expected to continue its positive development, which should lead to a further strengthening of the capital base. The bank therefore assumes that it will be in a position to pass the stress test announced by the European Central Bank for 2016.

Risks to outlook

Risks related to political interventions in the banking market and risks arising from legal action under consumer protection legislation: in recent years, politically motivated legislation that has significantly increased the cost of banking operations was passed in several countries in which Erste Group operates. This included most notably the introduction of banking levies in Austria, Hungary and Slovakia as well as various laws providing for a refund of fees and the forced conversion of foreign-currency loans, e.g. in Hungary and in Croatia. It cannot be ruled out that further legislative measures may be adopted in the future, including some of the kind currently being discussed in Romania, under which consumers are to be allowed to transfer ownership in loan collateral to the bank in return for cancellation of their debt. Erste Group and its subsidiaries are furthermore involved in various lawsuits brought by consumer protection organisations, which in the event of a negative outcome might result in additional costs.

Risks in connection with geopolitical and global economic developments: international political and economic turmoil caused, for example, by a severe slowdown in global growth, a potential exit of Great Britain from the European Union or political tensions within the EU may, individually or collectively, negatively affect the profitability and growth prospects of Erste Group. The extremely expansionary monetary policies pursued by the central banks of Western advanced economies also have an ongoing negative effect on the profitability of the global banking sector. They reduce banks' interest income and result in a persistent decrease in net interest margins. Erste Group Bank AG has already responded to this development by introducing more digital elements into its business model.

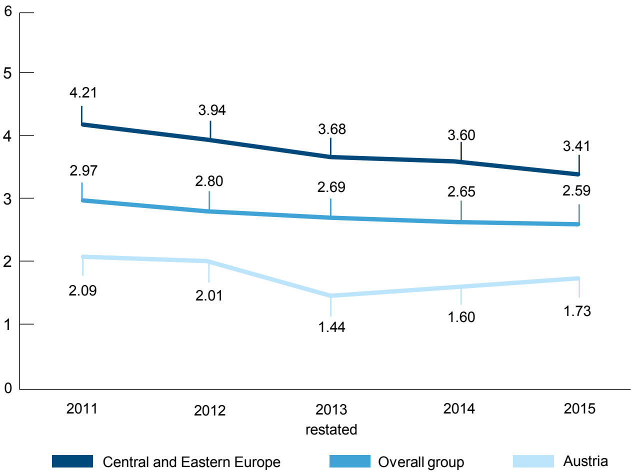
ANALYSIS OF PERFORMANCE

January-December 2015 compared with January-December 2014

Net interest income

Net interest income declined to EUR 4,444.7 million (EUR 4,495.2 million), mainly due to the low interest rate environment which could not be offset by loan growth of 4.2%. Developments varied geographically: while net interest income declined significantly in Romania (lower unwinding effect) and Hungary (consumer loan law, lower loan volume), it increased in Austria. Consequently, the net interest margin (net interest income as a percentage of average interest-bearing assets) contracted from 2.65% to 2.59%.

Net interest margin in %

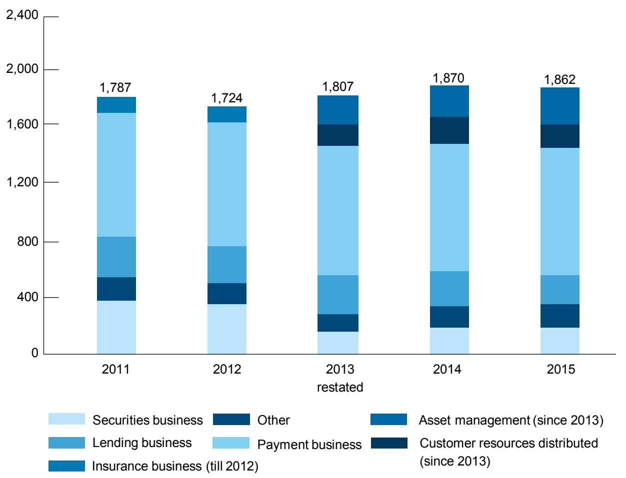


Since 2013 the calculation method for the net interest margin has been based on segment figures. For the calculation of the average interest-bearing assets five quarterly figures are now used instead of the four in the past.

Net fee and commission income

Net fee and commission income declined slightly to EUR 1,861.8 million (EUR 1,869.8 million). Consistently strong results from asset management and the custody business largely offset the decline in income from the lending business and payment services.

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



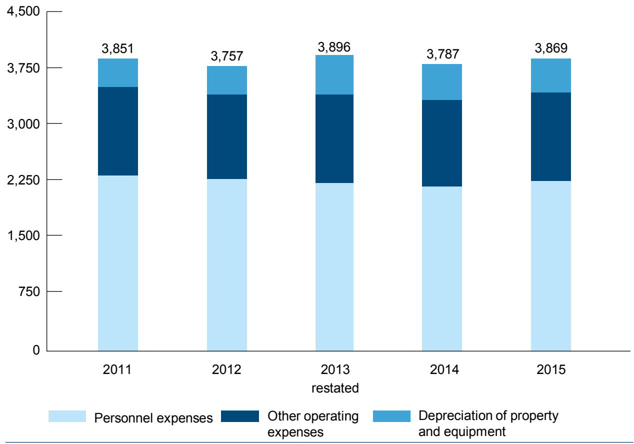
Net trading and fair value result

The net trading and fair value result decreased to EUR 210.1 million (EUR 242.3 million), as improved income from foreign exchange transactions and positive valuation results of financial liabilities – at fair value through profit or loss did not compensate for the lower contribution of the line item securities and derivatives trading.

General administrative expenses

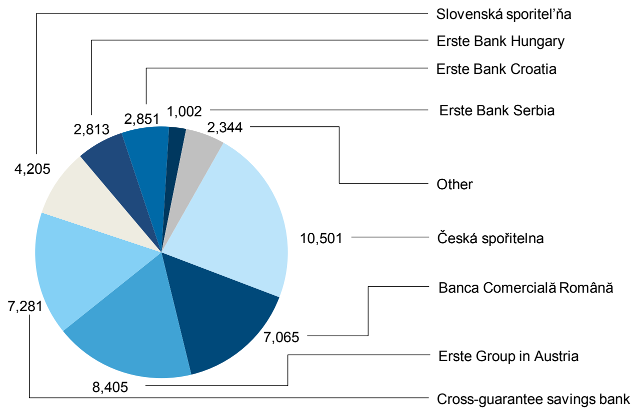
General administrative expenses rose to EUR 3,868.9 million (EUR 3,787.3 million).

General administrative expenses, structure and trend, in EUR million



Personnel expenses increased, partly due to a higher average headcount, to EUR 2,244.6 million (EUR 2,184.2 million). **Other administrative expenses** were up at EUR 1,179.3 million (EUR 1,136.9 million), **depreciation and amortisation** declined to EUR 445.0 million (EUR 466.1 million). The line item other administrative expenses comprised deposit insurance contributions in the amount of EUR 99.6 million (EUR 87.6 million). The rise in these expenses was attributable to contributions to a deposit insurance fund in the amount of EUR 21.5 million that Austrian financial institutions had to pay for the first time in 2015. The line item depreciation and amortisation included the straight-line amortisation of intangible assets (customer relationships) in the amount of EUR 6.2 million (EUR 37.0 million). The marked decline was due to the full write-down of customer relationships in BCR in 2014.

Headcount as of 31 December 2015



The average headcount increased slightly by 1.1% to 46,496 (45,996).

Operating result

Operating income declined to EUR 6,771.8 million (-1.5%; EUR 6,877.9 million) due to lower net interest income, a decline in the net trading and fair value result and lower dividend income. General administrative expenses rose to EUR 3,868.9 million (+2.2%; EUR 3,787.3 million), which led to an operating result in the amount of EUR 2,902.9 million (-6.1%; EUR 3,090.7 million). The cost/income ratio stood at 57.1% (55.1%).

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 or loss (net) rose to EUR 100.9 million (EUR 18.3 million). This was attributable to positive contributions from the sale of financial assets – available for sale as well as gains from the repurchase of financial liabilities carried at amortised cost.

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

Net impairment loss on financial assets declined to EUR 729.1 million (EUR 2,083.7 million). This development was attributable in particular to the decline in the balance of the allocation and release of provisions for the lending business together with the costs of direct loan write-offs offset by income received from the recovery of loans already written off to EUR 666.5 million (EUR 2,044.9 million). The main drivers were declining risk costs in Austria as well as lower risk costs plus substantial recoveries of receivables previously written off in Romania after the recognition of extraordinarily high risk provisions in 2014. Consequently, net impairment loss on financial assets not measured at fair value through profit or loss, based on the average volume of gross customer loans, improved significantly to 56 basis points (163 basis points). In addition, this line item included a net impairment loss on held-to-maturity and available-for-sale financial assets in the amount of EUR -62.6 million (EUR -38.8 million).

Other operating result

The non-recurrence of high negative one-off effects had a positive impact on other operating result, which came in at EUR -635.6 million (EUR -1,752.9 million). The comparative period had been affected by substantial write-offs: goodwill write-downs in the total amount of EUR 475.0 million (thereof EUR 319.1 million in Romania, EUR 61.4 million in Croatia and EUR 94.5 million in Austria). In addition, EUR 489.8 million were written off in Romania for customer relationships and brand.

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

Levies on banking activities declined to EUR 236.2 million (EUR 256.3 million). In Hungary, banking levies of EUR 84.0 million (EUR 94.2 million) included banking tax of EUR 46.2 million (EUR 47.9 million) and a financial transaction tax of EUR 37.8 million (EUR 46.3 million). Banking levies charged in Austria amounted to EUR 128.6 million (EUR 130.5 million) and in Slovakia – after a substantial reduction – to EUR 23.6 million (EUR 31.5 million).

Other operating result also comprises the allocation/release of other provisions, including for commitments and guarantees given, in the amount of EUR 306.0 million (EUR 73.8 million). This includes provisions in the amount of EUR 129.5 million for losses resulting from legislation requiring the conversion of customer loans (Swiss francs to euro) in Croatia as well as EUR 101.6 million for risks related to Romanian consumer protection claims. In the comparative period, other operating result had mainly reflected provisions in the amount of EUR 336.8 million recognised after a consumer loan law had been passed in Hungary. Provisions for commitments and guarantees given amounted to EUR 63.0 million.

This line item also includes contributions to the national resolution fund payable in 2015 for the first time in the amount of EUR 51.3 million. Impairments of own properties and repossessed assets of EUR 36.3 million also had a negative impact on this position.

Profit/loss for the year

The pre-tax result from continuing operations amounted to EUR 1,639.1 million (EUR -727.7 million). Due to the good risk development in Austria and the turnaround in Romania, the minority charge increased significantly to EUR 307.0 million (EUR 133.4 million). The net result attributable to owners of the parent rose to EUR 968.2 million (EUR -1,382.6 million).

Tax situation

Pursuant to section 9 of the Austrian Corporate Tax Act ("KStG"), Erste Group Bank AG and its main domestic subsidiaries constitute a tax group. Due to the high proportion of tax-exempt income – particularly income from participating interests – and tax payments for the permanent establishments abroad, no Austrian corporate income tax was payable in fiscal year 2015. The current tax loss carried forward increased in 2015.

Taxes on income are made up of current taxes on income calculated in each of the Group companies based on the results reported for tax purposes, corrections to taxes on income for previous years, and the change in deferred taxes. In 2015, the reported total income tax expense amounted to EUR 363.9 million (2014: EUR 521.5 million).

Balance sheet development

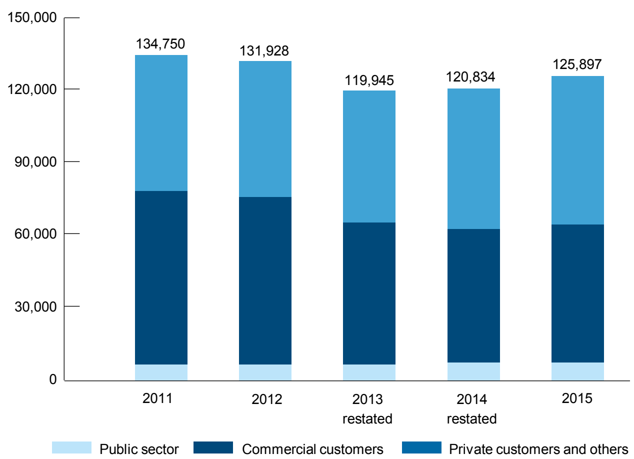
Total assets increased to EUR 199.7 billion (EUR 196.3 billion), driven mainly by the increase in customer lending volume, with loans and receivables to customers (net) rising to EUR 125.9 billion (EUR 120.8 billion). Within liabilities, customer deposits rose to EUR 127.9 billion (EUR 122.6 billion). **Total risk**, i.e. risk-weighted assets including credit, market and operational risk, (Basel 3 phased-in) decreased to EUR 98.3 billion (EUR 100.6 billion).

The cash and cash balances amounting to EUR 12.4 billion (EUR 7.8 billion) are a sign of good liquidity.

Trading and investment securities held in various categories of financial assets were down at EUR 47.5 billion (EUR 50.1 billion), with declines posted in the line items financial assets – available for sale and financial assets – held for trading (in the derivatives position).

Loans and receivables to credit institutions (net) decreased to EUR 4.8 billion (EUR 7.4 billion). **Loans and receivables to customers (net)** rose to EUR 125.9 billion (EUR 120.8 billion), driven by higher volumes in Slovakia, the Czech Republic and Austria (Erste Bank Oesterreich and Savings Banks).

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

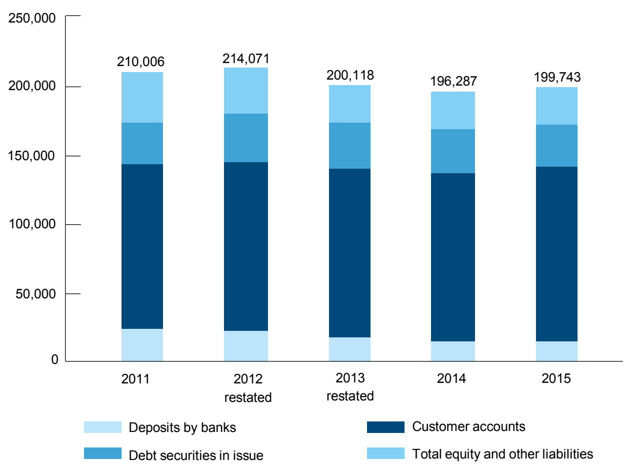


Allowances for loans and receivables to customers declined to EUR 6.0 billion (EUR 7.5 billion), reflecting the steady improvement in asset quality.

Intangible assets stood at EUR 1.5 billion (EUR 1.4 billion). **Miscellaneous assets** declined to EUR 7.7 billion (EUR 8.6 billion).

Financial liabilities – held for trading were lower at EUR 5.9 billion (EUR 7.7 billion), primarily as a result of a decrease in the line item derivatives.

Balance sheet structure/liabilities and total equity in EUR million

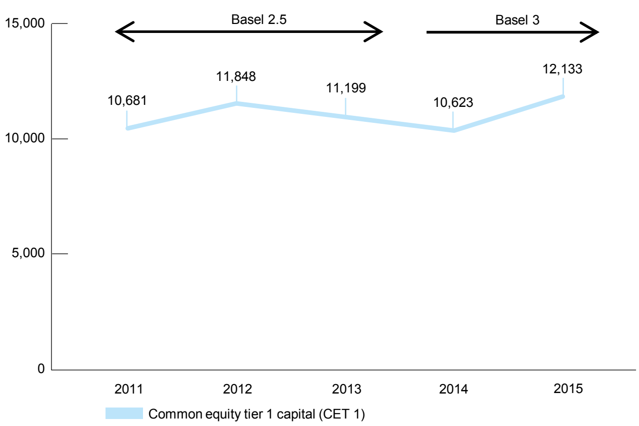


Deposits from banks declined to EUR 14.2 billion (EUR 14.8 billion). **Deposits from customers** were up at EUR 127.9 billion (EUR 122.6 billion). The **loan-to-deposit ratio** stood at 98.4% (98.6%).

Debt securities in issue, mainly bonds, declined to EUR 29.7 billion (EUR 31.1 billion). **Miscellaneous liabilities** rose to EUR 7.3 billion (EUR 6.6 billion).

Erste Group's **total equity** increased to EUR 14.8 billion (EUR 13.4 billion). **Common equity tier 1 capital** (CET 1, Basel 3 phased-in) rose to EUR 12.1 billion (EUR 10.6 billion); **total own funds** (Basel 3 phased-in) improved to EUR 17.6 billion (EUR 15.8 billion). **Total risk** (**risk-weighted assets** including credit, market and operational risk, Basel 3 phased-in) declined to EUR 98.3 billion (EUR 100.6 billion).

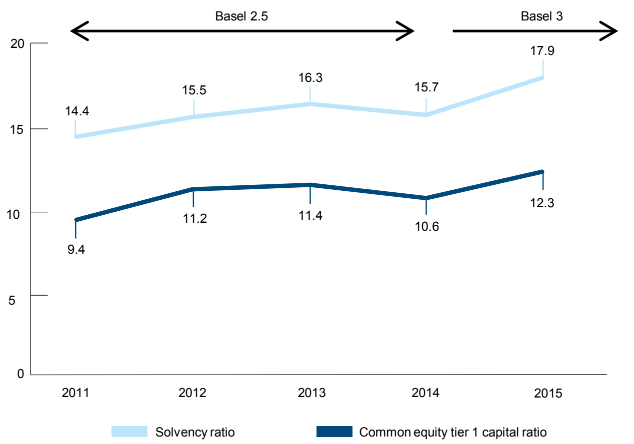
Common equity tier 1 capital (CET 1) according to CRR in EUR million



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

As of 2014, Erste Group has calculated consolidated regulatory capital according to Basel 3. The calculation follows the requirements as defined by the capital requirements regulation (CRR) taking into consideration transitional provisions as defined in the Austrian CRR Supplementary Regulation. These transitional provisions define the percentages applicable to eligible capital instruments and regulatory deduction items as well as filters. The **total capital ratio** (Basel 3 phased-in) in relation to the total risk (total eligible qualifying capital in relation to total risk pursuant to CRR) was 17.9% (15.7%), well above the legal minimum requirement (8%).

Solvency ratio and common equity tier 1 capital ratio in %



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

EVENTS AFTER BALANCE SHEET DATE

There were no significant events after the balance sheet date.

RISK MANAGEMENT

With respect to the explanations on substantial financial and non-financial risks at Erste Group as well as the goals and methods of risk management, we would like to draw the reader's attention to the information in Notes 44, 45 and 50 to the consolidated financial statements.

RESEARCH AND DEVELOPMENT

Erste Group does not engage in any research activities pursuant to section 243 (3) no. 3 UGB, but in 2015 development costs in the amount of EUR 87 million (EUR 50 million) were capitalised in connection with software developed in-house. In order to drive improvements for retail customers and in the ongoing services, Erste Group Bank AG launched the Innovation Hub in 2012. Its purpose is to initiate and coordinate across-the-board initiatives with a strong focus on "real customer experiences". As a multi-disciplinary team consisting of marketing, product and IT as well as design experts, the Innovation Hub is tasked with creating innovations and managing new programme initiatives.

CORPORATE SOCIAL RESPONSIBILITY

As one of the leading banks in Austria and the eastern part of the EU, Erste Group has committed itself to strict ethical standards for all the activities it carries out in its markets. Almost 200 years ago, the very founding concept of Erste österreichische Spar-Casse already embraced the idea of contributing to the common good. It goes without saying that Erste Group Bank AG acts responsibly towards customers, employees, investors and communities. This is why Erste Group Bank AG has brought in a wide variety of measures.

Adhering to laws and international initiatives against bribery and corruption is common practice. Measures are implemented to fulfil this responsibility, such as a documentation and approval tool for gifts and a Whistleblowing Office. The Erste Integrity Line encourages lawful, fair behaviour and enables all employees to report cases of suspicious misconduct.

Commitment to society

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

Social activities

Erste Group's social commitment is marked by its long-term cooperation with local and international organisations providing practical and swift assistance to people in difficult life situations. Erste Bank Oesterreich, for instance, has been a partner of Caritas for many years. Since 2003 Erste Bank Oesterreich, the savings banks and s Bausparkasse have sponsored Hilfswerk Österreich, one of the largest non-profit providers of health care, social and family services in Austria. Additionally, Erste Bank Oesterreich has also supported the aid organisation lobby.16, which works to protect the right to education of unaccompanied young refugees and give them access to education, employment and participation in social life. Banca Comercială Română operates a platform for no-fee donations, which promotes approximately 300 listed non-governmental organisations (NGOs). Approximately 90 projects and initiatives were supported through partial financing in Serbia in 2015. Slovenská sporiteľňa continued its support for projects that create new jobs in sheltered workplaces and for organisations that work with handicapped people. Young people from children's homes have obtained scholarships under a project called *Success through Education*.

Arts and culture

Erste Group is dedicated to supporting an understanding of and appreciation for the arts and culture. One of the cornerstones of the activities is to enable young and socially disadvantaged people to find access to music and to the performing or the applied arts. Promoting young talents is another focus of Erste Group's arts and culture sponsorship programme. Erste Bank Oesterreich is the main sponsor of the *Viennale* film festival and *Jeunesse*, which supports young artists and the development of innovative concepts for sharing music. Česká spořitelna is the most dedicated long-term promoter of music in the Czech Republic. The portfolio includes the biggest multi-genre festivals – *Colours of Ostrava* and *United Islands*. Česká spořitelna is also a patron of Česká filharmonie, the Czech Philharmonic orchestra. Projects focusing on social design were financed as part of the Vienna Design Week in 2015. In addition, a number of music festivals and art projects have been promoted in Hungary, Slovakia, Serbia and Croatia.

Financial education

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

A new project is the *Financial Life Park* (FLiP), a museum and learning trail focusing on personal finance and basic economics. The main target group are school classes starting from primary school. The FLiP, located in the newly built Erste Campus in Vienna, Erste Group's headquarters, will open its doors in autumn 2016.

Erste Group also offers workshops in the fields of financial education and debt prevention, especially for younger people. Large amounts of school and practice materials can be downloaded from the platform www.geldundso.at, which was developed together with youths. The local banks in the Czech Republic, Hungary and Slovakia support similar education projects.

Corporate volunteering

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

In addition to former branch premises at Europaplatz in Vienna, Erste Group also made available unused space at Erste Campus as emergency shelter for refugees.

Customers

Erste Group puts customers and their interests at the centre of its business activities. Only banks that understand the financial needs of their customers can offer the right solutions at the right time. Special attention is devoted to the quality of products and advisory services, as these are key factors for customer satisfaction and, therefore, for building up and maintaining long-term customer relationships. The focus of Erste Group is clearly on the relationship with the customer, not on the transaction.

Erste Group believes that, despite technological progress, personal contact with customers remains important. This is why the modern branch network of Erste Group remains a key element of its banking business. Customers of Erste Group who require complex long-term financial services expect sound advice. The combination of digital channels and traditional sales approaches enables customer relationship managers to explore customer needs even more proactively. Accessibility, transparency and comprehensibility of product information are top priorities. As a result, the range of multilingual consultation services is constantly expanding. Each branch of Erste Bank Oesterreich features an ATM machine with braille, and the number of barrier-free branches is increasing across the group.

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

In 2015, the main focus of financial inclusion was again on micro banking and social enterprise financing. Erste Group's local banks offer micro-financing models. Good.bee Credit provides development-oriented financial products for small businesses and the self-employed in Romania. Start-ups are also supported through micro-loans in Serbia, Croatia, Slovakia and Austria that target the financing of social enterprises.

Suppliers

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

Employees

Retaining experienced and committed employees is fundamental to the long-term success of every company. Erste Group – as one of the largest employers in the region – therefore aims to maintain its position as an employer of choice in Central and Eastern Europe. The appointment of a Group Diversity Manager underlines the importance of diversity for Erste Group. In 2015, the management board of the Holding and the employees' council signed a company agreement on preventing discrimination and promoting respectful behaviour in the workplace. An Anti-Discrimination Officer was appointed at the end of 2015; this person works with management on awareness and prevention and councils, advises and mediates in matters concerning harassment and discrimination. Further to that, Erste Group signed the Nestor Gold Charter on generation management in October 2015.

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

The focus of the remuneration policy is on an appropriate balance in rewarding the performance, competence and level of responsibility of the employees and keeping a sustainable personnel cost base. Erste Group offers competitive, but not market-leading, compensation packages. The remuneration schemes are designed according to the CRD IV requirements on remuneration, ESMA guidelines (European Securities and Markets Authority) and local bank laws. Erste Group is committed to a proactive approach towards helping its employees to identify and manage health risk. Therefore, a multi-professional team of occupational physicians, industrial psychologists and physiotherapists assists the employees in any matters of health and well-being.

Environment

Environmental issues affect everyone's life. An Environmental Steering Committee consisting of the CEO and COO of Erste Group Bank AG and the Head of Group Environmental Management was set up to monitor the group-wide implementation of the environmental strategy.

To improve its ecological footprint, Erste Group introduced far-reaching measures to reduce electric energy, heating energy, copy paper and CO2 emissions. A wide variety of energy-saving programmes has been implemented in all local banking subsidiaries. In addition, group-wide criteria for choosing heating and electric energy providers based on their use of renewable energies have been defined. Erste Campus, the new headquarters in Vienna, has been awarded preliminary DGNB Gold certification by the Austrian Society for Sustainable Real Estate (ÖGNI), and Erste Asset

Management was the first Austrian investment funds company to sign the Montréal Carbon Pledge.

The Corporate governance report is part of the annual report of Erste Group (www.erstegroup.com/investorrelations).

CAPITAL, SHARE, VOTING AND CONTROL RIGHTS

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

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

As of 31 December 2015, DIE ERSTE oesterreichische Spar-Casse Privatstiftung ("Privatstiftung"), a foundation, controlled together with its partners to shareholder agreements approximately 29.17% of the shares in Erste Group Bank AG and was the controlling shareholder with 12.88% of the shares. The Privatstiftung held 9.22% of the shares directly, the indirect participation of the Privatstiftung amounted to 3.66% of the shares were held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the Privatstiftung. 3.30% were hold by Austrian savings banks and saving banks foundations acting together with the Privatstiftung and affiliated with Erste Group Bank AG through the Haftungsverbund. 9.92% of the subscribed capital was controlled by the Privatstiftung on the basis of a shareholder agreement with Caixabank S.A., 3.08% were held by other partners to other shareholder agreements.

Furthermore, it should be noted that Erste Group Bank AG – just as nearly all Austrian savings banks – is a member of the Haftungsverbund of Sparkassengruppe. Sparkassengruppe sees itself as an association of independent, regionally established savings banks that strives to bolster its market position by strengthening common product development, harmonising its market presence and advertising concepts, pursuing a common risk policy, engaging in co-ordinated liquidity management and applying common controlling standards.

In addition, the purpose of this scheme is:

_ to identify any business issues of its member banks at an early stage and to provide effective assistance to its members in the resolution of business issues – this can range from offering technical assistance or giving guarantees to providing borrowed or qualifying capital, and
_ to provide customers with a deposit guarantee system that goes beyond the legal deposit guarantee requirement (section 93 et seq. of the Austrian Banking Act ("BWG"), which only guarantees certain types of customer deposits, by creating a suitable obligation to service the liabilities of other participating savings banks if the need arises.

Haftungsverbund GmbH is responsible for implementing such measures and analysing the business situation of every member bank of the Haftungsverbund. Overall, the participating savings banks hold a maximum stake of 49% (assuming all savings banks participate) in Haftungsverbund GmbH and Erste Group Bank AG always holds a minimum stake of 51%.
As required by the BWG, individual members of the Haftungsverbund may need to provide assistance to other members (by giving liquidity assistance, granting loans or guarantees and providing equity capital, for instance), and, in any other protection case (insolvency) to service the guaranteed customer deposits of a Haftungsverbund member. The scope of the individual services to be provided by individual Haftungsverbund members where needed is subject to an individual and general maximum limit. Any contributions made by Haftungsverbund members under the statutory deposit guarantee system pursuant to section 93 et seq. BWG are likewise counted in. The corresponding amounts are determined by Haftungsgesellschaft and communicated to members liable for contributions.

In 2013, collaboration with savings banks was further strengthened by way of an additional agreement. The purpose of the agreement concluded in 2013 and effective as of 1 January 2014 is not only to broaden the regulatory options available to Erste Group Bank AG but also to ensure compliance with point 127 of Article 4 (1) (1) CRR and Article 113 (7) CRR with a view to allowing recognition of minority interests at consolidated level in acc. with Article 84 (6) CRR. Savings banks that are party to the agreement concluded in 2013 also include Allgemeine Sparkasse Oberösterreich, which forms an institutional protection scheme as defined under Article 113 (7) CRR with the other members of the Haftungsverbund. Owing to the new legal and supervisory requirements, the maximum limits for support mechanisms of the individual members were raised and an ex ante fund was set up. Payments to the ex ante fund are made on a quarterly basis over a period of 10 years. In the financial statements, the payments by the individual members are recognised as participations in IPS GesbR – which has been charged with managing the ex ante fund. There was a shift in retained earnings from untied reserves to tied reserves. On the basis of the contractual provisions, these retained earnings represent a tied reserve. These tied retained earnings may be released only if the ex ante fund is used due to a contingency. Internally, this reserve may therefore not be used to cover a loss and, at member level, it does not qualify as capital under the definition of CRR; on a consolidated level, however, the ex ante fund qualifies as capital.

Additional disclosures pursuant to section 243a (1) UGB

All restrictions on voting rights or the transfer of shares, even if they are included in agreements between shareholders, insofar as they are known to the management board pursuant to section 243a (1) no. 2 UGB:

In shareholder agreements, the Privatstiftung agreed with its partners the following: concerning the appointment of the members of the supervisory board, the partners are obliged to vote as required by the Privatstiftung. The partners can dispose of shares according to a predefined sale procedure and can purchase shares only within the quotas agreed with the Privatstiftung (of in total a maximum of 2% within 12 months); with this regulation an unwanted creeping-in according to the Takeover Act shall be prevented. In addition, the partners have committed themselves not to make a hostile takeover bid, nor to participate in a hostile takeover bid, nor to act together with a hostile bidder in any other way.

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

Art. 15.4 of the Articles of Association concerning the appointment and dismissal of members of the management board and the supervisory board is not directly prescribed by statutory law: a three-quarter majority of valid votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal are required to pass a motion for removal of supervisory board members. The Articles of Association contain no restrictions in respect of voting rights or the transfer of shares. Art. 19.9 of the Articles of Association concerning amendments to the Articles of Association contains a provision that is not prescribed directly by statutory law: amendments to the Articles of Association, in so far as they do not alter the business purpose, may be passed by a simple majority of votes cast and a simple majority of the subscribed capital represented at the meeting considering the amendment. Where higher majority votes are required by individual provisions of the Articles of Association, these provisions can only be amended with the same higher majority vote. Moreover, amendments to Art. 19.9 require a three-quarter majority of the votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal.

Additional disclosures pursuant to section 243a (1) no. 7 UGB

Pursuant to the following provisions, members of the management board have the right to repurchase shares, where such a right is not prescribed by statutory law.

As per decision of the annual general meeting of 12 May 2015:

_ the management board is entitled to purchase up to 10% of the subscribed capital in treasury shares for trading purposes according to section 65 (1) no. 7 Austrian Stock Corporation Act (”AktG”). However, the trading portfolio of these shares may not exceed 5% of the subscribed capital at the end of any calendar day. The consideration for the shares to be purchased must not be less than 50% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase and must not exceed 20% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase. This authorisation is valid for a period of 30 months, i.e. until 11 November 2017.

_ the management board is entitled, pursuant to section 65 (1) no. 8 as well as (1a) and (1b) Stock Exchange Act and for a period of 30 months from the date of the resolution, i.e. until 11 November 2017, to acquire own shares of up to 10% of the subscribed capital, subject to approval by the supervisory board, with the option of making repeated use of the 10% limit, either at the stock exchange or over the counter, likewise to the exclusion of the shareholders’ right to tender proportional payment. The authorisation may be exercised in whole or in part or in several instalments and in pursuit of one or more purposes. The market price per share must not be below EUR 2.00 or above EUR 120.00. Pursuant to section 65 (1b) in conjunction with sec. 171 Stock Corporation Act, the management board is authorised, from the date of the resolution, i.e. until 11 May 2020, on approval by the supervisory board, to sell or use the company’s own shares, also by means other than the stock exchange or a public offering for any purpose allowed by the law, particularly as consideration for the acquisition and financing of the acquisition of companies, businesses, business divisions or shares in one or more businesses in Austria or abroad to the exclusion of the shareholders’ proportional purchase option. The authorisation may be exercised in whole or in part or in several instalments and in pursuit of one or more purposes. The management board is authorised to redeem own shares subject to the supervisory board’s approval without requiring the annual general meeting to adopt any further resolution.

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

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

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

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

Haftungsverbund

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

- one contracting party harms grossly the duties resulting from present agreement
- the ownership structure of a party to the contract changes in such a way – particularly by transfer or capital increase – that one or more third parties from outside the savings bank sector directly and/or indirectly gain a majority of the equity capital or voting rights in the contracting party or
- one contracting party resigns from the savings bank sector irrespective of the reason.

The Haftungsverbund's agreement in principle and supplementary agreement expire if and as soon as any entity that is not a member of the savings bank sector association acquires more than 25% of the voting power or equity capital of Erste Group Bank AG in any manner whatsoever and a member savings bank notifies the Haftungsverbund's steering company and Erste Group Bank AG by registered letter within 12 weeks from the change of control that it intends to withdraw from the Haftungsverbund.

Directors and officers insurance

Changes in controlling interests

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

- the insured party ceases to exist as a result of merger or consolidation, unless the merger or consolidation occurs between two insured parties, or
- another company, person or group of companies or persons acting in concert who are not insured parties, acquire more than 50% of the insured party's outstanding equity or more than 50% of its voting power (giving rise to the right to control the voting power represented by the shares, and the right to appoint the management board members of the insured party), then the insurance cover under this policy remains in full force and effect for claims relating to unlawful acts committed or alleged to have been committed before this change in control took effect. However, no insurance cover is provided for claims relating to unlawful acts committed or allegedly committed after that time (unless the insured party and insurer agree otherwise). The premium for this insurance cover is deemed to be completely earned.

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

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

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

Erste Group Bank AG and VIG are furthermore parties to an Asset Management Agreement, pursuant to which Erste Group undertakes to manage certain parts of VIG's and its group companies' securities assets. In the event of a change of control (as defined above), each party has a termination right. If Erste Group Bank AG elects to terminate the Asset Management Agreement following such a change of control of VIG, because the new controlling shareholders of VIG no longer support the Agreement, it may choose to ask for a full refund of the purchase price that it has paid for 95% of Ringturm Kapitalanlagegesellschaft m.b.H., the asset management company performing the services under the Asset Management Agreement. The refund decreases on a linear scale down to zero from October 2013 to October 2018.

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

Control environment

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

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

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

Risks relating to the financial reporting procedures

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

Furthermore, especially estimates for the determination of the fair value of financial instruments for which no reliable market value is available, estimates for the accounting of risk provisions for loans and advances and for provisions, complex measurement requirements for accounting as well as a difficult business environment bear the risk of significant financial reporting errors.

Controls

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

- Controlling as a permanent financial/business analysis (e.g. comparison of target and actual data between Accounting and Controlling) and control of the company and/or individual corporate divisions.
- Systemic, automatic control systems and measures in the formal procedure and structure, e.g. programmed controls during data processing.
- Principles of functional separation and the four-eye principle.
- Internal Audit – as a separate organisational unit – is charged with monitoring all corporate divisions in an independent yet proximate manner, particularly with regard to the effectiveness of the components of the internal control system. The Internal Audit unit is monitored and/or checked by the management board, the audit committee/supervisory board, by external parties (bank supervisor, in individual cases also by an external auditor) as well as through audit's internal quality assurance measures (self-assessments, peer reviews).

Group Consolidation

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

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

Information and communication

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

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

Responsibilities of Internal Audit

Internal Audit is in charge of auditing and evaluating all areas of the bank based on risk-oriented audit areas (according to the annual audit plan as approved by the management board and reported to the audit committee). The main focus of audit reviews is to monitor the completeness and functionality of the internal control system. Internal Audit has the duty of reporting its findings to the group's management board, supervisory board and audit committee several times within one year.

According to section 42 BWG, Internal Audit is a control body that is directly subordinate to the management board. Its sole purpose is to comprehensively verify the lawfulness, propriety and expediency of the banking business and banking operation on an on-going basis. The mandate of Internal Audit is therefore to support the management board in its efforts to secure the bank's assets and promote economic and operational performance and thus in the management board's pursuit of its business and operating policy. The activities of Internal Audit are governed in particular by the currently applicable Rules of Procedure, which were drawn up under the authority of all management board members and approved as well as implemented by them. The Rules of Procedure are reviewed on a regular basis and whenever required, and adapted should the need arise.

Audit activities of Internal Audit

In its auditing activities, Internal Audit puts a special focus on:

- operating and business areas of the bank;
- operating and business processes of the bank;
- internal bank standards (organisational policies, regulations on the division of powers, guidelines, etc.) as well as operating instructions, also with regard to their compliance, up-to-dateness and on-going updates;
- audit areas stipulated by the law, such as the material accuracy and completeness of notifications and reports to the Financial Market Authority and Oesterreichische Nationalbank or the annual audit of rating systems and their effectiveness.

Internal Audit performs its responsibilities based on its own discretion and in compliance with the annual audit plan as approved by the management board. Once approved, the audit plan is also reported to the audit committee.

Vienna, 26 February 2016

Management board

Andreas Treichl mp Chairman	Peter Bosek mp Member
Petr Brávek mp Member	Andreas Gottschling mp Member
Gernot Mittendorfer mp Member	Jozef Síkela mp Member

Segments

Introduction

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

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

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

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

Business segments

Erste Group – business segments									
Retail	SME	ALM & Local CC	Savings Banks	Large Corporates	Commercial Real Estate	Other Corporate	Group Markets	Group Corporate Center	Intragroup Elimination

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 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).

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 specialised 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.

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.

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

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

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.

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

The **Group Markets** (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).

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/write-down of customer relationships and brand, goodwill impairments, the banking tax of Erste Group Bank AG as well as free capital of Erste Group (defined as the difference between the total average IFRS equity and the average economic equity allocated to the segments).

Comparative figures for 2014 contained several one-off effects that did not recur in 2015. Thus, in 2014 the write-down of the entire remaining value of customer relationships and brand in Romania totaled EUR 470.7 million. Goodwill impairments amounted to EUR 475.0 million, whereby Romania accounted for EUR 319.1 million, Croatia for EUR 61.4 million and Austrian participations for EUR 94.5 million.

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.

RETAIL

Financial review

in EUR million	2014	2015	Change
Net interest income	2,175.1	2,207.7	1.5%
Net fee and commission income	1,050.3	1,029.1	-2.0%
Net trading and fair value result	59.8	56.1	-6.3%
Operating income	3,317.4	3,329.8	0.4%
Operating expenses	-1,814.3	-1,856.4	2.3%
Operating result	1,503.1	1,473.4	-2.0%
Cost/income ratio	54.7%	55.8%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-671.7	-289.7	-56.9%
Other result	-393.2	-277.5	-29.4%
Net result attributable to owners of the parent	271.7	714.6	>100.0%
Return on allocated capital	13.6%	33.5%	

The rise in net interest income was driven by increased loan and deposit volumes in Austria, accompanied by a repricing of deposits, higher loan volumes in Slovakia as well as increasing mortgage loan and current account volumes in the Czech Republic. These developments more than offset lower contribution from the lending business in Romania and Hungary. Net fee and commission income decreased primarily due to lower current account, cards and lending fees in the Czech Republic. Increased asset management and securities fees in Austria partially mitigated this impact. Net trading and fair value result was negatively impacted by the one-year Swiss franc exchange rate fixing for retail loans required by the legislation in Croatia in January 2015. Operating expenses increased due to the integration of new entities in Austria as well as due to higher expenses in Austria and Romania. Operating result declined, the cost/income ratio went up. The significant improvement of net impairment loss on financial assets not measured at FV through profit and loss was driven by lower risk costs in Romania, where the previous year included high provisions in connection with the accelerated NPL reduction, while risk costs in Hungary went up mostly due to method effects. Other result improved significantly due to the non-recurrence of one-time effects, namely expenses related to the Hungarian consumer loan law in the amount of EUR 304.4 million. The improvement was partially offset by provisions for risks related to Romanian consumer protection claims. Overall, the net result attributable to the owners of the parent improved substantially.

Credit risk

Credit risk exposure in the Retail segment rose strongly to EUR 54.3 billion (+5.1%). The customer loan portfolio increased to EUR 48.8 billion (+EUR 1.7 billion). The share of the retail business in Erste Group's total customer loans was up slightly at 37.0% (36.7%). The collateralisation ratio, which reflects the ratio of collateral to loan volume, stood at 62.8%.

The quality of the retail customer loan portfolio improved again significantly. Non-performing loans as a percentage of total retail customer loans decreased to 5.3% (6.3%). Measured by the NPL ratio, this segment continued to feature the highest quality of all business segments with a significant loan portfolio. In addition to a decline in non-performing loans by EUR 340 million, there was also a major migration of performing loans to better risk classes. The share of low-risk loans as a percentage of total retail customer loans rose to 84.4% (81.7%).

SME

Financial review

in EUR million	2014	2015	Change
Net interest income	569.4	570.2	0.1%
Net fee and commission income	198.4	190.3	-4.1%
Net trading and fair value result	31.9	34.8	8.9%
Operating income	832.7	826.0	-0.8%
Operating expenses	-292.8	-306.9	4.8%
Operating result	539.9	519.1	-3.9%
Cost/income ratio	35.2%	37.2%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-461.1	-187.4	-59.4%
Other result	0.6	-31.1	n/a
Net result attributable to owners of the parent	50.4	230.9	>100.0%
Return on allocated capital	3.6%	19.6%	

Net interest income remained stable due to higher loan volumes in Austria offsetting the re-allocation of a part of the Erste Factoring portfolio in Croatia to the Large Corporate segment. Net fee and commission income decreased mainly in the Czech Republic. Net trading and fair value result improved as a result of positive credit value adjustments in the Czech Republic. Operating expenses went up due to higher costs in subsidiaries; the cost/income ratio rose. Net impairment loss on financial assets not measured at FV through profit and loss improved substantially on the back of lower risk provisions in Romania and Austria. Other result deteriorated mainly due to the non-recurrence of one-off insurance income in Austria. Net result attributable to the owners of the parent improved significantly.

Credit risk

In the SME business segment, total credit risk exposure declined to EUR 25.2 billion (-2.3%). This development was mainly attributable to the transfer of larger SME clients to the Large Corporates segment towards the end of the year. The volume of loans to customers also decreased to EUR 20.6 billion at year-end. Measured as a percentage of total loans to customers of Erste Group, the share of SMEs declined to 15.6% (16.5%). 46% (50%) of the loans were secured by collateral.

Credit quality in the SME segment improved further. Supported by write-downs and sales on the secondary market as well as by a decrease in new bad loans, the portfolio of non-performing loans fell by EUR 470 million to EUR 1.8 billion. The NPL ratio dropped by 1.9 percentage points year on year to 8.8% at year-end. The development of credit risk loss provisions was also positive. The NPL coverage ratio rose to 72.1% (64.3%). Including collateral for defaulted loans, the coverage ratio stood at 109.3% at year-end.

ASSET/LIABILITY MANAGEMENT & LOCAL CORPORATE CENTER

Financial review

in EUR million	2014	2015	Change
Net interest income	164.7	4.8	-97.1%
Net fee and commission income	-65.3	-45.8	-29.9%
Net trading and fair value result	24.7	-53.1	n/a
Operating income	184.6	-47.3	n/a
Operating expenses	-112.9	-90.9	-19.5%
Operating result	71.8	-138.2	n/a
Cost/income ratio	61.1%	>100.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	1.2	-13.9	n/a
Other result	-214.2	-116.0	-45.9%
Net result attributable to owners of the parent	-174.8	-204.5	17.0%
Return on allocated capital	-9.9%	-11.7%	

Net interest income declined considerably mainly due to lower ALM contribution on the back of an unfavourable yield curve development. The increase in net fee and commission income was primarily related to a positive impact from lower fee expenses in the Czech Republic. Net trading and fair value result deteriorated substantially due to negative impacts from the yield curve development, hedging and FX effects. The reduction in operating expenses was mainly attributable to lower costs in Romania and Austria. Overall, operating result deteriorated. Other result improved especially due to some non-recurring negative effects booked in 2014 in Romania and Hungary. The net result attributable to the owners of the parent decreased.

SAVINGS BANKS

Financial review

in EUR million	2014	2015	Change
Net interest income	891.8	926.4	3.9%
Net fee and commission income	419.3	439.3	4.8%
Net trading and fair value result	1.1	3.1	>100.0%
Operating income	1,379.0	1,432.0	3.8%
Operating expenses	-932.1	-966.0	3.6%
Operating result	446.9	466.0	4.3%
Cost/income ratio	67.6%	67.5%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-199.4	-83.6	-58.1%
Other result	-15.4	6.3	n/a
Net result attributable to owners of the parent	18.4	40.2	>100.0%
Return on allocated capital	9.0%	16.9%	

The increase in net interest income was attributable to loan growth and the repricing of deposits due to the persistent low interest rate environment. Net fee and commission income improved due to higher fees from securities business and payment services. Net trading and fair value result increased driven by the valuation effects of derivatives. Operating expenses went up due to the increase of payments into deposit insurance funds to EUR 12.2 million (EUR 1.3 million) as well as higher personnel and IT expenses. Operating result increased while the cost/income ratio remained stable. Net impairment loss on financial assets not measured at FV through profit and loss decreased considerably on the back of a benign risk environment. Other result improved as the payment into the recovery & resolution fund in the amount of EUR 8.0 million was more than offset by valuation effects, lower provisions for contingent credit risk liabilities as well as higher selling gains for securities. Banking tax decreased slightly to EUR 15.0 million (EUR 15.9 million). Overall, the net result attributable to owners of the parent increased.

Credit risk

Total credit risk exposure in the Savings Banks segment increased to EUR 55.1 billion (53.9 billion) while loans to customers advanced to EUR 39.3 billion (+2.0%). Their share in total customer loans amounted to 29.8% at year-end. In the distribution of borrowers by customer segments there was a further shift from medium-sized and large enterprises as well as from the public sector to retail customers, with robust growth primarily in private households. Lending to professionals, other self-employed persons and small businesses expanded at 2.0%, the same rate as the total portfolio. At 17.0% of total loans, the share of this customer segment is significantly larger than at Erste Group's subsidiaries in Central and Eastern Europe. This reflects the structure of Austria's economy with a very high share of small and medium-sized enterprises compared with other countries.

Despite the Swiss franc's strong appreciation versus the euro (+11.0%), Swiss franc denominated foreign-currency loans declined further to EUR 3.6 billion (-EUR 397 million). The trend towards higher collateralisation of loans continued. The quality of the loan portfolio continued to be very solid. Non-performing loans as a percentage of total loans to customers decreased by 0.7 percentage points to 5.6%. This development was especially positive among corporate customers.

LARGE CORPORATES

Financial review

in EUR million	2014 restated	2015	Change
Net interest income	214.1	229.3	7.1%
Net fee and commission income	99.2	89.1	-10.2%
Net trading and fair value result	9.3	13.5	45.6%
Operating income	322.5	331.9	2.9%
Operating expenses	-85.0	-91.4	7.5%
Operating result	237.5	240.5	1.3%
Cost/income ratio	26.4%	27.5%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-310.7	-11.5	-96.3%
Other result	14.8	-34.5	n/a
Net result attributable to owners of the parent	-53.8	144.5	n/a
Return on allocated capital	-7.3%	21.9%	

Net interest income increased as a result of the reallocation of a part of the Erste Factoring portfolio in Croatia to the Large Corporates segment (shown fully in the SME segment in 2014) which, together with higher volumes and margins in the Slovak Large Corporates portfolio, more than offset the lower income attributable to unwinding effect and lower margins in Romania. Net fee and commission income decreased mostly due to lower fees in the Czech portfolio, lower guarantee fees in Austria and lower cash management fees in the Hungarian portfolio. Net trading and fair value result improved due to fixed income derivative business and positive credit value adjustments in Austrian and Czech portfolios. Operating result increased despite an increase in operating expenses, while cost/income ratio deteriorated. Net impairment loss on financial assets not measured at FV through profit and loss decreased substantially due to the non-recurrence of high risk provisions for loans and receivables booked in Romania in the previous year. Other result deteriorated due to higher provisions for commitments and guarantees given in Austria. Net result attributable to the owners of the parent improved significantly.

Credit risk

Credit risk exposure in the Large Corporates segment rose to EUR 21.4 billion (+21.5%; EUR 17.6 billion) at year-end. Loans to customers increased to EUR 12.2 million (+EUR 2.2 billion). As a percentage of Erste Group’s total loans to customers, they rose to 9.2% (7.8%). The high growth rates in the Large Corporates segment was mainly driven by a restructuring of customer relationship management whereby larger customers – primarily from the public sector – were transferred from regional responsibility to central management. The relatively big difference between credit risk exposure and the customer loan portfolio in the Large Corporates segment is primarily due to a large volume of guarantees and unused loan commitments.

Active management of non-performing loans by restructuring, write-downs and sales resulted in a significant improvement of the loan quality in the Large Corporates segment. The NPL ratio dropped to 7.8% (11.8%). The share of low-risk loans rose to 84.7% (78.7%).

COMMERCIAL REAL ESTATE

Financial review

in EUR million	2014	2015	Change
Net interest income	150.1	169.3	12.8%
Net fee and commission income	15.8	14.0	-11.2%
Net trading and fair value result	-6.2	4.7	n/a
Operating income	205.7	230.4	12.0%
Operating expenses	-88.2	-86.5	-2.0%
Operating result	117.5	143.9	22.4%
Cost/income ratio	42.9%	37.5%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-364.3	-56.9	-84.4%
Other result	-45.9	-34.0	-26.0%
Net result attributable to owners of the parent	-279.6	25.7	n/a
Return on allocated capital	-36.1%	4.4%	

The increase in net interest income was mainly attributable to a one-off income in the Austrian portfolio and higher loan volumes in the Czech Republic. Net fee and commission income declined on the back of lower fees in the Czech portfolio. The improvement in the net trading and fair value result was attributable to a one-off negative effect from FX valuations in 2014. Rental income increased mostly in Immorent. Operating expenses decreased slightly. Consequently, operating result increased and the cost/income ratio improved. Net impairment loss on financial assets not measured at FV through profit and loss dropped, mainly driven by Immorent and Austrian portfolios, as well as the Romanian and Hungarian portfolios. Other result improved due to a one-off income in Immorent. Overall, net result attributable to the owners of the parent improved significantly.

Credit risk

Business activity in the Commercial Real Estate segment declined again due to the continued adverse economic situation in the real estate industry. Over the course of the year, credit risk exposure decreased to EUR 9.2 billion (-EUR 627 million) while loans to customers declined to EUR 8.5 billion (-7.8%). The share of the Commercial Real Estate segment in Erste Group's total customer loan portfolio decreased to 6.5% (7.2%).

Loan quality improved noticeably for the first time in several years due to, among other things, portfolio clean-up measures such as write-downs and sales. Non-performing loans as a percentage of total commercial real estate financing decreased to 18.9% (20.9%). The migration of performing loans to better risk classes accelerated. The share of low-risk loans rose to 64.5% (59.3%).

OTHER CORPORATE

Financial review

in EUR million	2014	2015	Change
Net interest income	75.2	74.1	-1.4%
Net fee and commission income	18.9	14.8	-21.6%
Net trading and fair value result	4.8	-2.9	n/a
Operating income	99.4	86.1	-13.4%
Operating expenses	-58.2	-58.6	0.7%
Operating result	41.1	27.4	-33.3%
Cost/income ratio	58.6%	68.1%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-12.9	-53.0	>100.0%
Other result	1.5	25.0	>100.0%
Net result attributable to owners of the parent	22.9	-1.0	n/a
Return on allocated capital	10.9%	-0.5%	

The decline in net interest income is attributable to a further reduction of the International Business loan book in Austria as well as lower interest income in the Investment Banking portfolio in London which could not be entirely compensated by the improved performance of the International Business loan portfolio in New York. Net fee and commission income declined primarily due to a one-off fee expense related to a sale of private equity funds and lower guarantee fee income from the International Business. The decline in net trading and fair value result was driven by the worsening performance of asset-backed securities and derivatives in the structured credit business as well as the mark-to-market valuation of interest rate swaps. Operating result thus declined and the cost/income ratio deteriorated. 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 related to Ukrainian customers. Other result improved significantly due to the sale of private equity funds and extraordinary income from various credit exposures. Net result attributable to the owners of the parent declined.

Credit risk

Credit risk exposure in the Other Corporate segment declined further to EUR 2.8 billion (EUR 3.4 billion) while loans to customers increased to EUR 1.8 billion (+5.5%). The still low share of customer loans in total credit risk exposure compared with other business segments is mainly due to the relatively high level of investments in securities and loans to credit institutions. With a share of merely 1.4% of the entire group's customer loan portfolio, the Other Corporate segment is of minor significance overall.

The quality of customer loans deteriorated slightly. The share of non-performing loans in the loan portfolio rose to 5.4% (4.2%). Performing loan volume in more risky categories declined while the share of low-risk loans rose to 88% (82%) of the total customer loan portfolio.

GROUP MARKETS

Financial review

in EUR million	2014	2015	Change
Net interest income	191.2	182.0	-4.8%
Net fee and commission income	102.9	123.3	19.9%
Net trading and fair value result	116.1	110.2	-5.1%
Operating income	412.6	417.3	1.1%
Operating expenses	-179.1	-187.0	4.4%
Operating result	233.4	230.3	-1.4%
Cost/income ratio	43.4%	44.8%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-0.1	2.5	n/a
Other result	-0.7	-4.8	>100.0%
Net result attributable to owners of the parent	185.3	176.6	-4.7%
Return on allocated capital	38.3%	40.5%	

Net interest income declined primarily due to the persistently low interest rate environment affecting interest-rate-related products. Net fee and commission income improved significantly due to increased retail, corporate and institutional sales business as well as the performance of funds of institutional customers. Net trading and fair value result decreased due to unfavourable market conditions. Although operating income increased, operating result declined due to higher operating expenses; the cost/income ratio deteriorated. Other result slipped due to the contribution to the recovery and resolution funds. Overall, net result attributable to the owners of the parent declined.

GROUP CORPORATE CENTER (GCC)

Financial review

in EUR million	2014	2015	Change
Net interest income	70.2	104.1	48.3%
Net fee and commission income	69.1	33.4	-51.7%
Net trading and fair value result	-11.3	14.9	n/a
Operating income	183.3	210.1	14.6%
Operating expenses	-710.5	-735.4	3.5%
Operating result	-527.2	-525.4	-0.3%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-64.7	-35.7	-44.7%
Other result	-655.7	397.7	n/a
Net result attributable to owners of the parent	-1,423.1	-158.8	-88.8%
Return on allocated capital	-28.7%	-2.4%	

Net interest income increased mainly due to higher contributions from businesses not allocated to other business lines. Net fee and commission income declined due to the reallocation of subsidiaries to other segments. Net trading and fair value result improved due to valuation results. Operating expenses increased mainly due to higher IT costs. Other result improved considerably due to the non-recurrence of negative effects, namely last year's goodwill impairments of EUR 475.0 million and the write-down of the entire remaining value of customer relationships and brand of BCR of EUR 470.7 million. Consequently, net result attributable to the owners of the parent improved significantly.

Geographical segments

For the purpose of segment reporting by geographical areas, the information is presented based on the location of the booking entity (not the country of risk). In the 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 sporitel'ňa Group)
_ **Romania** (comprising Banca Comercială Română Group)
_ **Hungary** (comprising Erste Bank Hungary Group)
_ **Croatia** (comprising Erste Bank Croatia Group) and
_ **Serbia** (comprising Erste Bank Serbia Group).

The residual segment **Other** covers mainly centrally managed activities and items that are not directly allocated to other segments. It comprises the corporate center of Erste Group Bank AG (and thus dividends and the refinancing costs from participations, general administrative expenses), internal non-profit service providers (facility management, IT, procurement), amortisation/write-down of customer relationships and brand, goodwill impairments, the banking tax of Erste Group Bank AG as well as free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments). Asset/Liability Management of Erste Group Bank AG as well as the reconciliation to the consolidated accounting result (e.g. intercompany eliminations, dividend eliminations) are also part of the segment Other.

Austria

Economic review

The Austrian economy remained well diversified across sectors, benefitting from a sizeable, high value adding industrial base, its well-educated workforce and its important service sector. In terms of GDP per capita of EUR 39,400, Austria remained one of the euro zone's most prosperous countries. Despite the fact that Austria grew less than the euro zone in 2015, the country's economic performance met expectations. Activity across all sectors of the economy rose. While foreign trade was negatively impacted by a noticeable decline in exports to China and Russia, balance of trade remained positive. Domestic demand also contributed to economic growth despite a relatively small increase in disposable income. Austria's unemployment rate increased for the fourth consecutive year, but at 5.7% was still among the lowest in Europe. Overall, the country's economic growth stood at 0.9%.

The European Central Bank kept its main refinancing rate at 0.05% throughout 2015, and average consumer price inflation stood at 0.8%, slightly lower than expected. This development was especially pronounced in the second half of the year, mainly due to the low oil price. The core inflation rate remained relatively stable at a level between 1.5% and 2% throughout the whole year. However, in comparison with other euro countries, the Austrian inflation rate was one of the highest, particularly due to the considerable increase in prices in the service sector.

Heta Asset Resolution, the wind-down company owned by the Republic of Austria whose statutory task is to dispose of the non-performing portion of Hypo Alpe Adria, continued to weigh on the fiscal outcome. In addition, the public sector had to book illiquid assets of Kommunalkredit of around 2% of GDP, which also contributed to the increase of public debt. Public debt, as a percentage of GDP, increased to 86.5% (2014: 84.2%). As a result of the relatively low growth and elevated debt burden, Moody's downgraded the outlook of the country's sovereign rating.

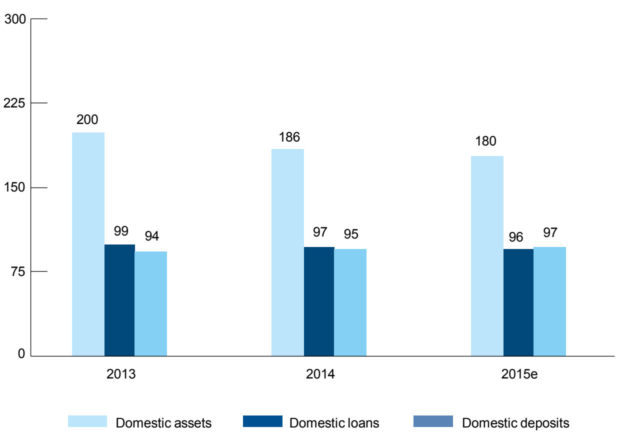
Key economic indicators – Austria	2012	2013	2014	2015e
Population (ave, million)	8.4	8.5	8.5	8.6
GDP (nominal, EUR billion)	317.2	322.6	329.3	337.2
GDP/capita (in EUR thousand)	37.7	38.2	38.5	39.4
Real GDP growth	0.9	0.2	0.4	0.9
Private consumption growth	0.5	0.1	0.0	0.4
Exports (share of GDP)	38.9	39.0	39.6	39.6
Imports (share of GDP)	41.6	40.5	40.8	40.8
Unemployment (Eurostat definition)	4.9	5.4	5.6	5.7
Consumer price inflation (ave)	2.6	2.1	1.5	0.8
Short term interest rate (3 months average)	0.2	0.3	0.1	0.0
EUR FX rate (ave)	1.0	1.0	1.0	1.0
EUR FX rate (eop)	1.0	1.0	1.0	1.0
Current account balance (share of GDP)	1.5	1.9	2.0	3.0
General government balance (share of GDP)	-2.2	-1.3	-2.7	-1.9

Source: Erste Group

Market review

The Austrian banking market, with total assets equivalent to 255% of GDP (total domestic assets of GDP: 180%) in 2015, is a highly competitive and developed banking market and remained among the most fragmented ones in Europe. The market continued to be characterised by significantly lower margins than in Central and Eastern Europe but benefitted from traditionally low risk costs. Growth rates remained low throughout the year, with customer loans expanding by 1.8% while deposits rose by 4.2%. The banking system's loan-to-deposit ratio stood at 100% at year-end. Although the special banking tax, intended to tackle the country's budget deficit, remained unchanged at EUR 625 million in 2015, capitalisation of the banking system improved further. As a result of low nominal GDP growth, flat yield curves and high regulatory burden, the sector's profitability remained comparatively low.

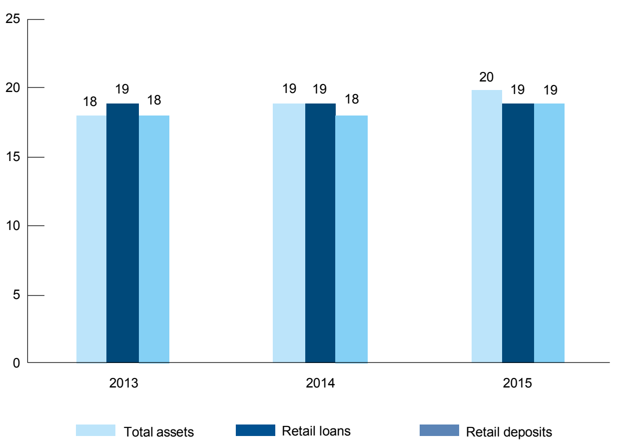
Financial intermediation – Austria (in % of GDP)



Source: Oesterreichische Nationalbank, Erste Group

Erste Bank Oesterreich and the savings banks held on to their very strong market position in the Austrian market. While the three largest banks continued to have a combined market share of approximately 60% in customer loans and deposits, the combined market share of Erste Bank Oesterreich and the savings banks as measured by total assets stood at 20% at year-end. Based on their balanced business models, Erste Bank Oesterreich and the savings banks maintained their market shares between 18% and 20% in both retail and corporate segments.

Market shares – Austria (in %)



Source: Oesterreichische Nationalbank, Erste Group

ERSTE BANK OESTERREICH & SUBSIDIARIES

Business review – Highlights

Innovation in banking. By launching its online platform *George*, Erste Bank Oesterreich positioned itself in the market as an innovation leader in digital banking. This new digital distribution channel has created new standards for the online customer experience. Since December 2015, customers have been able to apply for consumer loans online and enter into contracts either electronically or by visiting a branch, depending on their individual preferences. Customers also benefit from a range of useful and innovative apps, which is steadily being expanded. *büro2go* is an app that was developed specifically for corporate customers.

For retail and SME customers, a video advisory service was created as an additional channel through which they can contact their relationship managers. The service is easy to use and offers customers face-to-face advisory sessions while they are at home or at the office.

Focus on investments. Persistently low interest rates make investing in securities increasingly attractive for customers as an alternative to savings products. In the affluent customer segment, demand for high-quality advisory services has remained solid. Here, the focus is on the individual needs of customers and, above all, on the right balance between return expectations and risk profile. The investment scheme *YOU INVEST* offers customers great flexibility as well as maximum transparency and again contributed significantly to business performance. The share of managed products (e.g. investment funds) rose to 49.9%.

Continuing growth. In view of rising customer expectations, it is important to position the bank as a reliable provider of financial services and suitable products. The number of newly acquired customers stood at about 30,000, i.e., the same level as in previous years. In financing, new business volume went up despite subdued market sentiment. New financing volume increased by 6%. Longer-term fixed-rate products allowed customers to benefit from low interest rates. Significantly more than half of all housing loans were granted at fixed interest rates.

Attractive branch concept. Customer needs are constantly changing and reflect demographic and technological change. Nowadays, customers expect their bank to offer better accessibility and more flexibility than a few years ago. Branches also have to offer services in different formats and require a cost-efficient sales organisation. The roll-out of this new branch concept continued in 2015. As a basic service, cash dispensers are provided across the country. Simple business is dealt with quickly at newly designed service centres situated at high-frequency locations, along people's daily routes. For more complex customer needs, Erste Bank Oesterreich offers a wide range of products and services at its large customer support centres. For customers, this means clearly designed and welcoming branches, rooms for discrete meetings, faster handling of their requests and proactive support in the foyers. There is a strong focus on ensuring a consistent customer experience and communicating the brand values of Erste Bank Oesterreich.

Cost projects. The measures previously initiated to enhance the focus on quality and customer satisfaction were continued in 2015. Nonetheless, more efficiency and adjustments to other administrative expenses are needed. The bank is therefore investing in accessibility and in the high quality of its general and advisory services, optimising work flows and reducing administrative expenses at the branches, e.g. by integrating other distribution channels.

Financial review

in EUR million	2014	2015	Change
Net interest income	613.5	638.2	4.0%
Net fee and commission income	354.9	370.8	4.5%
Net trading and fair value result	8.7	-0.6	n/a
Operating income	1,020.3	1,038.6	1.8%
Operating expenses	-630.7	-640.3	1.5%
Operating result	389.6	398.4	2.3%
Cost/income ratio	61.8%	61.6%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-104.5	-59.0	-43.5%
Other result	6.2	-25.6	n/a
Net result attributable to owners of the parent	214.5	230.2	7.3%
Return on allocated capital	20.8%	22.4%	

The increase in net interest income was primarily attributable to higher retail loan and deposit volumes, mainly current accounts, accompanied by a repricing of deposits. Net fee and commission income increased due to higher securities fees and lower building society fee expenses. Net trading and fair value result decreased due to valuation effects of derivatives. Operating expenses increased due to the first time payment into the deposit insurance fund of EUR 9.2 million as well as higher IT costs, which were partially compensated for by lower personnel costs mainly from lower pension fund provisions. Overall, operating result and the cost/income ratio improved. Net impairment loss on financial assets not measured at FV through profit and loss decreased substantially mainly due to a benign risk environment. The worsening of other result was driven by a one-off income from insurance payments in 2014, higher provisions for contingent credit risk liabilities, higher provisions for legal expenses as well as the resolution fund contribution of EUR 4.7 million, which was partially offset by the selling gain of a participation. Overall, the net result attributable to owners of the parent increased.

Credit risk

Total credit exposure in the Erste Bank Oesterreich and Subsidiaries geographical segment rose to EUR 38.0 billion (+2.7%). The volume of customer loans increased to EUR 30.0 billion

(+3.9%). The share of this segment in Erste Group's total loan portfolio rose by 0.2 percentage points to 22.8%. The breakdown by customer segments showed a slight shift from retail customers towards medium-sized and larger enterprises. The share of retail customers in total loan volume decreased to 40.1% (40.5%), while the share of corporates, including self-employed individuals and small businesses, stood at 53.9% (53.8%). Loans to professionals, the self-employed and small businesses are less significant than they are for the Savings Banks. These loans amounted to 9.9% of total loans to customers. Owing to the continued targeted advice campaign to promote the conversion of foreign currency loans to euro, the share of Swiss franc loans in the total loan portfolio decreased further to 7.9% (8.4%). Without the 11% appreciation of the Swiss franc, the decline would have been significantly steeper.

The quality of the loan portfolio improved and non-performing loans as a percentage of total loans to customers declined by 0.6 percentage points to 2.9%. The development was positive across all customer segments, but most visible among medium-sized and larger enterprises. The continued improvement of loan quality among the self-employed and small businesses was also notable. The public sector and private households were again the borrower groups with the fewest defaults.

SAVINGS BANKS

The geographical segment Savings Banks is identical to the business segment Savings Banks (see page 32).

Business review – Highlights

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

A new group project aims to further improve the customer experience and administrative processes in Austria. Customers have access to digital channels and a well-positioned branch network. Measures taken include improvements to service quality and customer satisfaction. In addition, operational targets have been defined, including financial ratios such as operating performance and profitability.

Achieving growth in a challenging environment. Similar to Erste Bank Oesterreich, the savings banks owe their successful performance in investment business especially to the *YOU INVEST* products. This platform allows customers to design their own investment strategy. The savings banks increased the loans to customers by 2.0% in the year ended. At 5.0%, growth in lending to private households was particularly strong.

Cost projects. Measures to optimise other administrative and personnel expenses resulted in a more efficient use of resources. A "cost compass" was developed to compare costs among savings banks. It is used to identify any potential need for action to boost efficiency. Best practice examples help to make processes safer and leaner. This helps savings banks to identify and exploit their optimisation potential.

OTHER AUSTRIA

Business review – Highlights

Strong performance of Erste Asset Management. Erste Asset Management (EAM) co-ordinates and manages all asset management activities of Erste Group for retail and institutional customers. *YOU INVEST* investment products again contributed significantly to retail business performance. The development of stock funds such as ESPA Stock Global and ESPA Stock Europe was likewise positive. EAM expanded its business volume and maintained its leading market position in Austria and Romania and was again one of the top three asset management companies in its other CEE markets. Assets under management rose to EUR 55.8 billion (+3.6%). Backed by strict cost management, EAM increased its net profit to EUR 17.6 million (+6.7%).

The performance of EAM was recognised by multiple awards, among them the Lipper Fund Award, the title Asset Manager of the Year 2015 in the Czech Republic, and the FNG label for several sustainable retail investment funds. Created by Forum für Nachhaltige Geldanlagen, the FNG label is the quality standard for sustainable financial investment in German-speaking countries. In 2015, EAM was the first Austrian asset management company to sign the Montréal Carbon Pledge, by which it agreed to disclose the CO_2 footprint of its retail stock funds annually. The CO_2- footprint of EAM's sustainable stock funds was calculated to amount to only 41% of the global benchmark stock index (MSCI World Index).

New organisational set-up to improve efficiency. Erste Group combined Group Large Corporates, Investment Banking and Corporate Steering to set up the Group Corporates division. The division now includes all group large corporate coverage responsibility (for companies with annual sales exceeding EUR 500 million), the specialised finance and advisory business (corporate finance), the transaction banking services and the steering function for the local corporate business in Erste Group's banking subsidiaries. The equity capital markets and brokerage business were transferred to the Group Markets area. These reorganisational measures resulted in an improved cost base and efficiency gains in the Group Corporates business.

Success with syndicated loans. Erste Group again demonstrated its syndicated loan capabilities, one example was the financing for the Austria Campus in the proximity of the former Vienna Nordbahnhof. In addition, the loan syndication desk was also involved in syndicated facilities for INA in Croatia, KMG International (the former Rompetrol Group) in Romania and the

Austrian Porsche Holding group. In the area of acquisition finance, Erste Group acted as a key syndicate bank in the buy-out of the Constantia Flexibles Group by the French investment company Wendel S.A. and financed a number of other small to mid-sized acquisitions of corporate or private equity clients in Austria and CEE. Industrial clients like voestalpine or AMAG were granted long-term loans to expand and modernise production capacity and thus increase competitiveness further.

Group Markets business. Group Markets sales offer the full range of treasury services, from simple capital markets products to structured investments and advice on tailored solutions. While the corporate customers increased their demand for FX business solutions, the requests for Money Market products was weaker due to the extremely low interest rate environment. The investment opportunities offered satisfied the demand for market investments on the condition of sustainable wealth creation.

Equity Capital Market and Debt Capital Markets product teams within the newly established Group Markets Origination and Funding unit offer the full range of origination solutions. This reflects clients' requests to have the best market opportunities provided by one department. The success of this set up was proven and underlined by several transactions like the issue of benchmark bonds for Austrian and German clients as well as numerous transactions across CEE & SEE under sole and joint lead of Erste Group. As a result, Erste Group strengthened its position as one of the most successful partners for emissions within its core region.

Real estate business. A moderate pick-up in all markets supported the successful development of the commercial real estate business, which returned to profitability, as operating income grew moderately and risk costs declined significantly. Following the strategy of financing the modernisation of the commercial and residential infrastructure across CEE, the commercial real estate business line conducted several projects and deals. The focus was on the financing of retail, logistic and office real estate, such as the leading shopping centre in the Slovak town of Nitra, a mixed-use retail and office scheme in Budapest and an office centre in the Romanian town of Târgu Mures. In addition, several logistic projects, mainly in the Czech Republic and Romania, were financed. In Austria, Erste Group Immorent was involved in a variety of projects, for example the construction of the new Rapid stadium, provided lease finance to build the IST Austria research institute as well as financed a mixed use retail and office building in Vienna.

Financial review

in EUR million	2014	2015	Change
Net interest income	395.4	407.1	2.9%
Net fee and commission income	174.0	187.2	7.6%
Net trading and fair value result	3.1	4.1	31.5%
Operating income	621.5	642.4	3.4%
Operating expenses	-323.3	-325.9	0.8%
Operating result	298.1	316.5	6.2%
Cost/income ratio	52.0%	50.7%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-269.2	-83.3	-69.1%
Other result	-7.2	-7.9	9.4%
Net result attributable to owners of the parent	-31.0	162.3	n/a
Return on allocated capital	-2.1%	12.8%	

Net interest income increased on the back of positive one-off effects in the real estate business and increased corporate lending business. Net fee and commission income improved primarily due to higher assets under management volumes and better market performance. Increased corporate, institutional and retail sales business in Group Markets also contributed positively. The increase in net trading and fair value result was predominantly attributable to FX business development, partially offset by the negative impact of mark-to-market valuations in the context of unfavourable market conditions. Despite increasing operating expenses, driven mainly by IT costs and higher legal costs, operating result as well as the cost/income ratio improved. Net impairment loss on financial assets not measured at FV through profit and loss decreased on the back of lower portfolio risk provisions and improvements in the portfolio structure in real estate of the Holding and Immorent, despite additional impairments for Ukrainian exposure. Other result included a resolution fund contribution of EUR 3.4 million. The net result attributable to the owners of the parent increased significantly.

Credit risk

The credit risk exposure in the Other Austria segment, which is almost completely made up of the Holding and Erste Group Immorent, declined to EUR 30.4 billion (EUR 33.1 billion) or 14.3% of Erste Group's credit risk exposure. A large share of business in this segment was accounted for by securities and investments with banks. The share of loans to customers as a percentage of Erste Group's total loan portfolio was significantly lower at 9.7%. Loans to customers rose slightly to EUR 12.7 billion (EUR 12.6 billion), with loans to large corporates posting above-average growth. Financing of commercial real estate decreased again sharply, by 10.4%, which reflected the weak economy and the problems of the real estate industry in most of Erste Group's core markets.

The share of non-performing loans in the total loan portfolio declined markedly to 10.5% (11.8%). Expected losses were fully covered by loss allowances and collateral. Within the category of performing loans, there was a clear migration to better risk categories, which also indicated improved credit quality.

Central and Eastern Europe

CZECH REPUBLIC

Economic review

The Czech economy remained one of the most successful in Central and Eastern Europe. The main drivers of the excellent economic performance were domestic demand, which was supported by higher real wages and an improved labour market, as well as an improved absorption rate of European Union funds. As a result of legislative changes related to pre-stocking of tobacco products, inventories also contributed to economic growth. Exports performed moderately, with the manufacturing sector remaining one of the bright spots. The Czech economy maintained its strong position among world automotive producers in terms of per capita output. Overall, real GDP expanded by 4.5% in 2015, while GDP per capita stood at EUR 15,800. Reflecting the strong economic performance, the unemployment rate declined further to 4.8%.

Political stability prevailed in the Czech Republic throughout 2015, with the Social Democrats, the centrist ANO political party and the centre-right Christian Democrats remaining in coalition since 2013. This stability supported positive macroeconomic developments. At 1.5%, the country's budget deficit remained at a low level. State revenues were positively affected by higher excise duties on tobacco, which was offset by the reintroduction of tax credits for working pensioners and a lower value added tax rate. Public debt as a percentage of GDP remained one of the lowest in Central and Eastern Europe and declined even further to 41.0%. Rating agencies acknowledged the performance of the Czech economy with S&P, Moody's and Fitch affirming the countries long-term credit rating at AA, A1, and AA- respectively.

Inflation remained very low, hovering around zero throughout the year. The average consumer price index was at 0.4%, affected mainly by the sharp decline in oil prices. Lower regulated energy prices and falling prices for food also pushed down inflation. The Czech koruna, supported by the country's strong fundamentals, traded within a narrow range of 27 and 28 against the euro. The Czech National Bank began intervening in 2013 to weaken the koruna by targeting an exchange rate of 27 against the euro as a measure against deflation. The Czech National Bank left its base rate unchanged at 0.05% throughout 2015.

Key economic indicators – Czech Republic	2012	2013	2014	2015e
Population (ave, million)	10.5	10.5	10.5	10.5
GDP (nominal, EUR billion)	160.5	156.8	154.6	166.2
GDP/capita (in EUR thousand)	15.3	14.9	14.7	15.8
Real GDP growth	-0.8	-0.5	2.0	4.5
Private consumption growth	-1.4	0.7	1.5	3.1
Exports (share of GDP)	67.4	68.3	74.0	74.2
Imports (share of GDP)	65.8	65.7	70.4	70.8
Unemployment (Eurostat definition)	7.2	6.8	5.9	4.8
Consumer price inflation (ave)	3.3	1.4	0.4	0.4
Short term interest rate (3 months average)	1.0	0.5	0.4	0.3
EUR FX rate (ave)	25.2	26.0	27.6	27.3
EUR FX rate (eop)	25.6	27.5	27.9	27.1
Current account balance (share of GDP)	-1.6	-0.5	0.6	1.4
General government balance (share of GDP)	-4.0	-1.3	-2.0	-1.5

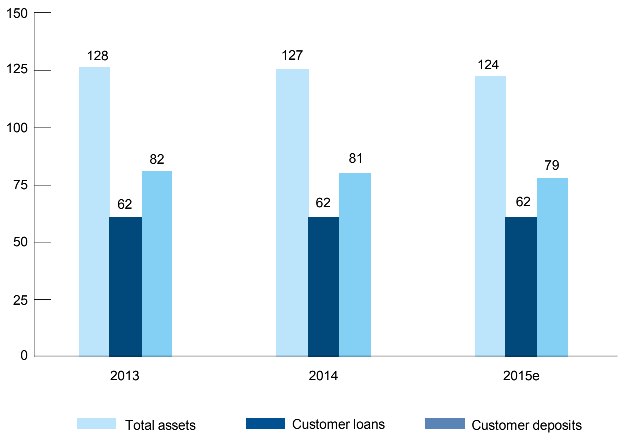
Source: Erste Group

Market review

The Czech banking market reflected the positive macroeconomic environment and was characterised by a growing demand for banking products. Supported by increased household consumption and an improved confidence level, customer loans grew by 5.6%. Growth of the lending market was attributable to both retail and corporate loans. The 2.5% growth of customer deposits was also driven by retail and corporate deposits, while public sector deposits declined due to a change in government liquidity management procedures. Overall, the Czech banking market remained one of the most liquid in Central and Eastern Europe. The loans to deposits ratio across the banking sector stood at 79% as of year-end. Moody's acknowledged the positive developments and upgraded its outlook for the Czech banking system.

The dynamics of housing and corporate loans prompted the Czech National Bank to introduce a countercyclical capital buffer of 0.5% for Czech exposures. In its semi-annual stress test, the Czech National Bank acknowledged that the banking sector continues to be sufficiently resilient to potential adverse shocks. The country's banking market continued to be well capitalised with a total capital ratio of 17.3% and remained very profitable. Asset quality continued to be very strong. Non-performing loans declined further and stood at 4.4% at the end of the year.

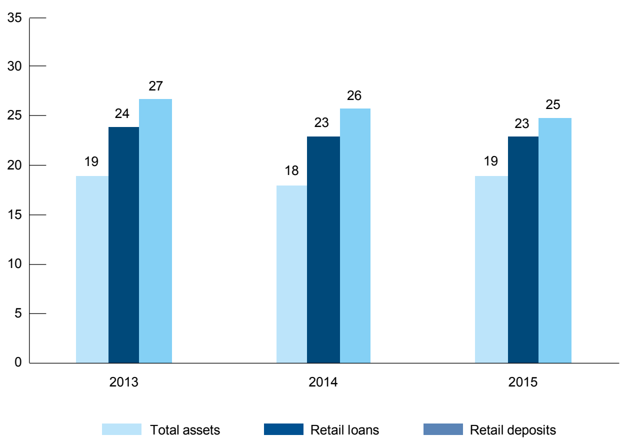
Financial intermediation – Czech Republic (in % of GDP)



Source: Czech National Bank, Erste Group

The three largest banks continued to have a combined market share of approximately 60% in customer loans and deposits. Česká spořitelna maintained its market leadership positions across all major product categories. Its retail market shares ranged from 23% to 26% while its share in the corporate segment remained lower at around 20%. Česká spořitelna also retained its number-one position in consumer lending including the credit card market with a market share of 30%. Overall, its market share measured by total assets stood at 18.6%. In addition, Česká spořitelna continued to control more than one quarter of the asset management market.

Market shares – Czech Republic (in %)



Source: Czech National Bank, Erste Group

Business review – Highlights

Innovation and focus on customer relationships. Česká spořitelna puts a strong emphasis on the development of digital banking, on serving clients through the distribution channels that suit them the most, and on offering customised products and services in places where they are actually needed. Owing to the development of internet banking solutions, the number of active direct banking clients increased to 1.7 million users (+2.0%).

With *My Healthy Finance*, the bank launched a unique service for retail clients at selected pilot branches. The service introduces a fundamental change in the thinking and overall approach of advisors to clients to teach them to better manage their household budgets and effectively helping them to reduce their regular monthly expenses.

Success in mortgage lending. Česká spořitelna's loans to customers (gross) grew by 5.9%, mainly driven by mortgage loans. The aggregate volume of the bank's retail mortgage portfolio was up by 11.8%. Faster than market growth in new retail mortgages led to a strengthening of the market share by two percentage points to 26.9%. The sound growth in the volume of loans was supported by declining risk costs.

Solid performance in corporate business. Over the years, the bank has developed specialised programmes for individual industrial sectors focusing on smaller and medium-sized customers, such as *TOP Innovation*, with an emphasis on the financing of innovative projects and development activities of companies. These *TOP* programmes constitute a significant competitive advantage. Largest in terms of volume are *TOP Energy* and *TOP Automotive*. A stable evergreen is *TOP Agro*, which helped Česká spořitelna gain a leading position in financing agricultural enterprises. A new hit is *TOP Waste Management*, focusing on the rapidly expanding sector of waste processing.

International and local recognition. 2015 was an exceptional year for Česká spořitelna, as the bank celebrated its 190th anniversary and was voted *Bank of the Year of the Czech Republic* for the sixth time. For the twelfth consecutive year, the bank also won the main award from the general public and became *Most Trusted Bank of 2015*. Česká spořitelna also won the *Company of 2015: Equal Opportunity Award* announced by the non-governmental organisation Gender Studies. Among others, the bank was also named *Best Card Issuer* in the Visa Awards, defending its victory in that category from last year.

Financial review

in EUR million	2014	2015	Change
Net interest income	924.0	911.2	-1.4%
Net fee and commission income	410.6	375.8	-8.5%
Net trading and fair value result	83.1	103.5	24.6%
Operating income	1,449.4	1,419.9	-2.0%
Operating expenses	-662.2	-681.2	2.9%
Operating result	787.1	738.7	-6.2%
Cost/income ratio	45.7%	48.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-135.4	-97.1	-28.3%
Other result	-16.6	-20.9	25.7%
Net result attributable to owners of the parent	506.2	490.6	-3.1%
Return on allocated capital	35.8%	34.5%	

Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) decreased due to the persistently low interest rate environment and a change in the balance sheet structure towards a higher proportion of lower-margin housing loans. Net fee and commission income declined mostly due to lower private current account, lending as well as card fees. Net trading and fair value result increased due to a better result from derivatives. Operating expenses increased on the back of higher personnel costs and higher expenses related to group projects including IT. Operating result decreased, the cost/income ratio went up. The decline of net impairment loss on financial assets not measured at FV through profit and loss was attributable to a change in the provisioning methodology for retail portfolio risks. Other result deteriorated due to the booking of impairments for own properties. Overall, these developments led to a decrease in the net result attributable to the owners of the parent.

Credit risk

Total credit risk exposure in the Czech Republic geographical segment rose to EUR 33.9 billion (+5.2%; EUR 32.2 billion), which was partially due to the 2.6% appreciation of the Czech koruna against the euro. Loans to customers rose more strongly, to EUR 20.3 billion (+8.7%) at year-end, with most of the growth posted in the corporate business. Customer loans in this segment as a percentage of Erste Group's total loans to customers increased to 15.4% (14.6%). Measured by business volume, the Czech Republic is hence still by far the second most important market for Erste Group after Austria.

The quality of customer loans was again significantly better than in other markets in Central and Eastern Europe in which Erste Group operates. Due to proactive and effective credit risk management, non-performing loans as a percentage of the total customer loan portfolio decreased to 4.1% (4.4%), which continued the positive development of recent years. Improvements were seen in all customer segments, but most notably among medium-sized and larger enterprises. Default rates were again lowest in the retail segment. Provisioning for non-performing loans by means of loss allowances declined to 72%.

SLOVAKIA

Economic review

Backed by strong fundamentals, the Slovak economy achieved an excellent performance. Domestic demand was particularly strong and investments in construction, which were supported by improved absorption of European Union funds, also contributed to growth. Household consumption continued to increase on the back of higher real disposable income. Exports were supported by the country's car industry, which, for the first time, produced more than one million vehicles. Slovakia remained the world's top car producer per capita. Overall, real GDP grew by 3.6%, while GDP per capita stood at EUR 14,400 at year-end. Employment gains remained strong and labour market conditions improved further in line with the favourable economic activity. As a result, the unemployment rate decreased to 11.5% at year-end.

After exiting the Excessive Deficit Procedure in 2014, the fiscal stance of Slovakia remained broadly unchanged in 2015. Although tax revenues increased significantly due to the government's measures against tax evasion, expenditures rose as well. At the end of the year, fiscal deficit stood at 2.6% of GDP, a level similar to the previous year. The country's public debt as a percentage of GDP remained relatively low at 52.8%. Rating agencies acknowledged the performance of the Slovak economy, with S&P upgrading the sovereign rating with a stable outlook in summer 2015.

Slovakia experienced a mild deflation. Average consumer prices were significantly impacted by declining oil prices and stood at -0.3%. Energy prices decreased by almost 4% on average, mainly due to lower electricity and fuel prices.

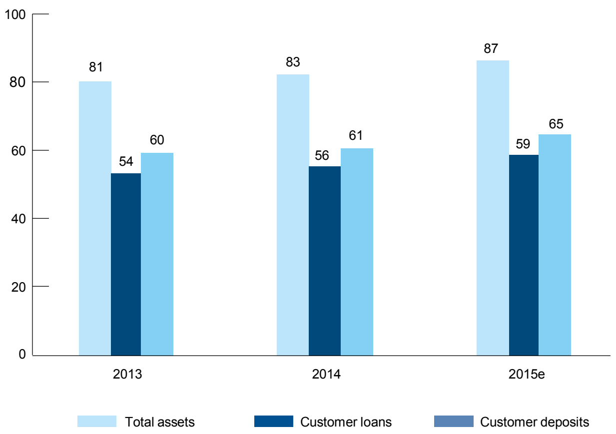
Key economic indicators – Slovakia	2012	2013	2014	2015e
Population (ave, million)	5.4	5.4	5.4	5.4
GDP (nominal, EUR billion)	72.4	73.8	75.5	78.1
GDP/capita (in EUR thousand)	13.4	13.6	13.9	14.4
Real GDP growth	1.5	1.4	2.5	3.6
Private consumption growth	-0.4	-0.8	2.4	2.4
Exports (share of GDP)	83.0	84.2	82.8	85.4
Imports (share of GDP)	79.6	80.0	79.0	82.4
Unemployment (Eurostat definition)	13.9	14.2	13.2	11.5
Consumer price inflation (ave)	3.6	1.4	-0.1	-0.3
Short term interest rate (3 months average)	0.6	0.2	0.2	0.0
Current account balance (share of GDP)	0.9	2.0	0.1	-0.5
General government balance (share of GDP)	-4.2	-2.6	-2.8	-2.6

Source: Erste Group

Market review

The positive macroeconomic environment continued to favourably impact Slovakia's banking market. Customer loans grew by 8.8%, with the retail segment leading the way on the back of further improved consumer confidence, while corporate loan volumes increased by 4.2%. Customer deposits rose by 9.4%, which led to a loan-to-deposit ratio of 91%. The reduction of the special banking tax from 0.4% to 0.2% of liabilities excluding equity and subordinated debt contributed to the improved profitability of the Slovak banking sector. The three largest banks continued to have a combined market share of approximately 60% in customer loans and deposits.

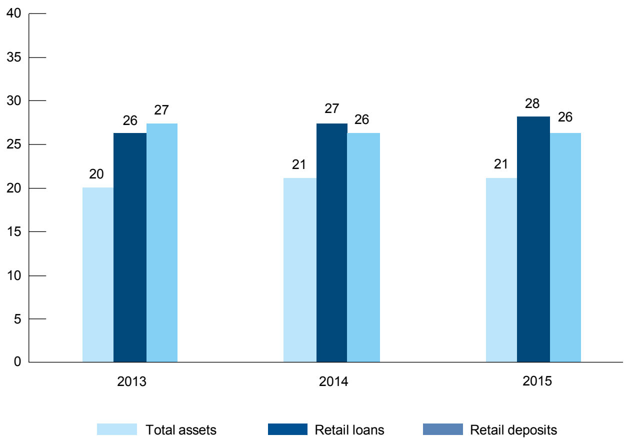
Financial intermediation – Slovakia (in % of GDP)



Source: National Bank of Slovakia, Erste Group

In an improved banking market environment, Slovenská sporitel'ňa retained its leading market positions. Slovenská sporitel'ňa increased its market shares in all major product categories. The bank controlled more than one-fifth of the country's banking market as measured by total assets and also led the market in both customer loans and deposits. In the housing loan segment, Slovenská sporitel'ňa's market share increased further to 27.7%. On the deposit side, at 12.5%, its market share was significantly lower in the corporate segment than in retail, which stood at 26.4%.

Market shares – Slovakia (in %)



Source: National Bank of Slovakia, Erste Group

Business review – Highlights

Solid development in retail business. Slovenská sporiteľňa was again very successful in retail loans. At 16%, the bank grew faster than the market. While this development was mainly due to the strong performance in housing loans, the bank also increased its share in consumer loans.

To better meet customers' needs, Slovenská sporiteľňa introduced new savings products. *Saving for housing* is the first of its kind in the Slovak market. It combines benefits of saving and mortgage. Customers who hold such a savings account receive a preferential interest rate on housing loans when they apply for one. The bank also introduced a new *Savings book for children*. To support the campaign, Slovenská sporiteľňa commissioned a book of short stories where heroes save money to fulfil their dreams. The book features stories by popular children's book authors.

Digitalisation and launch of a new website. The existing website was completely redesigned to better reflect current customer needs and to accommodate new trends in mobile marketing. Users benefit from a simplified information architecture and a responsive design that adapts to all modern digital devices. The website now features more concise product information as well as useful information based on the visitor's interests in products and services.

To broaden the bank's digital sales capabilities and to open up new opportunities for customers, Slovenská sporiteľňa further enhanced its web services. Customers can now open a current account or apply for a consumer loan virtually from home, without the need for physical interaction with the bank. For the current account, client authorisation can be granted via a webcam. Slovenská sporiteľňa is the first Slovak bank capable of opening a client account without requiring a branch visit or courier services.

Banking for corporate customers. Slovenská sporiteľňa strengthened its position in corporate business. The bank introduced new accounts for corporate customers. Unlike the past, when the company size was the main criterion, customers can now choose an account based on the number of transactions they make per month. Accounts can be easily switched at any time free of charge. With the account, customers get access to the new electronic banking service *Business 24* and manage their accounts and make payments online.

A new customer relationship management platform for all corporate segments is designed to further improve customer satisfaction.

International and local recognition. The bank again won various awards in 2015. For the fourth consecutive year, the bank won the most prestigious banking award in Slovakia – *TREND TOP Bank of the Year*. In addition, the British journal The Banker named Slovenská sporiteľňa *Bank of the Year 2015* in Slovakia, and for the fifth time in a row the bank won the *Euromoney Awards for Excellence*.

Financial review

in EUR million	2014	2015	Change
Net interest income	451.0	457.5	1.4%
Net fee and commission income	123.4	121.4	-1.6%
Net trading and fair value result	9.6	8.8	-8.6%
Operating income	593.5	599.6	1.0%
Operating expenses	-266.2	-266.1	-0.1%
Operating result	327.3	333.5	1.9%
Cost/income ratio	44.9%	44.4%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-51.4	-58.0	13.0%
Other result	-43.0	-32.5	-24.3%
Net result attributable to owners of the parent	178.7	184.4	3.2%
Return on allocated capital	34.9%	34.0%	

The increase in net interest income in the Slovakia segment (comprising Slovenská sporitel'ňa Group) was mainly attributable to higher loan volumes, both housing and consumer loans, as well as a changed deposit structure. These effects were partially offset by a lower contribution from asset/liability management due to the low interest rate environment. Net fee and commission income decreased due to current account, card and securities fees. The decrease in the net trading and fair value result was driven by the valuation of derivatives. While total operating income increased, operating expenses remained stable. As a consequence, operating result and the cost/income ratio improved. Net impairment loss on financial assets not measured at FV through profit and loss increased due to higher provisions in Large Corporate and Commercial Real Estate business, partially offset by lower provisions in Retail and SME. The improvement of other result was driven by a reduced banking tax in the amount of EUR 23.6 million (EUR 31.5 million) and lower provisions for contingent credit risk liabilities. The contribution to the resolution fund amounted to EUR 7.3 million. The net result attributable to the owners of the parent increased.

Credit risk

Total credit risk exposure in the Slovakia geographical segment increased to EUR 14.6 billion (+6.9%). Loans to customers rose at an even faster pace to EUR 9.7 billion (+15.4%) at year-end. Slovakia was thus one of the most dynamic segments of Erste Group. Its share of Erste Group's total loan portfolio increased by 0.4 percentage points to 6.9%.

The breakdown of the portfolio by customer segment remained relatively unchanged. The share of loans to retail customers was again substantially higher than in other geographical segments. Loans to private households accounted for 71.0% of total customer loans, loans to corporates and the public sector only for 29.0%. This customer mix also explains the large share of secured business of almost 60.0% of the entire loan portfolio. The increase in the NPL ratio by 54 basis points to 5.6% was primarily attributable to the ECB's modified definition of non-performing loans. This change affected mostly the retail segment, which again posted the lowest default rate of all customer segments. The NPL coverage ratio based on loss allowances declined, but risk provisions and collateral together still exceeded non-performing loan volume significantly.

ROMANIA

Economic review

The Romanian economy continued to perform well. The main performance driver was robust domestic demand fuelled by strong private consumption and booming private investments. In addition, construction played an important role in investment activity throughout the year. Real household disposable income rose significantly as a result of wage increases and deflation. Although the absorption of European funds improved further and reached 70%, it is still low compared to other countries in the region. Agriculture was negatively impacted by a drought, and its contribution to the economy was much less than in the previous years. Exports also declined despite the positive contribution from the car making industry. With a share of 70%, the European Union continued to represent the main export region of Romania. The country's labour market showed significant improvements and the unemployment rate declined slightly further to 6.8% at year-end. Overall, real GDP grew by 3.6% while GDP per capita rose to EUR 8,000.

Romanian politics were characterised by continuous uncertainty. After the prime minister stepped down in early November 2015, a new cabinet was formed, which won approval from Parliament. Romania continued its disciplined fiscal consolidation programme. The state's revenues were supported by all important tax categories mainly due to improved tax collection. Higher revenues allowed the government to reduce value added taxes for food from 24% to 9% as of June 2015. On the expenditure side, significant savings were achieved due to low public investments and reduced co-financing of European Union projects. These savings were partly offset by the doubling of child benefits and the significant increases of the remuneration in health care and education. Overall, the budget deficit stood at 1.5% of GDP. At 37.6%, the country's public debt level to GDP remained one of the lowest in the European Union. Rating agencies also appreciated the performance of the Romanian economy, with Moody's upgrading the outlook on government bonds in December 2015.

Romania experienced a deflationary environment mainly attributable to lower energy prices and – owing to the reduction of VAT – low food prices. Overall, average consumer prices declined by 0.6%. The Romanian National Bank cut the key policy rate four times in the first half of 2015 to a new historic low of 1.75% by the end of the year. The Romanian Leu did not change significantly against the euro and stood in the range of 4.4 to 4.5 throughout the year.

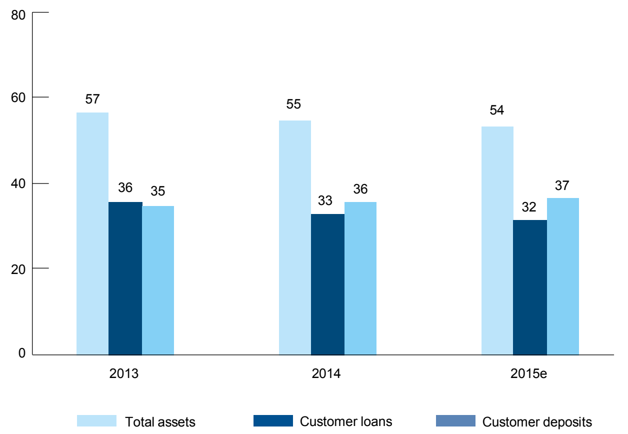
Key economic indicators – Romania	2012	2013	2014	2015e
Population (ave, million)	20.1	20.0	19.9	19.9
GDP (nominal, EUR billion)	133.9	144.2	150.2	158.5
GDP/capita (in EUR thousand)	6.7	7.2	7.5	8.0
Real GDP growth	0.6	3.5	3.0	3.6
Private consumption growth	1.5	-2.4	3.7	4.5
Exports (share of GDP)	33.7	34.3	34.9	34.4
Imports (share of GDP)	40.9	38.3	38.9	39.7
Unemployment (Eurostat definition)	6.8	7.1	6.8	6.8
Consumer price inflation (ave)	3.3	4.0	1.1	-0.6
Short term interest rate (3 months average)	5.3	4.2	2.5	1.3
EUR FX rate (ave)	4.5	4.4	4.4	4.4
EUR FX rate (eop)	4.4	4.5	4.5	4.5
Current account balance (share of GDP)	-4.5	-0.8	-0.5	-1.1
General government balance (share of GDP)	-2.9	-2.2	-1.5	-1.5

Source: Erste Group

Market review

Supported by an improved macroeconomic environment, the Romanian banking developed positively. Customer loans grew particularly in the retail sector, which was due to an improved consumer confidence and higher wages. Corporate loans also increased, but to a lesser extent. Prima Casa, the government-guaranteed mortgage programme, has been exclusively available in local currency since August 2013, and local currency lending increased to 52% of customer loans. Overall, customer loans grew by 3.1%. Customer deposits increased by 9%, mainly driven by higher volumes in the corporate business. Both retail and corporate deposits were impacted by higher-yielding investment products in asset management.

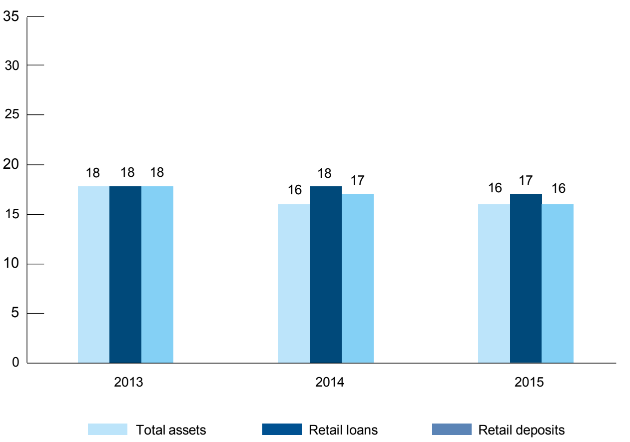
Financial intermediation – Romania (in % of GDP)



Source: National Bank of Romania, Erste Group

Despite increasing pressure by regulatory institutions and consumer protection associations, the Romanian banking sector's profitability improved. The Romanian National Bank maintained its recommendation to reduce fully provisioned non-performing loans in an accelerated manner. Following this recommendation, banks continued to take measures aimed at cleaning up their balance sheets through write-offs, sales and recoveries. After having booked significantly higher risk provisions in 2014, these efforts led to a lower NPL ratio and higher coverage ratios in the country's banking system. As a result, risk provisions declined visibly in 2015, playing a significant role in making the country's banking sector profitable. The sector's profitability was also supported by the implementation of further cost-efficiency measures.

Market shares – Romania (in %)



Source: National Bank of Romania, Erste Group

The Romanian National Bank continued to support local funding and local currency-based lending throughout the year by maintaining the limitation rules on tenor, debt-to-income ratio, loan-to-value ratio and collateral coverage. The banking sector remained well capitalised with a total capital ratio of 18.7%; the loan to deposit ratio stood at 87%.

Despite losing some market shares on both the lending and deposit side, Banca Comercială Română held on to its leading position in almost all major product categories. By the end of 2015, the bank was ranked number one based on total assets, customer loans and asset management. Banca Comercială Română's customer loan market share, however, was impacted by the significant reduction of non-performing loans, most visibly in the corporate sector in which the market share decreased to 15.6%. Customer deposit market shares remained stable. Overall, Banca Comercială Română had a market share as measured by total assets of 15.8% at the end of 2015.

Business review – Highlights

Continued improvements in asset quality. After the extensive portfolio clean-up in 2014, the measures to resolve the non-performing loan legacy continued through sell-offs, write-offs and higher cash recoveries. As a result, non-performing loans declined to EUR 1.7 billion (-24.9%), the NPL ratio to 20.2% (2014: 23.7%). Banca Comercială Română implemented more measures for streamlining risk assessment, the underwriting process and collateral management.

Success in local currency retail lending. Building on its retail network capabilities and a full set of channels on an industry-leading level, the bank focused on financing customers with good credit ratings and on improving client activation and retention. Banca Comercială Română recorded a significant pickup in new retail production in local currency. New loan production to private individuals increased by 9.5%, mainly driven by secured loan originations. New volumes of cash loans grew by 7.0%. The positive development in net retail loans was supported by a gradual demand recovery and marketing campaigns. The bank maintained its leadership in retail lending with a 17.2% market share. Its share in local currency mortgage lending stood at 20.2%.

Return to profitability. Following the turnaround programme the bank went through until year-end 2014, the profitability improved substantially on the back of lower risk costs. The cost saving efforts in certain business areas (process/network optimisation) continued jointly with investments in process automation, data optimisation and staff training.

Focus on data excellence. After setting up a business information centre, the bank launched a business intelligence programme to build the framework for integrated reporting and a more efficient information flow and data quality management. This business intelligence programme aims at harmonising the data steering requirements, implementing data quality checks and streamlining processes and management reporting. By implementing this data excellence, Banca Comercială Română will be able to respond more effectively to regulatory requirements, create value for the customers and gain a competitive advantage on the banking market.

Financial review

in EUR million	2014 restated	2015	Change
Net interest income	484.7	428.7	-11.5%
Net fee and commission income	160.0	163.2	2.0%
Net trading and fair value result	81.2	69.4	-14.5%
Operating income	732.2	672.2	-8.2%
Operating expenses	-331.9	-340.5	2.6%
Operating result	400.3	331.7	-17.1%
Cost/income ratio	45.3%	50.7%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-923.5	16.4	n/a
Other result	-117.2	-140.0	19.5%
Net result attributable to owners of the parent	-554.7	178.7	n/a
Return on allocated capital	-54.4%	20.5%	

Net interest income in the Romania segment (comprising Banca Comercială Română Group) decreased mainly due to lower income from unwinding, lower loan volumes and lower interest rates. Net fee and commission income increased due to higher insurance brokerage income. The decline in net trading and fair value result was mostly attributable to a one-off positive effect from derivatives in 2014. Operating expenses increased mainly due to higher personnel costs. Operating result declined and the cost/income ratio deteriorated. Net impairment loss on financial assets not measured at FV through profit and loss improved significantly after non-performing loan portfolio clean-up activities in 2014 and more than offset the decline in operating result. Other result included provisions for risks related to Romanian consumer protection claims and the contribution to the resolution fund of EUR 5.6 million, whereas last year was negatively affected by the impairments of intangible and tangible assets. Consequently, the net result attributable to the owners of the parent improved markedly.

Credit risk

Due to the continued consolidation strategy, business volumes in the Romania geographical segment declined further, but less pronounced than in the previous year. While total credit risk exposure was reduced to EUR 13.9 billion (-2.5%), loans to customers contracted to EUR 8.5 billion (-5.8%). This represented a share of 6.4% (7.0%) of Erste Group's total loans to customers. The decline in the loan portfolio was mainly attributable to write-downs and sales of non-performing loans.

The loan portfolio of the Romania geographical segment was made up of 52.4% non-collateralised and 47.6% collateralised loans. The degree of collateralisation was slightly up year on year. The share of foreign currency loans decreased by approximately five percentage points to 54.8% and was almost completely denominated in euro.

Due to the clean-up of the portfolio by write-downs and sales, the NPL ratio declined to 20.2% (23.7%), with non-performing corporate loans down more sharply. Loans to private households continued to show the highest quality in the loan portfolio. The NPL coverage ratio based on risk provisions and collateral rose to 110.1%.

HUNGARY

Economic review

After growing at an exceptional rate of 3.7% in 2014, the Hungarian economy grew at a more sustainable rate of 2.9% in 2015. Domestic demand was supported by higher disposable income, low inflation and high nominal wage growth. The country's economic performance benefitted from an exceptionally high absorption of European Union funds. Manufacturing remained strong, while growth of construction output lost momentum and agriculture contracted in 2015. The National Bank of Hungary extended its funding for growth programme to support small and medium-sized enterprises. Exports developed positively, supported strongly by the well-performing car industry. High distortionary taxes, most notably very high additional burdens on the financial sector, however, remained a drag on economic performance. Overall, Hungary's GDP grew by 2.9%, while GDP per capita stood at EUR 11,000 in 2015. The unemployment rate continued to decline to 6.8%, mainly as a result of the government's Public Work Scheme and increased employment in the private sector.

Although the coalition of centre right FIDESZ and the Christian Democrats lost its two-thirds majority in the parliament, political stability prevailed in Hungary throughout the year. The government's target of 2.4% budget deficit was easily achieved, and special taxes such as in the energy, telecom, retail and financial sectors remained unchanged. Robust tax revenue dynamics and declining interest payments were key elements in reducing the deficit. In addition, strict cost control continued in the public sector while VAT remained at 27% throughout the year, the highest in the European Union. Although the country's public debt ratio improved further to 76.0% it was still above the CEE average. Credit rating agencies left Hungary in non-investment grade, although major rating agencies upgraded the country's outlook.

Inflation hovered around zero mainly due to low oil prices and regulated price reductions. The average consumer price index stood at -0.1%. The Hungarian forint remained broadly stable against the euro, trading at between 295 and 320 throughout the year. The National Bank of Hungary continued its policy of reducing the base rate and cut it four times up to July 2015, leaving the main monetary policy rate then unchanged at the historic low of 1.35% until the end of the year.

Key economic indicators – Hungary	2012	2013	2014	2015e
Population (ave, million)	10.0	9.9	9.9	9.9
GDP (nominal, EUR billion)	98.9	101.2	104.3	108.7
GDP/capita (in EUR thousand)	9.9	10.1	10.5	11.0
Real GDP growth	-1.7	1.9	3.7	2.9
Private consumption growth	-2.3	0.6	1.5	2.6
Exports (share of GDP)	87.0	88.0	89.6	92.2
Imports (share of GDP)	80.1	80.6	82.1	83.4
Unemployment (Eurostat definition)	10.9	10.3	7.7	6.8
Consumer price inflation (ave)	5.7	1.7	-0.2	-0.1
Short term interest rate (3 months average)	7.0	4.3	2.4	1.5
EUR FX rate (ave)	289.4	296.9	308.6	310.1
EUR FX rate (eop)	291.3	296.9	314.9	313.1
Current account balance (share of GDP)	1.8	4.0	2.3	5.0
General government balance (share of GDP)	-2.2	-2.4	-2.7	-2.0

Source: Erste Group

Market review

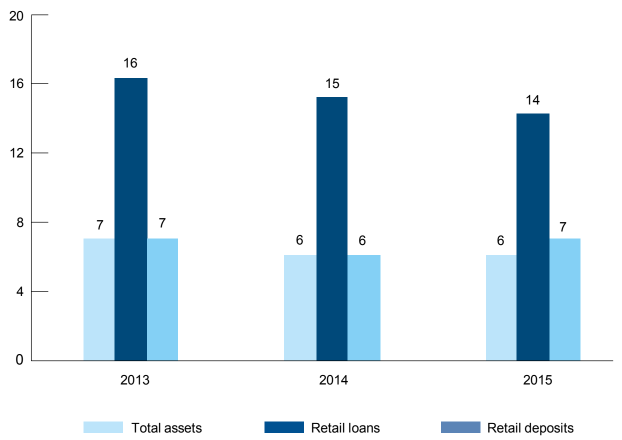
For the Hungarian banking market, 2015 was another challenging year. Following the final conversion of foreign-currency household loans to Hungarian forint, the banking sector operated in a more stable and predictable environment. The profitability of the industry, however, was still negatively impacted by the banking tax and the financial transaction tax, both remaining at very high levels. In addition, the collapse of three brokerage houses in March 2015 led to an increase of banks' payments to the national deposit insurance fund and to the investor protection fund.

Financial intermediation – Hungary (in % of GDP)

Source: National Bank of Hungary, Erste Group

In line with the Memorandum of Understanding signed by Erste Bank Hungary, the Hungarian government and the European Bank for Reconstruction and Development (EBRD), the Hungarian parliament reduced the banking tax with effect from 2016. The sector's profitability was also hit by the fair banking law, which was approved back in November 2014 and set fixed or reference rates for new retail loans, regulated unilateral interest and fee changes. Overall, the Hungarian banking sector was profitable in 2015.

Market shares – Hungary (in %)



Source: National Bank of Hungary, Erste Group

Demand for customer loans remained relatively low throughout the year. As a result of the *Funding for Growth* programme by the Hungarian National Bank, lending to the SME sector increased but did not offset the significant decline in the large corporate segment. The government extended its housing subsidy scheme for the retail sector. The relatively high ratio of distressed household mortgage loans, however, continued to be a significant risk in the financial system. Adjustments of the personal bankruptcy conditions and the expansion of the National Asset Management Agency for mortgage loans helped mitigate this risk by facilitating the resolution of the non-performing portfolio. Overall, customer loans declined by 11.2%, with shrinking volumes in both retail and corporate segments. As customer deposits increased by 2.7%, the banking system's loan-to deposit ratio declined to 79% at the end of the year.

Despite its significantly shrinking balance sheet and lower market shares, Erste Bank Hungary continued to be a major market player in the country. The bank remained loss-making mainly due to limited client demand and the number of extraordinary government-imposed burdens on banks. The conversion of the foreign-currency denominated loans into local currency resulted in a considerable change in the currency structure of Erste Bank Hungary's balance sheet. As part of its strategy, the bank continued to focus on local currency lending from locally sourced liquidity and to further reduce parent company funding. Overall, Erste Bank Hungary's total assets market share decreased to 5.5%.

Business review – Highlights

Growing presence in retail business. Erste Bank Hungary acquired the Hungarian consumer banking business of Citibank Europe comprising its retail banking and investment business as well as consumer loans and cards businesses. Following the transaction, which is expected to occur in 2016, Erste Bank Hungary will have the country's second-largest retail customer portfolio.

New business initiatives. The implementation of a new forint-denominated housing loan product combined with Erste Building Society has been completed. The advantage of the new product is that accumulated savings in the building society account can be used directly for loan payments, resulting in a reduction of monthly instalments. New sales figures improved in the bank's most important product categories, mainly in lending, net savings and building society sales. Both personal and mortgage new loan disbursements performed well. New retail loan volumes increased by 32.2%. The decline of retail deposit volumes in the low interest environment was offset by increasing volumes placed to investment funds.

Strengthened digital channels. Digitalisation is a key element of the bank's efficiency improvement. Erste Bank Hungary closely cooperates with Erste Group's innovation centre to align with group-level initiatives. In 2015, the bank implemented the *Mobile Queuing* app. The digital service *Personal Finance Manager* will be rolled out in 2016.

International and local recognition. Owing to the bank's achiements in digital banking, Erste Bank Hungary was named *Most Innovative Bank of the Year 2015* in Hungary. The bank also won MasterCard's *Bank of the Year Grand Prize*.

Financial review

in EUR million	2014	2015	Change
Net interest income	263.4	194.4	-26.2%
Net fee and commission income	139.3	137.5	-1.3%
Net trading and fair value result	38.8	-0.5	n/a
Operating income	442.3	332.5	-24.8%
Operating expenses	-175.8	-179.9	2.3%
Operating result	266.5	152.6	-42.8%
Cost/income ratio	39.7%	54.1%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-152.2	-105.8	-30.5%
Other result	-434.9	-111.6	-74.3%
Net result attributable to owners of the parent	-330.6	-72.6	-78.0%
Return on allocated capital	-67.5%	-16.9%	

Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) declined mainly due to lower loan volumes, the impact of the consumer loan law as well as the lower contribution from securities. Net fee and commission income declined slightly due to lower fees from cash management products and card business. Net trading and fair value result decreased due to the non-recurrence of the positive impact of swaps entered into with the Hungarian National Bank in 2014 to secure refinancing of foreign currency loans at a fixed exchange rate. Operating expenses increased on the back of higher personnel costs following temporary hiring to execute the FX conversion program. Consequently, operating result deteriorated significantly, the cost/income ratio went up. Net impairment loss on financial assets not measured at FV through profit and loss decreased on the back of lower provisioning requirements in commercial real estate business. Other result improved significantly as expenses related to the Hungarian consumer loan law in the amount of EUR 336.8 million did not recur. The line item included the contribution to the resolution fund of EUR 2.1 million. Overall, the net result attributable to the owners of the parent improved.

Credit risk

In the Hungary geographical segment, credit risk exposure declined further to EUR 61 billion (EUR 6.3 billion) in an environment marked by economic and political challenges for the banking sector. The loan portfolio contracted more sharply, to EUR 3.5 billion (-18.8%). This development was attributable to highly restrictive lending as well as to the government-mandated conversion of Swiss franc or euro denominated retail mortgage loans to Hungarian forint. As a result, the share of this segment in Erste Group's total loans to customers decreased to 2.7% (3.4%). Due to the conversion of foreign-currency loans, loans to private households as a percentage of total loans to customers declined to 65.9% (68.4%). Along with retail loans, lending to the public sector was also down significantly. Due to the conversion of foreign-currency loans, the currency composition of the customer loan portfolio changed fundamentally; the share of loans denominated in Hungarian forint rose to 80% (33%).

After extensive restructuring of the loan portfolio, loan quality improved substantially and non-performing loans as a percentage of total loans to customers declined to 18.7% (26.8%). As a result, the NPL ratio went down for the first time since the onset of the financial and economic crisis in 2008. This development was also supported by sales of non-performing loans – both retail and corporate loans – in the amount of EUR 109 million. Coverage of non-performing loans by risk provisions and collateral rose to 111.5%.

CROATIA

Economic review

After six years of recession, Croatia's economy started to recover. Domestic demand was positively impacted by lower energy prices. Private consumption was boosted by the reduction in personal income tax. In addition, investments stabilised and the country's well-developed tourism industry also performed well. Overall, Croatia was still among the most challenging economies in Central and Eastern Europe, with real GDP increasing by 1.6% and GDP per capita stood at EUR 10,200 at the end of the year. The unemployment rate reflected the economic performance and dropped slightly to 16.7%. Due to political uncertainty prior to the elections held in November 2015, Croatia's fiscal position remained challenging. The general government balance was negatively impacted by lower personal income tax, which was partly offset by additional revenues from increased excise duties and capital gains tax. The conversion of CHF-denominated loans also had a negative effect as revenues from corporate income tax of banks declined. The general government deficit stood at 4.4% and public debt as a percentage of GDP was 87.7%, one of the highest in the region. S&P's and Fitch confirmed Croatia's long-term rating at BB, but downgraded the country's outlook mainly due to fiscal challenges and deteriorating debt dynamics.

Inflation remained below zero throughout 2015, with average consumer prices standing at -0.5% at the end of the year. The sharp decline in oil prices and low food prices led to a mild deflation. Given the country's very high use of the euro, the Croatian National Bank's main objective remained to preserve nominal exchange rate stability. As a result, the Kuna traded in the narrow range of 7.5 to 7.7 against the euro.

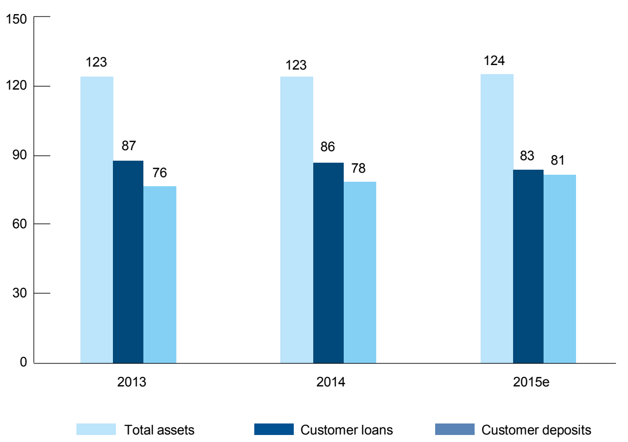
Key economic indicators – Croatia	2012	2013	2014	2015e
Population (ave, million)	4.3	4.3	4.3	4.3
GDP (nominal, EUR billion)	44.0	43.6	43.1	43.7
GDP/capita (in EUR thousand)	10.2	10.1	10.0	10.2
Real GDP growth	-2.2	-1.1	-0.4	1.6
Private consumption growth	-3.0	-1.9	-0.7	1.2
Exports (share of GDP)	19.7	20.5	22.7	24.7
Imports (share of GDP)	34.0	35.6	37.4	39.8
Unemployment (Eurostat definition)	15.8	17.3	17.2	16.7
Consumer price inflation (ave)	3.4	2.3	-0.2	-0.5
Short term interest rate (3 months average)	3.4	1.5	0.9	1.2
EUR FX rate (ave)	7.5	7.6	7.6	7.6
EUR FX rate (eop)	7.5	7.6	7.7	7.6
Current account balance (share of GDP)	-0.1	1.0	0.8	4.0
General government balance (share of GDP)	-5.3	-5.4	-5.7	-4.4

Source: Erste Group

Market review

Croatia's banking market was characterised by a weak demand for loans, while customer deposits grew strongly by 6.2%. Customer loans fell by 1.7%, resulting in a balanced 102% loan-to-deposit ratio. Profitability of the Croatian banking sector was negatively affected by the substantial expenses in relation to the conversion of the Swiss-franc denominated loans into euro. Despite this significant burden on banks' profitability, the level of capital adequacy remained satisfactory.

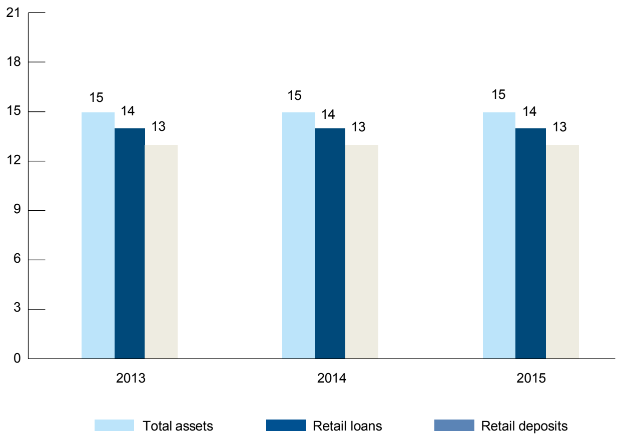
Financial intermediation – Croatia (in % of GDP)



Source: National Bank of Croatia, Erste Group

Erste Bank Croatia remained among the top three players in the market, with a total asset market share of 14.6%. The bank outgrew the market both in customer loans and customer deposits by growth rates of 0.4% and 8.4% respectively. The bank's loan-to-deposit ratio decreased to 111% by year-end.

Market shares – Croatia (in %)



Source: National Bank of Croatia, Erste Group

Business review – Highlights

Innovations in retail business. The bank has continued its strong emphasis on digital banking, particularly in the retail business. Erste Bank Croatia now offers more online and mobile channels, such as online account pre-openings and online loan applications. Together with remote advisory services for retail clients, the bank improved its customer targeting activities. These efforts, along with the additional centralisation of back office operations, aim at creating smoother processes and provide an enhanced level of service to customers, thereby further strengthening the bank's position as market leader according to customer satisfaction surveys.

Focus on improved customer satisfaction. In line with the bank's efforts in further strengthening its high quality standards, areas of activity were identified to improve customer centricity. The measures taken led to a higher degree of customer satisfaction (ease of opening current accounts, satisfaction with branch visits, etc.).

Addressing corporate customers. The bank finalised its customer relationship management projects designed at improving client acquisition and cross-selling in the corporate business. The acquisition process and customer management were significantly improved, showing in particular positive trends in the second half of the year. In terms of gross corporate loans, Erste Bank Croatia holds a market share of 15%.

Financial review

in EUR million	2014	2015	Change
Net interest income	261.2	268.3	2.7%
Net fee and commission income	79.9	84.8	6.2%
Net trading and fair value result	24.1	15.9	-34.2%
Operating income	399.3	399.3	0.0%
Operating expenses	-183.5	-187.0	1.9%
Operating result	215.9	212.3	-1.6%
Cost/income ratio	45.9%	46.8%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-155.3	-167.3	7.8%
Other result	-4.4	-134.9	>100.0%
Net result attributable to owners of the parent	32.6	-45.5	n/a
Return on allocated capital	10.7%	-14.2%	

Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) increased due to a change in the deposit structure towards sight deposits. Net fee and commission income went up due to higher fees from payment transfers and card business. The net trading and fair value result was negatively impacted by the Swiss franc exchange rate fixing for retail loans in January 2015 required by legislation as well as negative foreign exchange differences on the open position in Swiss francs. Operating expenses went up due to increased personnel expenses as well as higher legal and IT costs. The operating result deteriorated, as did the cost/income ratio. The increase in net impairment loss on financial assets not measured at FV through profit and loss was driven by higher provisions in the SME business aiming at improving NPL coverage. This effect was mitigated by lower provisioning requirements in retail and large corporate businesses. Other result deteriorated significantly due to the booking of provisions resulting from legislation requiring the conversion of customer loans (Swiss francs to euro) in the amount of EUR 129.5 million. The line item included the contribution to the resolution fund of EUR 4.2 million. Consequently, the net result attributable to the owners of the parent deteriorated considerably.

Credit risk

In the Croatia geographical segment, credit risk exposure declined to EUR 9.4 billion (-2.4%). Loans to customers decreased to EUR 6.7 billion (-1.8%). The share of this segment in Erste Group's total loans to customers was also slightly lower at 5.1% (5.3%). The composition of the loan portfolio by customer segments changed only moderately: while lending to large corporates was slightly down and loans to private households were at the same level as in the previous year, loans to small businesses increased. Lending to the public sector, especially to municipalities, again played a major role. This group accounted for 19.7% (19.5%) of the total customer loan portfolio.

Swiss franc denominated loans will be eliminated almost completely in the short to medium term after the passing of legislation in 2015 permitting their conversion to Croatian kuna or euro. At the end of December 2015, Swiss franc denominated loans still amounted to EUR 513 million. At 66%, the majority of loans to customers are still denominated in euro. The high share of foreign-currency loans is mostly due to the widespread use of the euro in Croatia. Euro loans are usually matched by corresponding income or deposits in euro.

Credit quality improved for the first time in several years, with non-performing loans declining to EUR 1.0 billion (-18.2%) and the NPL ratio down to 15.3% (18.4%). This positive trend was initiated primarily by the sale of non-performing loans in the secondary market, which started to develop in Croatia for the first time in 2015. Provisioning for non-performing loans by loss allowances rose to 67.4% (60.4%).

SERBIA

Economic review

The Serbian economy slowly emerged from recession. Investments were one of the key factors of the improved economic performance, mainly due to reforms implemented in the last two years resulting in an improved business environment and a stabilisation of the economy. Exports showed a robust performance, while private consumption dropped slightly as a result of lower fiscal transfers and declining real wages. Agriculture, on the other hand, posted a much better performance than in 2014, when heavy floods impacted the sector. Industrial production also showed a stronger and faster recovery than expected. Overall, real GDP increased by 0.7% and GDP per capita stood at EUR 4,600. Despite some improvements in labour market indicators, in particular new jobs in retail trade and agriculture, the unemployment rate remained one of the highest in Europe and stood at 17.9%.

The Serbian government achieved impressive fiscal consolidation based on its precautionary arrangement with the International Monetary Fund in the previous year. The government deficit fell sharply to 3.7% of GDP as considerable savings were achieved from cuts in public wages and pensions, a reduction of subsidies, as well as privatisation and restructuring plans for state-owned enterprises. In addition, the government improved tax collection. Public debt as a percentage of GDP increased slightly to 73.2%. Rating agencies acknowledged the positive macroeconomic developments, such as the economic recovery pick-up, maintenance of the fiscal consolidation path and improved external imbalances. Fitch kept the sovereign rating unchanged at B+ and upgraded the outlook in December 2015.

Inflation was high compared to other Central Eastern European countries and remained below the Serbian National Bank's target range of 2.5% to 5.5%. Average consumer price inflation was impacted by relatively weak domestic demand and falling oil prices and stood at 1.7% at the end of the year. The Serbian National Bank cut the base rate seven times from 8.0% to 4.5% by the end of the year.

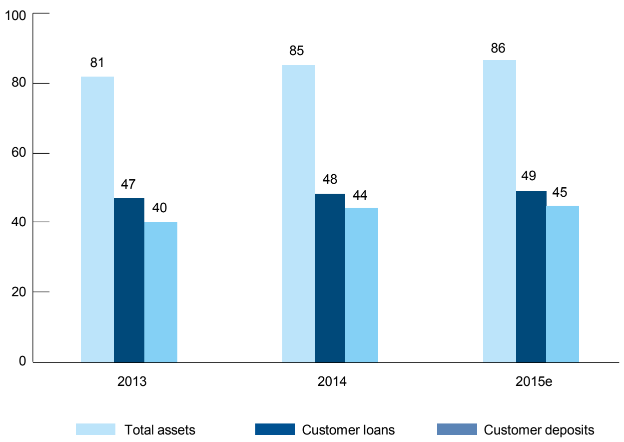
Key economic indicators – Serbia	2012	2013	2014	2015e
Population (ave, million)	7.2	7.2	7.2	7.2
GDP (nominal, EUR billion)	31.7	33.3	33.1	32.9
GDP/capita (in EUR thousand)	4.4	4.6	4.6	4.6
Real GDP growth	-1.0	2.6	-1.8	0.7
Private consumption growth	-2.0	-1.5	-1.5	-0.7
Exports (share of GDP)	26.5	31.7	32.8	34.2
Imports (share of GDP)	44.3	44.2	44.8	46.0
Unemployment (Eurostat definition)	24.0	22.1	19.4	17.9
Consumer price inflation (ave)	7.3	7.9	2.1	1.7
Short term interest rate (3 months average)	11.6	10.0	8.3	6.1
EUR FX rate (ave)	113.1	116.5	117.3	120.7
EUR FX rate (eop)	113.7	114.6	121.0	121.5
Current account balance (share of GDP)	-11.5	-6.1	-6.0	-5.3
General government balance (share of GDP)	-6.5	-5.0	-6.6	-3.7

Source: Erste Group

Market review

The macroeconomic recovery was also reflected in the country's banking market developments. Growth was clearly driven by retail loans, which increased by 4.8%, while corporate loans grew by 1.9%. The banking system's strong capital adequacy of 21% and its favourable liquidity situation were also confirmed by the asset quality review of the National Bank of Serbia. The high level of non-performing loans, however, remained a challenge for the banking system. Asset quality related issues were especially visible in the corporate segment, with non-performing loans at 26% while it remained below 12% in the retail business. More than 70% of the system's customer loans were denominated in foreign currency, mainly in euro reflecting the country's high level of euroisation.

Financial intermediation – Serbia (in % of GDP)



Source: National Bank of Serbia, Erste Group

Overall, customer loans increased by 3.0% and customer deposits by 6.5%, leading to a decrease in the system's loan-to-deposit ratio to 108%. The banking system's profitability improved in 2015. The attractiveness of the Serbian banking market was also reflected in new market participants. Turkish Halkbank entered the Serbian market in October 2015 by taking over Čačanska banka, while mts Banka, a mobile bank majority-owned by Telekom Srbija, appeared on the market in May. Foreign-owned banks kept their dominant position with a market share of approximately 75%.

Erste Bank Serbia remained among the country's top 15 banks. Its market share of customer loans increased to 4.3% by achieving retail and corporate market shares of 4.2% and 4.4% respectively. On the deposit side, Erste Bank Serbia's activities regarding foreign exchange and local currency savings continued. As a result, the bank's deposit base remained fairly divided between euro and dinar deposits. The bank's market share of customer deposits stood at 3.8%. Overall, Erste Bank Serbia had a market share measured by total assets of 3.4%.

Business review – Highlights

Most successful year. In terms of profitability, the year 2015 was the most successful one since Erste Bank Serbia launched its operations. In addition, the continued inflow of retail deposits reaffirmed customers' trust and the bank's position as a stable financial institution. Erste Bank Serbia is highly rated by its customers by all parameters of quality: trust, recommendation, satisfaction and ease of doing business with the bank.

Growing retail business. The bank continued to increase its retail market share, both in loans and deposits. The branch network expansion through the express branches concept, which started in late 2014, continued in 2015 resulting in branches in cities where the bank was not present before.

Focus on innovation. To meet the financial requirements of its customers through different channels, the bank continued its digitalisation projects. The bank also continued to upgrade its banking solutions with new functionalities such as online application for overdrafts, credit cards and cash loans.

Financial review

in EUR million	2014	2015	Change
Net interest income	34.4	40.8	18.7%
Net fee and commission income	13.4	12.6	-6.1%
Net trading and fair value result	2.9	3.2	11.1%
Operating income	50.5	57.1	13.1%
Operating expenses	-38.6	-39.0	1.2%
Operating result	11.9	18.1	51.5%
Cost/income ratio	76.4%	68.4%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-15.7	-10.8	-31.3%
Other result	-1.3	-0.6	-51.8%
Net result attributable to owners of the parent	-5.4	5.3	n/a
Return on allocated capital	-10.2%	7.9%	

Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased due to growing customer loan volumes in retail and corporate business as well as higher deposit volumes. Net fee and commission income decreased mostly due to lower lending fees. The improvement of net trading and fair value result was mainly driven by foreign exchange transactions. Operating expenses went up. Net impairment loss on financial assets not measured at FV through profit and loss declined on the back of better portfolio quality. As a result, the net result attributable to the owners of the parent improved significantly.

Credit risk

Total credit risk exposure in the Serbia geographical segment rose substantially to EUR 1.0 billion (+17.2%). Loans to customers grew at an even faster pace to EUR 719 million (+22.2%). With a share of 0.5% in total customer loans, this segment was still only of relatively minor significance for Erste Group. This highly dynamic development was attributable in particular to expanding business with medium-sized businesses and larger enterprises.

The share of foreign-currency – almost exclusively euro-denominated – loans in the total loan portfolio stood at 79% (75%). This is mainly due to the widespread use of the euro in Serbia as a result of the weakness of the local currency. Euro loans are usually matched by corresponding income or deposits in euro.

The clean-up of the loan portfolio by write-downs and sales and a decline in new non-performing loans resulted in a marked improvement in loan quality. The share of non-performing loans in the total loan portfolio was down 3.6 percentage points to 10.5%. This positive trend was seen in all customer segments, with the improvement being largely attributable to higher quality in corporate loans. NPL coverage by risk provisions excluding collateral stood at 88.4% (75.8%).

OTHER

Financial review

in EUR million	2014	2015	Change
Net interest income	175.7	171.9	-2.1%
Net fee and commission income	-4.9	-30.8	>100.0%
Net trading and fair value result	-10.3	3.3	n/a
Operating income	189.9	178.1	-6.2%
Operating expenses	-242.9	-243.0	0.0%
Operating result	-53.0	-64.9	22.5%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-77.1	-80.5	4.4%
Other result	-1,100.9	-67.0	-93.9%
Net result attributable to owners of the parent	-1,411.2	-205.3	-85.5%
Return on allocated capital	-24.4%	-2.9%	

Net interest income decreased moderately. Net fee and commission income declined predominantly due to the reallocation of subsidiaries to other segments. Net trading and fair value result improved due to valuation effects. Operating expenses remained stable. Other result improved significantly due to the non-recurrence of negative one-off effects, namely goodwill impairments of EUR 475.0 million and the write-down of the entire remaining value of customer relationships and brand of BCR of EUR 470.7 million. Net result attributable to the owners of the parent thus improved significantly.

Commitment to society

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

Because of the multitude of projects being pursued in business and financial education, sponsoring and corporate volunteering in all of Erste Group's core markets, only a few selected projects can be highlighted here. More detailed information on Erste Group projects is available at www.erstegroup.com/commitment and at websites of Erste Group's subsidiaries in the respective local language and in some cases also in English.

FINANCIAL LITERACY

A good understanding of money and finance is of the utmost importance as it enables individuals and households to improve and secure their economic situation. Financial ignorance limits social, economic and cultural life. Financial literacy is important for creating equal opportunities, social inclusion and economic well-being.

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

Therefore, Erste Group has been engaged in financial education activities for many years. The main objectives of Erste Group's financial education activities are to enable people of all ages to gain adequate skills and competencies to make informed and appropriate financial decisions and to assure that the employees of Erste Group have up-to-date knowledge as well as a comprehensive understanding of financial concepts and recent economic developments. Detailed knowledge of the range of financial products offered by the bank is simply not enough. Erste Group's employees have to be able to understand the bigger picture and to advise customers to choose the appropriate financial products. Erste Group is committed to ensuring that the financial products and services offered are transparent and easy to understand and meet the customers' short- and long-term financial needs.

In line with a recommendation of the Organisation for Economic Co-operation and Development (OECD) that financial education should start as early as possible, Erste Group puts a particular emphasis on financial education projects for children and young people. The aim is to enable even children to acquire knowledge and skills to build responsible financial behaviour. Erste Group wants to empower young people to participate in economic life and to understand finance as a system that supports everyone in their day-to-day activities.

Erste Bank Hungary, together with the Foundation Salva Vita, developed *Erste Salva*, a programme of financial educational lessons given by volunteering bank employees in ten schools. The *Contemporary Financial World* programme offers a variety of activities including the interactive board game *Financial Freedom* in more than sixty schools in the Czech Republic. Slovenská sporiteľňa supports educational projects in grammar schools and universities and realised the project *Get to Know Your Money* with the Foundation of Children in two hundred schools, educating students about earning, spending and saving money. Erste Bank Oesterreich developed further modules for teachers on current economic developments and entrepreneurship education on the platform www.geldundso.at. The crowdfunding platform www.startedeinprojekt.at introduced a new workshop format for teachers of Austrian schools and their students on how to successfully do crowdfunding for their school projects.

In some of the core markets, workshops are regularly held at schools on topics such as how to achieve one's own financial goals and how to avoid debt traps. In 2015, such workshops were attended by several thousand pupils and apprentices in Austria and in the Czech Republic. Through the *Seniors Communicate* programme, employees provide free-of-charge training courses to senior citizens across the Czech Republic on how to use payment cards and Internet banking.

A new ambitious project is the *Financial Life Park* (FLiP), a museum and learning trail focusing on personal finance and basic economics. The FLiP is designed to raise curiosity and illustrate the importance of finance. School classes starting from primary school are the main target group. The FLiP, located in the newly built Erste Campus in Vienna, Erste Group's headquarters, will open its doors in autumn 2016. It will provide space for workshops, lectures and seminars, especially on entrepreneurship education for pupils and teachers.

SPONSORING

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

SOCIAL ACTIVITIES

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

Erste Bank Oesterreich has been a partner of Caritas for many years. The fight against poverty is a key priority within the wide range of joint aid projects. Erste Bank Oesterreich sponsored the annual domestic aid campaigns as well as campaigns in Eastern Europe. It also continued its support for the *youngCaritas* project. Since 2003, Erste Bank Oesterreich, the savings banks and s Bausparkasse have been sponsoring Hilfswerk Österreich, one of the largest non-profit providers of health care, social and family services in Austria. Additionally, Erste Bank Oesterreich has also been supporting the aid organisation lobby.16, which works to protect the right to education of unaccompanied young refugees and give them access to education, employment and participation in social life. In Austria, asylum seekers were offered a refugee account free of charge for the duration of the asylum process, but for at least one year. In cooperation with Caritas, asylum seekers who already hold a work permit are offered a housing account and hence the chance to enter into a tenancy agreement.

Erste Bank Oesterreich has established itself as the preferred partner of charity fundraisers in Austria. More than 130 organisations are clients of the bank. Everyone can donate conveniently via netbanking or at the branches. Participating NGOs have already promoted more than one hundred regional and supra-regional fund-raising projects through a new donation app (*Hilfreich App*). In Austria, donations total about EUR 600 million annually. Banca Comercială Română operates www.BursaBinelui.ro, the only Romanian platform for no-fee donations, which promotes approximately 300 listed non-governmental organisations (NGOs). Donors know that even small donations fully benefit projects of the NGOs. Erste Bank Serbia supported around 90 different projects and initiatives in 2015. The bank continued to reward and support young, active, talented and creative people who have achieved outstanding results through a programme called *Club supERSTEp*.

Slovenská sporiteľňa continued its support for projects that create new jobs in sheltered workplaces and for organisations and projects that work with handicapped or homeless people as well as Roma families. For the past seven years, young people from children's homes have obtained scholarships under a project called *Vzdelávaním k úspechu* (Success through Education).

Česká spořitelna is the first financial institution in the Czech Republic to regularly certify its branches and educate employees in approaching people with disabilities correctly. The bank runs a *Bank without Barriers* project. In addition, the new portal www.bankabezbarier.cz provides information about special services available for handicapped customers including automated teller machines for use by visually impaired clients. Within the framework of *+1 Act programme*, Erste Bank Hungary cooperates with NGOs focusing on social challenges and supports their projects.

ART AND CULTURE

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

For the twelfth time, Erste Bank Oesterreich acted as the principal sponsor of the *Viennale*, Austria's largest international film festival. For the fifth time, Erste Bank Oesterreich awarded the *Mehr*WERT *Film Prize* to a film by an Austrian film director presented at the *Viennale*. With the support of Erste Bank Oesterreich, selected designers are offered an opportunity to work on projects as part of the *Vienna Design Week* every year. In 2015, five projects were funded. For the first time, the *Mehr*WERT *Design Prize* with a focus on social design was awarded. The *Mehr*WERT sponsoring programme also provides support to Klangforum Wien, the Gustav Mahler Youth Orchestra, Wien Modern, Jazz at Konzerthaus, the Vienna Secession, Tanzquartier Wien, the ZOOM Children's Museum, the Vienna Festival, the International Children's Film Festival, the socio-cultural project Hunger auf Kunst und Kultur (Hunger for Art and Culture), the mirno more peace fleet, Yad Vashem and many other institutions.

Kontakt, Erste Group's art collection, concentrates on art from Central, Eastern and Southeast Europe. The collection reflects the political and historical transformation in Europe and the significance of art against the backdrop of specific cultural, social and economic developments in the post-Communist countries. Erste Bank Croatia organised a well-known competition for emerging artists and art students, called *Erste fragments*, for the eleventh time in 2015. The bank purchased the award-winning works of art and granted a cash prize. Erste Bank Serbia continued to support local cultural and social initiatives, including NGOs, across the country through its cultural programme *Centrifuge*. Assistance was also provided to the *Belgrade Jazz Festival* and the *Belgrade Guitar Art Festival* as well as to numerous programmes focusing on literature and the fine arts. Since 2008, Erste Bank Hungary has been the sponsor of *Művészetek Palotája* (Palace of Arts), a highly recognised and acclaimed institution both in Hungary and internationally.

CORPORATE VOLUNTEERING

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

Erste Group's Austrian initiative *Time Bank* is based on the idea that personal commitment and practical assistance are often urgently required and as valuable as monetary donations. The *Time Bank* initiative was launched in 2012 and is a scheme that matches employees who want to donate their spare time and skills with currently 38 partner organisations. *Time Bank* has proved highly successful in providing short-term assistance even on short notice if needed. In addition, volunteers organised in-kind donations, such as toys and sporting goods, and provided support to partner organisations by disseminating information on their special events and fundraising activities. Employees of the Holding, Erste Bank Oesterreich and their subsidiaries, as well as of many regional savings banks across Austria volunteer their time in their local communities.

The main focus in 2015 was supporting partner organisations in dealing with the refugee crisis in Austria. *Time Bank* provided employees with a comprehensive overview of volunteer opportunities with organisations and initiatives to help refugees in Austria. It collected hundreds of public transport tickets for Diakonie and organised a winter clothes collection that provided partner organisations with over 600 boxes of donated clothing items.

In addition to former branch premises at Europaplatz, Erste Group also made available as yet unused space at Erste Campus as emergency shelter for refugees. Because of their close vicinity to Vienna's Central Train Station and Westbahnhof, both shelters with a total of 350 beds were heavily frequented. The refugees were supported by teams of 20 employees during working hours. Overall, more than 500 employees were engaged in the bank's refugee relief effort. In mid-October, the Europaplatz emergency shelter was converted into a facility designed to provide basic services for families with children seeking permanent asylum in Austria.

Employees of Slovenská sporiteľňa took part in numerous voluntary activities aimed at the support of local communities. In 2015, the bank as well as Erste Bank Hungary introduced the option of volunteering instead of teambuilding activities. Česká spořitelna contributes to the development of the Czech non-profit sector by actively supporting the publicly beneficial volunteer work of its employees. Since 2007, employees have been granted two working days off each year to volunteer as part of Česká spořitelna's *Charity Days* programme. Česká spořitelna supports a special volunteering programme for managers, which allows them to spend up to a week offering their skills to NGOs and charity organisations. Erste Bank Croatia signed the *Charter on recognition of competencies acquired through volunteering*, which means that as a bank, it recognises the importance of competencies gained through volunteering and that these competencies are considered during the recruiting process and career progression. For example, they organised volunteering in children's shelters and helping in other socially sensitive areas; there are plans for further activities in 2016.

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

SPORTS

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

In tennis, activities range from support for amateur initiatives such as the *BCR Tennis Partner Circuit* in Romania to professional tennis events such as the *Erste Bank Open* in Vienna, the most important tennis tournament in Austria. The *Erste Bank Open*, sponsored again by Erste Bank Oesterreich 2015, was upgraded in 2015 to the level of an ATP World Tour 500 tournament, and with a prize money of EUR 2.4 million it ranks fifth in Europe.

In 2015, Erste Group sponsored a large number of running events, including many in support of social projects such as the *erste bank vienna night run* in Austria, the Košice Peace Marathon – the oldest European marathon – in Slovakia, the *Color run* in Romania and the *Homo si Tec Marathon* in Croatia. *Erste Bank Sparkasse Running* 2015 comprised more than 200 running events and more than 150,000 participants dashing some million kilometres through Austria.

Since 2003, Erste Bank Oesterreich has been the name-giving main sponsor of the national ice hockey league, the Austrian national ice hockey team and the local *Vienna Capitals* team. The Erste Bank Ice Hockey League grew beyond borders; teams from Czech Republic, Hungary, Slovenia and Italy are now also participating. To support young Austrian ice hockey players, two youth series – Erste Bank Young Stars League and Erste Bank Juniors League – were introduced.

Česká spořitelna is the main partner of the Czech Athletics Federation and supports athletes of all performance levels – from the national teams to young talents. Owing to the athletic youth programmes, more than ten thousand children have been trained by licensed instructors and coaches.

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

Customers and suppliers

FOCUS ON CUSTOMER RELATIONS

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

The customers decide themselves how they wish to do their banking. For this reason, in 2015, Erste Group focused on further improving its digital services and its branch concept. In Austria, *George* was launched to start a new era in digital banking and was warmly welcomed by the customers. The branch concept was thoroughly overhauled. Simple banking business can now be done in service branch offices, while newly designed advisory centres provide in-depth support to meet more complex, long-term needs.

ACCESSIBILITY

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

Erste Group believes that, despite technological progress, personal contact with customers remains important in banking. Customers of Erste Group who require complex long-term financial services expect sound advice. Top priorities of product information remain transparency and easy-to-understand products and services, both in terms of technical details and language. Erste Bank Oesterreich is therefore continuing to expand its range of multilingual advisory and other services in English, Turkish, Serbian, Croatian and Czech. Banca Comercială Română provides information on products and services in Hungarian.

For partially sighted customers, Erste Bank Oesterreich offers bank cards printed in braille, and each branch of Erste Bank as well as each VIVA shop (where available) operates at least one cash dispenser equipped to provide audio instructions. Česká spořitelna has further increased the number of cash dispensers designed for use by persons with impaired vision so that by now already one out of two of all machines boast this feature. In addition, Česká spořitelna has implemented the service *e-Scribe* in several branches to facilitate the communication between people with impaired hearing and bank advisers. In 26 branches the bank also offers an online subscription service (www.tichalinka.cz), which is unique on the Czech banking market.

The number of branches with barrier-free access has risen further across Erste Group. Working with the Prague wheelchair users' organisation, Česká spořitelna tested all of its branch offices for barrier-free access. 234 branch offices were classified as being 100% barrier-free. Erste Bank Hungary has already remodelled more than two thirds of its branches, and access is likewise barrier-free at all new or remodelled branches of Erste Bank Serbia. In addition, Erste Bank Serbia offers special advisory services to people who are deaf or hard of hearing.

The websites of the local banks of Erste Group are continuously updated. In this respect, the focus is on accessibility, usability and easy–to-understand content. Customers may choose between three font sizes on the websites of the Holding, Erste Bank Oesterreich, Banca Comercială Română, Slovenská sporiteľňa, Erste Bank Hungary and Erste Bank Croatia. In addition, the websites of the Holding, Erste Bank Oesterreich, Erste Bank Serbia, Erste Bank Croatia and Banca Comercială Română feature responsive design, which means that the website adapts automatically to screen size and resolution for optimum display.

INNOVATION AND PRODUCT QUALITY

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

To enhance quality even further, it was decided in 2015 to integrate operational risk assessment, including the testing of new products for potential financial, legal and reputational risks.

CUSTOMER SATISFACTION

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

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

In 2015, Erste Group improved in customer experience aspects across its markets. The positive development is especially visible in the SME segment. Slovenská sporiteľňa and Erste Bank Hungary were particularly successful in improving customer satisfaction.

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

In 2015, Erste Private Banking was again named *Best Private Bank in CEE* by the business magazine *The Banker*. To maintain these high standards, all private banking advisers will attend a new training programme on completion of which they will receive an internationally recognised certificate. The fact that all banking subsidiaries of Erste Group operate under a brand name of very high recognition value and trustworthiness represents a significant competitive advantage in the banking business, which has manifested itself, among other things, in steady inflows of deposits and funds under management at times of economic uncertainty.

SUSTAINABLE INVESTMENT

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

Erste Asset Management is an acknowledged and leading provider of sustainable investment funds in Austria and in the CEE region. In 2015, Erste Asset Management managed assets worth EUR 55 billion. Its subsidiary Erste-Sparinvest KAG has strengthened its market leadership position in Austria. Actively managed funds that are amongst others screened for prohibited weapons amounted to EUR 23.4 billion. The total volume of assets managed by sustainable investment funds reached EUR 4 billion in 2015, up 10% versus 2014.

In 2015, sustainable investment remained one of the core competencies of Erste Asset Management. Sustainability experts of Erste Asset Management managed 28 investment funds in the categories public funds and special funds/externally mandated portfolios. The managed public funds comprised seven bond funds, four regional stock funds, one micro-finance fund of funds, one theme funds for climate protection and the environment (the latter two funds were managed jointly with WWF Austria) as well as one asset allocation fund of funds. Five stock funds were bundled into two. 2015 was characterised by strong investor demand for funds that invest in emerging market corporate bonds globally, in conformity with sustainability rules. In addition, a new public fund, one of the first of its kind, was established that solely invests in globally certified green, social and climate awareness bonds.

In 2015, Erste Asset Management was awarded the newly created FNG label for several of its sustainable funds. Created by Forum Nachhaltige Geldanlagen e.V. (FNG), the FNG label is the quality standard for sustainable financial investment in German-speaking countries. To qualify for the FNG label, the minimum requirements are transparency and process criteria, the exclusion of weapons and nuclear energy and meeting standards in four UN Global Compact categories: human rights, labour law, environmental protection and the fight against corruption and bribery.

As regards engagement and interaction with investees, business partners and clients, global companies were contacted on various subject matters, with the key topics being solutions for climate change/alternative energy, water supply and energy. Debates were held with external sustainability experts and analysts, and questions on sustainability were addressed to key representatives of relevant industries. In 2015, international co-operation (e.g. UN PRI) was further intensified under the heading of Engagement in order to be able to approach companies from a position of greater strength. In this context, action was taken in relation to retail trade supply chains and the oil industry.

In 2015, the ethics board – the Erste Responsible Advisory Board – commenced its work and contributed successfully to sustainable investments of Erste Asset Management. The *EAM SRI Universe Report* is a monthly publication that covers the investment universe for the sustainability funds. Erste Asset Management was the first Austrian asset management company to sign the Montréal Carbon Pledge. Under this scheme, capital market participants agree to have the CO_2 emissions of their stock holdings measured and to annually disclose their CO_2 footprint as well as to support the efforts of the Paris World Climate Summit to reduce CO_2 emissions. In addition, Erste Asset Management continued to be an active member of Forum Nachhaltige Geldanlagen (Forum for Sustainable Financial Investments), Eurosif and Verein zur Förderung von Ethik und Nachhaltigkeit bei der Geldanlage (Corporate Responsibility Interface Center, CRIC). The FNG sustainability label for German-speaking countries was implemented in late 2015 and was awarded to five sustainability funds managed by Erste Asset Management.

FINANCIAL INCLUSION

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

In 2015, the main focus of financial inclusion was again on micro banking and social enterprise financing. In addition, local networks promote the training of social entrepreneurs by helping them acquire the expertise and the skills required for running their businesses successfully.

Micro financing

All local banks of Erste Group offer micro-financing schemes customised for their markets. In Austria, the micro-finance initiative was continued in cooperation with the Federal Ministry of Labour, Social Affairs and Consumer Protection for the sixth consecutive year. Under this initiative, Erste Bank Oesterreich offers start-up loans to people who were previously jobless or threatened by unemployment. So far, more than 480 start-ups have received funding under this programme from savings banks and Austria Wirtschaftsservice.

In Romania, Good.bee Credit offers self-employed persons and small businesses development-oriented financing products and supports regional economic development by providing micro loans. Good.bee Credit mainly aims at small enterprises in rural areas that have otherwise no access to traditional banking. At year-end 2015, more than 4,300 loans with a total volume of EUR 35 million had been granted. In 2015, Erste Bank Serbia and the NGO Smart Kolektiv continued *supERSTEp*, a programme designed to support start-ups with capital and training to help them set up or continue developing their own businesses. This programme is planned to become part of the standard offering and to achieve substantial growth rates. Erste Bank Croatia fundamentally changed its micro-lending programme and will launch it in 2016.

Slovenská sporiteľňa supports micro-entrepreneurs with the aim of creating and securing jobs. Apart from providing financing in the start-up phase, the focus is also on the transfer of business management expertise. The programme is set for nation-wide roll-out in the first half of 2016. In addition, a separate programme was designed for NGOs including financing models and financial education. In Hungary, the local good.bee programme, collaborating with the Budapest Civil Info Center and the Civil Academy, focused in particular on NGOs. Erste Bank Hungary increased lending volume in social enterprise finance by 30% year on year. Annual transaction volume rose to EUR 5 million.

Social enterprise financing

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

The local banks of Erste Group stepped up their activities for social enterprises in 2015. Erste Group has become one of the leading banking groups in social enterprise financing in CEE, and the respective loan portfolios grew particularly in Austria, Romania and Hungary.

Erste Bank Oesterreich, for example, supports social enterprise customers with financing after the start-up phase and also offers business management consulting services, including access to business angels (e.g. *Idea meets Money* or the Impact Hub's *Investment ready* programme in Vienna). The *For Best Students* initiative supports students by providing the financial means to cover tuition fees, living costs, etc. The programme *career with children* aims at supporting young families by taking over the costs for day care for children, thus making it possible to reconcile career and family. In cooperation with debt counselling services, the initiative called *betreute Konten* (assisted accounts) was developed further and has proved to be an instrument that may help many vulnerable people to retain their full legal capacity. It also helps to prevent homelessness. A care card has been developed jointly with organisations offering care services. This card enables home care services to spend small amounts on purchases without needing access to the client's account. This facilitates the management of finances for care organisations. Similar social entrepreneurship initiatives have also been implemented by the local banking subsidiaries of Erste Group.

SUPPLIERS

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

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

In the course of fulfilling their contractual obligations, suppliers of materials, equipment and services, selected as group partners, are expected to:

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

This is also expressed in the supplier code of conduct that is publicly available on the website of Erste Group Procurement.

SUPPLY CHAIN

Erste Group's supply chain comprises mainly indirect expenses that support the group's core business. The total amount paid to companies outside Erste Group was slightly below EUR 1 billion, and the majority of it is linked to services, operations and marketing (amounting to 40.3% of the total amount spent), followed by IT (39.6%) and facility management (20.1%). Out of a total of approximately 20,800 suppliers on group level, 80% of the total procurement expenses relate to 643 suppliers. 98.8% of the suppliers (reflecting 97.4% of the expenses) were located in the European Union, highlighting Erste Group's focus on its markets in CEE. An additional 0.54% of the suppliers were located in North America, 0.44% in other European countries and the rest were based in Asia (0.14%).

Only 13.1% of Erste Group's purchases were made across borders. This focus on local procurement strengthens the local economies of the countries where Erste Group operates and underlines the commitment to support these regions.

SUPPLIER SELECTION PROCESS

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

The supplier audit questionnaire is an integral part of Erste Group Procurement's supply chain and is covered by the eRFx tool. This operational tool ensures full transparency and allows a timely assessment and risk identification before entering into contracts with suppliers.

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

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

Environmental aspects

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

- existence of an environmental management system
- participation in the Carbon Disclosure Project
- existence of a written environmental policy
- method of measuring CO_2 emissions
- existence of environmental targets
- information on fines or charges for environmental infringements
- description of the supply chain of the supplier

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

Some 20% of the suppliers of new and renewed contracts were audited according to environmental standards in 2015. No supplier was subject to a specific environmental impact assessment beyond the standard audit questionnaire nor was any supplier identified as having had significant actual and potentially negative environmental impacts. No actual and potentially negative environmental impacts were identified in the supply chain. Finally, no supplier contract had to be terminated as a result of significant actual and potentially negative environmental impacts.

Social aspects

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

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

Some 20% of the suppliers of new and renewed contracts were audited according to both labour practice standards and human rights criteria in 2015. No supplier was subject to specific labour practice or human rights impact assessments beyond the standard audit questionnaire nor was any supplier identified as having had significant actual or potentially negative labour practice or human rights impacts. There were no actual and potentially negative labour practice or human rights impacts identified in the supply chain, and no supplier contract had to be terminated as a result of significant actual and potentially negative labour practice or human rights impacts.

Further to that, no supplier was found to violate or put at risk the right to exercise freedom of association and collective bargaining, nor was any supplier found to have significant risk of child labour or young workers exposed to hazardous work, nor was found to have had a significant risk for incidents of forced or compulsory labour.

Employees

Retaining talented, engaged and experienced employees is fundamental to the long-term success of every company. Erste Group – as one of the largest employers in the region – therefore aims to maintain its position as an employer of choice in Central and Eastern Europe; we encourage our employees to continually strive for professional and personal development and offers equal opportunities to everyone in the organisation. Competence building and developing performance-oriented teams as well as organisational effectiveness and competitiveness through customer centricity, cost-effective organisation design and process excellence are cornerstones of the strategy.

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

Erste Group's people management strategy reflects the changing demands of the business environment. It is based on three key pillars:
_ competence
_ culture
_ competitiveness

Erste Group considers employee engagement as a vital element for the success of the bank. Systematic and regular group-wide employee engagement surveys allow employees to give feedback on different aspects of their working experience. In 2015, more than 50 companies across Erste Group participated in the third group-wide survey. Following an in-depth analysis of the results, action plans, follow-up measures and initiatives are developed and implemented both on a group level and in the local entities. The next survey is planned for 2017

The most important topics singled out by employees were:
_ diversity and equal opportunity
_ career development opportunities
_ work process improvements

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

DIVERSITY AND INCLUSION

Companies that are committed to diversity and inclusion benefit from more engaged employees, a better brand image and higher customer satisfaction. Innovation and sustainable success can only be achieved by leveraging the skills and abilities of individuals with a broad range of experiences, educational and cultural backgrounds as well as perspectives. Erste Group sees diversity as a vital part of its business strategy and key to attracting and retaining talented employees. The appointment of a Group Diversity Manager underlines the importance of this topic. The management board supports the diversity agenda and its activities.

Erste Group provides a work environment free of discrimination and harassment and values the work of each and every person regardless of gender, age, disability, marital status, sexual orientation, skin colour, religious or political affiliation, ethnic background, nationality or any other aspect unrelated to their employment.

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

In 2015, the management board of the Holding and the employees' council signed a company agreement on preventing discrimination and promoting respectful behaviour in the workplace. It aims at providing the employees a timely and efficient support mechanism against discrimination, bullying and/or sexual harassment and at preventing or stopping these situations from occurring. An Anti-Discrimination Officer was appointed at the end of 2015, who works with management on awareness and prevention and councils, advises and mediates in matters concerning harassment and discrimination.

Further to that, Erste Group signed the *Nestor Gold Charter* on generation management in October 2015. Nestor Gold is an initiative of the Austrian Federal Ministry for Labour, Social Affairs and Consumer Protection. The Charter is a commitment of companies to support intergenerational dialogue and create a corporate culture where all generations are valued. In 2016, the Holding will begin with a systematic evaluation of policies, processes and of the overall environment relating to generation management at the workplace. The audit will result in a series of recommendations, concrete goals and action steps, and certification.

Erste Group believes that diverse teams are more creative and flexible in reacting to changing demands. Valuing and understanding cultural diversity fosters inclusion and integration as well as better teamwork and cooperation. To promote intercultural understanding, an *International Dinner*-initiative was launched in Austria in 2015 providing opportunities for employees from different cultures to introduce their traditional home country cuisines.

At the beginning of 2014, Erste Group set a group-wide internal target of having 35% of positions in top management and on supervisory boards filled by women by 2019. This target applies to the local banks (excluding other subsidiaries or the savings banks in Austria). Currently, 28% of positions in top management are filled by women, which is a 2 percentage point decrease over 2014 resulting from organisational changes. The share of female supervisory board members increased by 1 percentage point to 24% in 2015. To increase the number of women in senior management positions, Erste Group aims for a greater gender and age balance in its talent pools.

The *Erste Women Hub* focuses on supporting women advance their careers, reaching out to female customers and encouraging an inclusive work environment. Various initiatives in Austria, such as the *WoMentoring* programme, *Women Financial Lifetime* and *Securities Dialogue for Women,* were launched.

Česká spořitelna continues its comprehensive diversity and inclusion programme *Diversitas*. The programme is focused on all aspects of diversity management, such as supporting the career advancement of women through mentoring, coaching, leadership development and networking and offering flexible work arrangements and a parental support programme as well as age management and an intergenerational dialogue.

Attracting and retaining handicapped employees as well as supporting reverse and intergenerational mentoring was another priority at Česká spořitelna. Česká spořitelna continued to offer internships for handicapped people, e.g. under the *Pět statečných* (Five Brave) programme, and provided more ergonomic working conditions. Česká spořitelna's *Moudrá Sova* (Wise Owl) programme supports reverse and intergenerational mentoring for employees older than fifty and younger than thirty. In 2015, Česká spořitelna was named *Company of the Year: Equal Opportunities and Diversity* for the third time.

Both Slovenská sporiteľňa and Banca Comercială Română offered workshops dedicated to women in their diversity approach. In addition, Slovenská sporiteľňa recruits disabled persons for their call centre, and Erste Bank Hungary agreed with the employees'council to provide an additional 5 days of paid leave for disabled employees.

The diversity priorities for 2016 are the following:

- implement concrete measures in the area of generation management
- implement diversity and anti-discrimination training courses for managers
- nominate at least one new female supervisory board member and increase the number of women in top management by at least 3 percentage points
- establish a group-wide diversity policy framework
- continue to encourage local diversity initiatives across the group
- take necessary steps to close the gender pay gap by 2025

LEARNING, TALENT MANAGEMENT, LEADERSHIP AND COMPETENCY DEVELOPMENT

Erste Group regards supporting the development of its employees' professional and social skills as a top priority to ensure that the employees are well prepared to act professionally and in a socially responsible manner. Erste Group continuously develops and aligns group-wide training programmes for senior experts and managers. In 2015 the main focus was on implementing the group-wide talent management landscape, improving leadership development and realising the concept of functional competency management.

Erste School of Banking and Finance, the group's platform for professional and leadership training, offers executive training and comprises open enrolment courses including personal development training courses as well as programmes for specific business areas. In 2015, Erste Group successfully established the Finance College, where training is offered in four key areas: controlling, asset/liability management, accounting, and business data excellence. The training options of the Risk Management College have been expanded. New courses reflect the regulatory changes and contribute to bridging functional competency gaps of employees. The Corporates & Markets College also continued to offer its learning initiatives, covering topics such as specific product knowledge or corporate sales abilities.

The Erste Leadership Evolution Centre structures group-wide leadership development offerings. Participants of the Group Leadership Development Programme, Erste Group's training programme for members of the key position pool, are trained by IESE Business School Barcelona. Erste Group's Talent Management launched three gender-balanced talent pools. The International Talent Pool targets high-performing junior professionals up to board minus 3 management levels. As of year-end 2015, about 40% of the international talent pool were women. The next level, the Key Positions Pool, aims at preparing managerial talents for roles at division head level. This pool comprises 39% women. The Executive Pool, which identifies and develops top executive level talent, comprises 27% women.

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

In 2015, each employee of Erste Group had on average 3.4 training days for professional development. The total group-wide training budget amounted to EUR 13.9 million (i.e. approximately EUR 386 on average per employee).

The focus for 2016 is the mobilisation of identified talents within the group and to further develop the digital learning offer.

REMUNERATION AND PEOPLE PERFORMANCE MANAGEMENT

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

_ create an environment where employees can perform, develop and be engaged
_ reward at the right level to attract and retain employees with the required competence and skills
_ be cost-competitive and cost-flexible for a sustainable business
_ support leadership and employee behaviour that creates an engaging and unique customer experience and effective risk management practices

As a signatory of the Austrian *Diversity Charter*, Erste Group committed itself to the principles of equal opportunity and transparency, especially in remuneration. One of the key strategic priorities is to ensure that total reward schemes are more transparent, market-driven and linked to performance and personal development. Erste Group offers competitive, but not market leading, compensation packages. The local banks' remuneration practices remain well balanced with the business line needs and local country pay practices. The remuneration schemes are designed according to all EU and national regulatory requirements on remuneration.

The fixed remuneration is the core component of any employee's remuneration and is based on the job complexity, individual contributions and local market conditions. The fixed salary represents a sufficiently high proportion of the total remuneration to allow the operation of a flexible and variable remuneration policy. The total remuneration is balanced in such a way that it is linked to sustainability and does not promote excessive risk-taking. The variable remuneration component may be offered to all employees. Awarding a variable salary is based on company, business line and individual performance and also reflects local country practices. On all these levels, Erste Group uses a balance between financial, business growth, risk, customer and cost indicators. The overall performance evaluation also includes the employee's behaviour and competence. Retail sales incentive schemes are offered to selected employees working in the retail business line and are based on company, business line and individual performance.

Benefits are provided as a means to stimulate well-being in the work environment and to support an appropriate work-life balance. Examples of benefits are flexible working time, study leave, parental leave and the health centre expertise. Pension and insurance schemes aim at ensuring that employees have an appropriate standard of living after retirement. Pension and insurance provisions are according to local law, regulation and market practice.
The supervisory board annually reviews group and local remuneration policies and practices. The respective group and local remuneration policies and execution are annually evaluated to ensure that remuneration practices comply with respective international and national regulations. The evaluation comprises the entire remuneration process from determining bonus budget pools, to target setting and performance evaluation, to awarding bonuses in relation to performance and fixed salary, to the actual pay-out of bonuses.

The supervisory board has approved a more distinctive change in the remuneration for top executives, and the long-term incentive scheme was cancelled to better balance forward-looking and short term key performance indicators.

HEALTH, SAFETY & WORK-LIFE BALANCE

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

Erste Group is committed to a proactive approach towards helping its employees to identify and manage health risks. A multi-professional team of occupational physicians, industrial psychologists and physiotherapists assists Erste Group's employees in any matters of health and well-being. The health centre is a model of good practice in the prevention of disease: focusing on risk factors (e.g. prevention of heart disease and stroke) or on changing personal health practices and behavioural patterns (e.g. smoking and diet), employees are provided with a broad range of assistance, such as medical check-ups, screening of the carotid artery for stroke prevention, back therapy training, relaxation techniques and nutritional consulting.

Mental health is crucial for labour market outcomes and affects economic growth. In developed countries, mental illness is responsible for one-third to one-half of all long-term sickness and disability among the working-age population. At any given moment, some 20% of the working-age population faces mental health issues and one in two people will suffer from a mental health condition during their lifetime. Therefore, it is important that companies and policy makers address the interplay between mental health and work. The workplace directly influences the physical, mental, economic and social well-being of employees, and affects the health of their families, communities and society.

Consequently, the health centre focused on strengthening its effectiveness on maintaining mental health of the employees in 2015. The health centre covers a whole variety of preventive measures for employees such as by providing relaxation techniques or training courses for managers, supporting employees in personal situations (caring for young and old, challenging personal circumstances) and offering quick accessibility to adequate treatment.

Another focus in 2015 was integrating employees after longer sickness. The longer people are on sick leave, the more difficult it becomes to reintegrate them into the labour force. This is even more so for those suffering from mental illness. Erste Group signed a company agreement on this topic, giving all employees the possibility of a step-by-step integration (in terms of working hours and activities) after long-term illness.

In April 2015, Erste Group's health centre presented this model in The Hague at the OECD High-Level Policy Forum Mental Health and Work. In Austria, it is seen as a best practice model by the Austrian Federal Ministry for Labour, Social Affairs and Consumer Protection. An evaluation of the impact of these efforts showed that the rate of long-term illness declined and reintegration was successful in many more cases than in the past.

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

In 2015, the Holding and Erste Bank Oesterreich were re-certified as family friendly by the Austrian Federal Ministry of Families and Youth. This certificate is only granted to employers that allow their employees to successfully balance their work and private life. In addition to supporting flexible working hours, sabbaticals are offered and there are processes in place to reintegrate employees after long-term illnesses or parental leave. As a further measure the company kindergarten will open its doors at Erste Campus in 2016.

Staff indicators

	Share of female staff		Share of part-time staff		Share of female part-time staff from total part-time workforce		Share of male part-time staff from total male workforce		Share of executive positions	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Austria	47.9%	55.1%	24.5%	27.5%	83.0%	86.9%	4.2%	8.0%	1.6%	1.5%
Czech Republic	70.9%	71.4%	7.9%	8.6%	92.6%	94.0%	0.6%	1.8%	0.9%	0.5%
Slovakia	71.9%	72.0%	0.5%	0.4%	87.0%	89.5%	0.1%	0.3%	0.9%	1.0%
Hungary	62.4%	63.8%	2.6%	2.4%	81.1%	72.7%	0.5%	1.8%	2.1%	1.4%
Croatia	69.2%	69.2%	0.9%	0.9%	96.6%	100.0%	0.0%	0.0%	2.7%	2.5%
Serbia	69.1%	70.7%	0.1%	0.1%	0.0%	0.0%	0.1%	0.3%	2.2%	2.4%
Romania	70.2%	71.2%	5.6%	5.6%	79.0%	82.0%	1.2%	3.5%	1.1%	0.9%

	Other managerial positions		Share of women in executive positions		Share of women in other managerial positions		Average number of sick leave days per employee		Number of employees with health disability	
		2014		2014		2014		2014		2014
Austria	8.9%	8.2%	17.0%	20.9%	27.0%	30.8%	7.7	7.8	110	112
Czech Republic	4.8%	5.6%	16.5%	25.5%	39.6%	39.5%	7.2	5.2	130	107
Slovakia	8.5%	8.4%	25.6%	27.9%	55.7%	55.5%	7.1	7.1	100	82
Hungary	12.2%	12.4%	25.0%	23.7%	53.0%	51.0%	7.7	6.9	6	6
Croatia	9.5%	12.8%	36.5%	35.8%	61.5%	56.8%	10.2	5.3	9	22
Serbia	13.9%	14.3%	37.5%	37.5%	55.0%	55.9%	4.8	5.3	2	2
Romania	6.5%	6.8%	46.8%	41.5%	57.4%	55.8%	8.2	7.0	20	18

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

Turnover rate		<30 yrs		31-40 yrs		41-50 yrs		>50 yrs	
2015	Total	initiated by the employee	initiated by the employer	initiated by the employee	initiated by the employer	initiated by the employee	initiated by the employer	initiated by the employee	initiated by the employer
Austria	6.0%	26.6%	1.7%	24.9%	6.8%	18.8%	6.5%	7.7%	7.0%
Czech Rep.	15.9%	25.8%	9.4%	19.6%	12.3%	11.6%	7.4%	9.0%	5.0%
Slovakia	14.5%	21.9%	13.3%	13.5%	16.4%	7.4%	14.1%	2.1%	11.2%
Hungary	12.6%	22.1%	2.1%	40.2%	13.9%	10.0%	3.6%	6.3%	1.8%
Croatia	6.4%	13.2%	17.6%	28.9%	15.2%	8.3%	8.3%	1.0%	7.4%
Serbia	5.3%	3.5%	17.5%	15.8%	36.8%	5.3%	10.5%	7.0%	3.5%
Romania	18.2%	29.3%	16.6%	27.7%	5.7%	11.3%	5.1%	2.2%	2.1%

Executive positions cover all the board and board-1 positions. Other managerial positions cover all the board-2 and board-3 positions.

Environment

Environmental issues affect everyone's life, and the time when only environmental activists paid attention is long gone. We are already feeling the effect of climate change and might be the last generation who can do something about it. Climate change has become a reality and has started to impact ecosystems, societies and economies. The only option to limit the negative consequences of the greenhouse gas emissions is to confine global warming. Even if this is successful, there will be severe and widespread consequences on all continents due to the rising sea levels and increasing climate-related hazards.

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

ENVIRONMENTAL STRATEGY

Erste Group's environmental strategy is built on four pillars:
_ implementation of an Environmental Management System
_ implementation of a Supply Chain Management System for all products and services needed to run the banking business
_ integration of environmental criteria into banking products and services (especially financing products)
_ cooperation with environmental NGOs

An Environmental Steering Committee consisting of the CEO and COO of Erste Group and the Head of Group Environmental Management was set up to monitor the group-wide implementation of the environmental strategy. Within each local banking subsidiary, environmental teams under the direct responsibility of one Board Member are installed. Over the next few years, it will become common practice to integrate environmental aspects into day-to-day banking business wherever appropriate. The Supply Chain Management System ensures that ecological and commercial considerations are equally taken into account in purchasing decisions.

Medium-term priorities

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

ENVIRONMENTAL TARGETS

To improve the environmental footprint of the business activities, Erste Group defined the following measurable group-wide reduction targets by 2016 compared to 2012 data:
_ Electricity consumption by -10%
_ Heating energy by -10%
_ Copy paper consumption by -20%
_ Carbon dioxide (CO_2, scope 1 and 2) emissions by -30%

Development of the environmental footprint in 2015 versus 2012

_ Electric energy: -16.3% to 155.2 GWh
_ Heating energy: -22.4% to 125.3 GWh
_ Copy paper: -14.2% to 1,469 t
_ CO_2 emissions (scope 1 and 2): -21.4% to 82,093 t

GROUP-WIDE ACTIVITIES

Reduction of greenhouse gas emissions

Not surprisingly, reducing the consumption of natural resources, notably heating and electric energy, is key in optimising Erste Group's environmental impact. A careful selection of suppliers and resources with CO_2 emissions that are as low as possible is of utmost importance.

Erste Group defined the following group-wide criteria for the selection of heating and electricity suppliers:
_ Whenever available, district heating – preferably from renewable sources or waste – is to be used followed by natural gas or LNG (liquefied natural gas), electricity and, finally, heating oil.
_ If available, electricity is to be purchased from 100% renewable sources or from local suppliers with the highest share of renewable energy or the lowest CO_2/kWh ratio.

Erste Group started to use exclusively green electricity – CO_2-free, from renewable sources only – in 2012 in Austria. The contract was renewed in 2015 until the end of 2017. Approximately 50% of the Austrian electric energy demand is covered by Erste Group's own hydro power plant in Styria. In 2014, Erste Bank Croatia switched to purchasing only 100% CO_2-free electricity. In the Czech Republic, the purchase of electricity is done mainly through Česká spořitelna's energy trading subsidiary Erste Energy Services, a company selling electricity from renewable energy sources. Currently, no appropriate local energy providers selling country-wide CO_2-free electricity are operating in other Erste Group core markets.

The cheapest and most effective way to reduce greenhouse gas emissions is to reduce energy consumption through energy saving and increasing energy efficiency.

A wide variety of energy-saving programmes has been implemented in all local banking subsidiaries. Banca Comercială Română and Erste Bank Hungary take simple but very efficient measures to reduce energy consumption. These range from the replacement of lighting by LED to room temperature adjustments. Erste Bank Hungary achieved an overall reduction in electric energy of some 12%. Slovenská sporitel'ňa continued its ambitioned energy-saving efforts within its Environmental Action Plan (2014-2016) and reduced its total energy consumption by 15%. Česká spořitelna pursued its energy reduction programme for the branch network. The individual energy consumption of each branch is monitored on a quarterly basis. The roll-out of the remote monitoring of building technologies continued, and monitoring devices for energy consumption and management were installed in more than a hundred buildings. In Croatia, the project *PEEP* (Project of Electric Energy savings in Premises) as well as the implementation of an energy management system in Serbia were continued. The usage of a special p sun-blocking foil that helped to avoid heating up the room by sunlight especially in summer.

European Union countries transposed the 2012 Energy Efficiency Directive into national law establishing a set of binding measures to help the EU reach its 20% energy efficiency target by 2020. The Austrian regulations required energy audits for nearly all local Erste Group entities. With the help of an external advisor, a representative portfolio of premises of savings banks and Erste Bank Oesterreich including branches from different provinces such as Tyrol, Salzburg, Lower Austria, Vienna and Burgenland was selected to be audited. With Erste Campus, the new headquarters in Vienna, and the Austrian data centre, the two buildings with the highest electric energy consumption were part of the energy audit. The final report identified and quantified cost-effective energy saving opportunities. It also showed that in general the audited entities used energy efficiently.

Due to the move to the new headquarters in Vienna, which will be completed in the second quarter 2016 (approximately 4,500 employees will work at Erste Campus) nearly no investments were undertaken at formerly used office buildings to improve energy efficiency. Erste Campus has been awarded preliminary *DGNB Gold certification* by the Austrian Society for Sustainable Real Estate (ÖGNI). The re-certification is expected to be confirmed in 2016. Calculations show an expected reduction of 30-50% on electric energy compared with the consumption of the existing buildings used in Vienna.

Erste Asset Management was the first Austrian investment funds company to sign the *Montréal Carbon Pledge*. By signing it, investors commit to measure and publicly disclose the carbon footprint of their investment portfolios on an annual basis and support the World Climate Summit in Paris in its effort to reduce the CO_2 emissions.

Measures to reduce office paper consumption

Without doubt, besides measures relating to energy, one of the greatest direct contributions that a financial institution can make to protect the environment is cutting paper consumption. The production of recycled paper requires approximately 80% less water and 70% less energy; overall, the CO_2 footprint is 50% less.

To minimise the environmental impact of the group-wide paper consumption Erste Group continuously runs paper-saving initiatives. In addition, group-wide sourcing rules for paper are in place:
_ When purchasing paper, environmental criteria are as important as other business criteria such as price, availability, product quality and regulatory requirements.
_ Wherever technically possible, only 100% recycled paper is to be used, especially in the case of copy paper and all paper used for internal purposes.
_ If recycled paper cannot be used, only paper certified by the FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification Schemes) is to be chosen to prevent the use of paper from illegally harvested wood sources.

Erste Group is already close to reaching the target of 100% recycling paper for copy machines and reduced the total consumption of copy paper from 2,000 to 1,400 tonnes since 2012. The next step will be to fully switch to recycled paper also for business cards, envelopes and other kind of office paper. With this measure Erste Group shows its commitment to protect natural resources. To complete the environmental cycle local banking subsidiaries increased their efforts to collect waste paper. To give one example, Erste Bank Hungary achieved a collection increase of 300% compared to last year.

In Slovakia, the Czech Republic, Hungary, Serbia and Croatia, the targeted level of 100% recycled copy paper has been almost reached, and Austria was close with over 80%. Only Romania is lagging behind with a recycled copy paper share of only 10%. The overall consumption of copy paper was reduced in 2015 by additional 24 tonnes to 1,467 tonnes. Since 2011, the total volume declined by 500 tonnes or 30%. For the first time, the 2014 annual report and the quarterly report of Erste Group were printed on recycled paper. Furthermore, as more and more readers use the online version, the number of printed copies declines steadily.

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

Waste management activities

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

Other environmental initiatives

One of the main challenges is to keep the employees informed about the ecological consequences of their activities. Slovenská sporitel'ňa developed an e-learning tool for all employees focusing on conscious usage of resources such as energy and paper. Several local banks including Erste Bank Serbia and Česká spořitelna provide allocated bike parking areas for employees commuting by bike to the office or offer free use of electric bikes for local business trips within the city centres.

One element of Erste Group's environmental strategy is the co-operation with NGOs. Independent environmental NGOs offer access to their local and international know-how and provide valuable assistance in Erste Group's efforts to become an even more environmentally sustainable company. Erste Group co-operates with the WWF Climate Group. The aim of the initiative is to mobilise companies to cut global carbon dioxide emissions. Further information is available at www.climategroup.at. Slovenská sporitel'ňa started a cooperation with ekoPolis foundation whose vision is "an advanced civil society with citizens realising their responsibility for social development and environmental issues. A society with citizens who are interested in participating in public policy, have courage to adopt a critical stance and care about avoiding detriment to future generations [...]" (www.ekopolis.sk/en/).

Erste Bank Oesterreich continued its exclusive partnership with the ELENA-project (European Local ENergy Assistance). This EU-initiative is designed for local municipalities to finance the technical advice/planning for projects on energy efficiency such as implementing LED in street lights and upgrading public buildings for higher energy efficiency. More than 50 applications have been filed, some have already been approved and EU-subsidies have been paid out; see www.sparkasse.at/erstebank/Gemeinden/Finanzierung-Leasing/Produkte/Foerderorgramm-ELENA).

Public recognition

In Austria, Erste Group was again awarded by the City of Vienna with the *ÖkoBusinessPlan Wien 2015* for the ongoing commitment to environmental protection. Česká spořitelna was the first-ever laureate of the *Green Bank Award* in the *GEEN Zelená banka* survey organised by www.vstricnabanka.cz and www.bankovnipoplatky.com honouring its commitment in areas like paper consumption reduction, green energy purchase, recycling and environmentally friendly means of transport.

Erste Group, like in the previous years, reported to the CDP climate change programme and performed with D86 compared with C71 in 2014 and D58 in 2013. This is a constant improvement in disclosure score (out of 100 points), but the performance score decreased from C to D due to stricter criteria.

Impact of procured products and services

Erste Group Procurement (EGP) continued its efforts to include environmental criteria in its purchasing activities. Since 2014, the *Ethical and Environmental Code of Conduct for Suppliers of Goods and Services* of EGP is used across the group. The supply audit evaluation includes more than just sustainability and environmental aspects. For further details, please refer to the Customers and Suppliers chapter.

Environmental data

One of the main initiatives of the year 2015 was the final selection and implementation of a new software tool, cr360, to collect and analyse sustainability data. All environmental data (approximately 150,000-200,000 individual data points) from the years 2011 to 2014 of all local banks in the seven core markets was transferred from Excel spreadsheets to the new database in the first half of 2015. In 2016, the focus will be on the continuation of the group-wide processing of energy and CO_2 emission data. In addition, it is planned to extend the environmental data collection and to implement additional monitoring processes.

It should be noted that due to the relocation of some 20 locations in Vienna, which started in the fourth quarter 2015, the most recently available data for energy consumption in Austria differs substantially in some cases from those of previous periods. Therefore, the data cannot be compared with 2014 figures.

The new system uses conversion factors from the UK Department for Environment, Food & Rural Affairs (Defra) and the International Energy Agency (IEA) while the old one was based on ecoinvent (www.ecoinvent.org). Within the new system, whenever possible the reported conversion factors of the energy suppliers (electricity and heating energy) are used. In all other cases, the factors for "electricity grids per country" are used. Therefore, CO_2 emission data from 2015 cannot be compared with the new data.

Environmental indicators 2015

Tonnes CO_2eq	Total	Austria	Croatia	Czech Rep	Hungary	Romania	Serbia	Slovakia
Heating/ warm water	25,265	1,846	804	9,505	987	9,376	371	2,378
Electricity	48,633	1	47	25,598	3,155	14,186	1,911	3,736
Mobility	6,853	1,206	635	2,603	780	874	207	547
Cooling agents	1,341	130	97	525	23	448	118	n.a.
Total	**82,093**	**3,182**	**1,583**	**38,231**	**4,945**	**24,883**	**2,607**	**6,661**

CO2eq = CO2 equivalents (scope 1 and 2)

Relative values per FTE or m²	Heating kWh/m²	Electricity kWh/m²	Copy paper kg/FTE	CO_2eq t/FTE
Austria	68.1	200.6	28.6	0.43
Croatia	71.1	169.2	35.8	0.63
Czech Republic	89.0	95.6	26.9	3.49
Hungary	70.3	147.8	43.7	1.76
Romania	121.6	79.2	96.2	4.17
Serbia	65.0	90.7	43.5	2.70
Slovakia	61.5	103.1	34.0	1.56

FTE (full-time equivalent) is defined as an employee times his/her employment factor

CO_2eq = CO_2 equivalents (scope 1 and 2)

Copy paper

	2014			2015		
	total weight (tonnes)	recycled %	not-recycled %	total weight (tonnes)	recycled %	not-recycled %
Austria	191.4	79.2	20.8	187.1	76.4	23.6
Croatia	95.8	99.9	0.1	97.7	99.2	0.8
Czech Republic	302.4	100.0	0.0	294.4	100.0	0.0
Hungary	132.7	100.0	0.0	130.0	100.0	0.0
Romania	584.1	7.6	92.4	573.7	17.0	83.0
Serbia	51.4	90.6	9.4	42.0	85.0	15.0
Slovakia	131.2	95.1	4.9	145.0	96.5	3.5

Corporate governance

Corporate governance report

In 2003, Erste Group Bank AG declared its commitment to comply with the rules of the Austrian Code of Corporate Governance (Austrian CCG) with the objective of ensuring responsible and transparent corporate governance. In addition, the management board adopted a Statement of Purpose in 2015. This statement reaffirms and states in more detail the purpose of Erste Group Bank AG to promote and secure prosperity throughout the region. Building on this Statement of Purpose, a Code of Conduct defines binding rules for the day-to-day business. At the same time, the Code of Conduct underlines that in pursuing its business activities, Erste Group values responsibility, respect and sustainability. The Code of Conduct hence helps to protect the reputation of Erste Group and to strengthen stakeholder confidence. The Corporate Governance Report has been prepared in accordance with section 243b of the Austrian Commercial Code and Rules 60 et seq of the Austrian CCG and also complies with sustainability reporting guidelines (www.globalreporting.org). The current version of the Austrian CCG as well as its English translation are publicly available on the website www.corporate-governance.at.

The Austrian CCG is a set of self-regulation rules for Austrian listed companies supplementing Austrian laws on stock markets and capital markets. The aim is to establish responsible corporate management and control to create long-term value. Application of the Austrian CCG guarantees a high degree of transparency for all stakeholders including investors, customers and employees. The Code contains the following sets of rules: L-Rules (Legal Requirements – mandatory legal norms), C-Rules (Comply-or-Explain – deviations are permitted but must be explained) and R-Rules (Recommendations – these rules are more similar to recommendations; non-compliance does not need to be disclosed or explained).

In the financial year 2015, Erste Group Bank AG complied with all L-Rules and R-Rules as well as – with two exceptions – all C-Rules of the Austrian CCG. The two deviations are described and explained below.

Pursuant to C-Rule 2 of the Austrian CCG, shares are to be construed in accordance with the principle of one share – one vote, i.e. investors have one vote per share and no right to nominate members to the supervisory board. Under Erste Group Bank AG's articles of association (Art. 15.1), DIE ERSTE österreichische Spar-Casse Privatstiftung is, however, granted the right to nominate up to one third of the members of the supervisory board to be elected by the shareholder meeting as long as it is liable for all present and future liabilities of Erste Group Bank AG in case of its insolvency according to section 92 para 9 of the Austrian Banking Act. The Privatstiftung has not exercised this right to date.

Pursuant to C-Rule 52a of the Austrian CCG, the number of supervisory board members (without employees' representatives) shall be ten at most. At present, though, Erste Group Bank AG's supervisory board consists of twelve shareholder representatives elected by the 22nd annual general meeting held on 12 May 2015. The deviation from C-Rule 52a of the Austrian CCG is due to the size of Erste Group and its market position in seven core markets in Central and Eastern Europe as well as to the fact that Erste Group is subject to a multitude of financial market and prudential regulations, which have increased in recent years and will continue to increase in the future. In addition, the supervisory board has to meet a rising number of additional review and control requirements under current laws and regulations.

Working methods of the management board and the supervisory board

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

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

Selection and assessment of members of management bodies

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

Training and development

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

MANAGEMENT BOARD

Management board member	Year of birth	Date of initial appointment	End of current period of office
Andreas Treichl (Chairman)	1952	1 October 1994	30 June 2020
Peter Bosek	1968	1 January 2015	31 December 2017
Petr Brávek	1961	1 April 2015	31 December 2017
Andreas Gottschling	1967	1 September 2013	30 June 2017
Gernot Mittendorfer	1964	1 January 2011	30 June 2017
Jozef Síkela	1967	1 January 2015	31 December 2017

In the financial year 2015, the management board consisted until 31 March 2015 of five members, since 1 April 2015 of six members.
The supervisory board had already appointed Peter Bosek and Jozef Síkela (both effective 1 January 2015) and Petr Brávek (effective 1 April 2015) as new members of the management board in the financial year 2014.

As of 1 February 2016, the allocation of duties among the members of the management board is as follows:

Allocation of duties on the management board

Management board member	Areas of responsibility
Andreas Treichl (Chairman)	Group Strategy, Group Secretariat, Group Communications, Group Investor Relations, Group Human Resources, Group Audit, Employees' Council, Social Banking Development
Peter Bosek	Erste Hub, Digital Sales, Group Private Banking, Group Brands Communication, Group Customer Experience, Group Retail Steering a. Projects, Group Retail Strategy
Petr Brávek	Group Org/IT, Holding Banking Operations, Group COO Governance
Andreas Gottschling	Enterprise wide Risk Management, Risk Methods and Models, Op. Risk, Compliance and Security, Group Workout, Group Credit and Market Risk Management, Group Risk Operating Office, Group Validation, Group Retail and SME Risk Management, Group Legal
Gernot Mittendorfer	Group ALM, Group Controlling and Information Management, Group Accounting, Group Services
Jozef Síkela	Group Corporates, Group Commercial Real Estate, Group Markets, Operating Office C and M, Group Research

Supervisory board mandates and similar functions

In the financial year 2015, the management board members held the following supervisory board mandates or similar functions in domestic or foreign companies not included in the consolidated financial statements:

Andreas Treichl

DONAU Versicherung AG Vienna Insurance Group (Vice Chair), Sparkassen Versicherung AG Vienna Insurance Group (Chair), Leoganger Bergbahnen Gesellschaft m.b.H. (Member)

Peter Bosek

Wiener Städtische Versicherung AG Vienna Insurance Group (Member), Sparkassen Versicherung AG Vienna Insurance Group (Member), Wien 3420 Aspern Development AG (Member)

Andreas Gottschling

Oesterreichische Kontrollbank Aktiengesellschaft (Member)

Jozef Síkela

Oesterreichische Kontrollbank Aktiengesellschaft (Member)

Petr Brávek and Gernot Mittendorfer did not hold any supervisory board mandates or similar functions in domestic or foreign companies not included in the consolidated financial statements.

SUPERVISORY BOARD

In the financial year 2015, the following persons were members of the supervisory board.

Position	Name	Year of birth	Occupation	Date of initial appointment	End of the current period of office
Chairman	Friedrich Rödler	1950	Auditor and tax advisor	4 May 2004	AGM 2019
1st Vice Chairman (until 12 May 2015)	Georg Winckler	1943	Former rector of the University of Vienna and Professor emeritus of Economics	27 April 1993	AGM 2015
1st Vice Chairman (since 12 May 2015)	Jan Homan	1947	General Manager, ret.	4 May 2004	AGM 2019
2nd Vice Chairwoman (since 12 May 2015)	Bettina Breiteneder	1970	Entrepreneur	4 May 2004	AGM 2019
Member	Elisabeth Bleyleben-Koren	1948	General Manager, ret.	21 May 2014	AGM 2019
Member	Gonzalo Gortázar Rotaeche	1965	CEO, CaixaBank	12 May 2015	AGM 2020
Member	Gunter Griss	1945	Lawyer	21 May 2014	AGM 2019
Member	Maximilian Hardegg	1966	Entrepreneur	12 May 2015	AGM 2020
Member	Elisabeth Krainer Senger-Weiss	1972	Lawyer	21 May 2014	AGM 2019
Member	Antonio Massanell Lavilla	1954	Deputy Chairman, CaixaBank	12 May 2015	AGM 2020
Member	Brian D. O'Neill	1953	Senior Advisor, Lazard Frères & Co	31 May 2007	AGM 2017
Member	Wilhelm Rasinger	1948	Consultant	11 May 2005	AGM 2020
Member	John James Stack	1946	CEO, ret.	31 May 2007	AGM 2017
Delegated by the employees' council					
Member	Markus Haag	1980		21 November 2011	until further notice
Member	Regina Haberhauer	1965		12 May 2015	until further notice
Member	Andreas Lachs	1964		9 August 2008	until further notice
Member	Bertram Mach	1951		9 August 2008	25 June 2015
Member	Barbara Pichler	1969		9 August 2008	until further notice
Member	Jozef Pinter	1974		25 June 2015	until further notice
Member	Karin Zeisel	1961		9 August 2008	until further notice

Changes in the supervisory board in the financial year: at the annual general meeting (AGM) held on 12 May 2015, the shareholder representatives Maximilian Hardegg, Gonzalo Gortázar Rotaeche and Antonio Massanell Lavilla were elected to the supervisory board. The shareholder representative Wilhelm Rasinger was re-elected on the same date, Regina Haberhauer was delegated by the employees' council. A re-election of Georg Winkler at the AGM was not possible due to the age limit of 70 years defined in the articles of association. By a letter of 25 June 2015 to the chairman of the supervisory board, Jozef Pinter was delegated by the employees' council and the delegation of Bertram Mach was revoked.

Membership in supervisory board committees

Committee membership as of 31 December 2015:

Name	Executive committee	Nomination committee	Audit committee	Risk committee	Remuneration committee	Construction/ IT committee
Friedrich Rödler	Chairman	Chairman	Chairman*	Chairman	Chairman**	Vice Chairman
Jan Homan	Vice Chairman	Vice Chairman	Substitute	Vice Chairman	Vice Chairman	Substitute
Bettina Breiteneder	Member	Member	Member	Member	-	Chairwoman
Elisabeth Bleyleben-Koren	-	-	Member	Member	-	-
Gonzalo Gortázar Rotaeche	-	-	-	-	-	-
Gunter Griss	-	-	-	-	Member	-
Maximilian Hardegg	Member	Member	Vice Chairman	Member	Substitute	Member
Elisabeth Krainer Senger-Weiss	-	-	-	Substitute	-	Member
Antonio Massanell Lavilla	-	-	Member	-	-	Member
Brian D. O'Neill	-	-	-	-	Member	-
Wilhelm Rasinger	Substitute	-	Member	Member	-	-
John James Stack	-	-	-	-	Member	-
Delegated by the employees' council						
Markus Haag	-	-	-	Member	Substitute	-
Regina Haberhauer	-	-	Member	Substitute	-	-
Andreas Lachs	Substitute	Substitute	Substitute	Member	Member	Substitute
Barbara Pichler	Member	Member	Member	-	Member	Member
Jozef Pinter	Substitute	Substitute	Member	Substitute	Substitute	Substitute
Karin Zeisel	Member	Member	Substitute	Member	Member	Member

*Financial expert, **Remuneration expert

Mandates on supervisory boards or similar functions

As of 31 December 2015, the supervisory board members held the following additional supervisory board mandates or similar functions in domestic or foreign companies. Listed companies are marked with *.

Friedrich Rödler

Erste Bank der oesterreichischen Sparkassen AG, Erste Bank Hungary Zrt.

Georg Winckler (until end of AGM 2015)

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

Jan Homan

Billerud Korsnäs AB*, Constantia Flexibles Holding GmbH, Frapag Beteiligungsholding AG (Chair), Slovenská sporiteľňa, a.s.

Bettina Breiteneder

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

Gonzalo Gortázar Rotaeche (since end of AGM 2015)

Grupo Financiero Inbursa*, VidaCaixa, S.S. Seguros y Reaseguros (Chair), Repsol S.A.*

Gunter Griss

AVL List GmbH, Bankhaus Krentschker & Co. AG, Steiermärkische Bank und Sparkassen AG

Maximilian Hardegg (since end of AGM HV 2015)

DIE ERSTE österreichische Spar-Casse Privatstiftung, Česká spořitelna, a.s.

Antonio Massanell Lavilla (since end of AGM 2015)

Mediterránea Beach & Golf Community, S.A.U. (Vice Chair), SAREB, S.A., Telefónica, S.A.*, Cecabank, S.A. (Chair)

Brian D. O'Neill

Emigrant Bank, Banca Comercială Română S.A., Seven Seas Water

Wilhelm Rasinger

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

John James Stack

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

Elisabeth Bleyleben-Koren and Elisabeth Krainer Senger-Weiss did not hold any mandates on supervisory boards or similar functions in domestic or foreign companies as of 31 December 2015.

Delegated by the employees' council:

Regina Haberhauer (since end of AGM HV 2015)

ERSTE-SPARINVEST KAG, Ringturm KAG

Barbara Pichler

DIE ERSTE österreichische Spar-Casse Privatstiftung

Andreas Lachs

VBV-Pensionskasse Aktiengesellschaft

Markus Haag, Bertram Mach (until 25 June 2015), Jozef Pinter (since 25 June 2015) and Karin Zeisel did not hold any mandates on supervisory boards or similar functions in domestic or foreign companies.

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

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

Measures to avoid conflicts of interest

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

Independence of the supervisory board

Pursuant to C-Rule 53 of the Austrian CCG, the majority of the members of the supervisory board elected by the annual general meeting or delegated by shareholders in accordance with the articles of association shall be independent of the company and its management board. A member of the supervisory board is deemed to be independent if such person does not have any business or personal relations with the company or its management that would constitute a material conflict of interest and, therefore, might influence the member's conduct. The supervisory board adheres to the independence criteria guidelines as set out in Annex I of the Austrian CCG.

_ The supervisory board member shall not have been a member of the management board or a managing employee of the company or of a subsidiary of the company in the past five years.
_ The supervisory board member shall not have or not have had in the past year any business relations with the company or a subsidiary of the company to an extent of significance for the

supervisory board member. This shall also apply to business relations with companies in which the supervisory board member has a significant economic interest but not to positions held in the Group's managing bodies. The approval of individual transactions by the supervisory board pursuant to L-Rule 48 does not automatically qualify the respective supervisory board member as not being independent.

_ The supervisory board member shall not have served as auditor for the company or been involved in an audit or worked as an employee of the audit firm that audited the company in the past three years.

_ The supervisory board member shall not serve as a management board member at another company in which a member of the company's management board is a supervisory board member.

_ The supervisory board member shall not serve on the supervisory board for more than 15 years. This shall not apply to members of the supervisory board that hold investments with a business interest or that represent the interests of such a shareholder.

_ The supervisory board member shall not be a close family member (child, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the management board or of persons holding one of the positions described in the points above.

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

No member of the supervisory board holds directly or indirectly more than 10% of the shares of Erste Group Bank AG. In 2015, three members of the supervisory board (Georg Winckler, Maximilian Hardegg and Barbara Pichler) served on a management body of a company holding more than 10% of the shares of Erste Group Bank AG. One member (Wilhelm Rasinger) represented in particular the interests of retail shareholders.

Attendance of supervisory board meetings

In 2015, all members of the supervisory board attended more than half of the supervisory board meetings that took place after their election to the supervisory board.

Self-evaluation of the supervisory board

The supervisory board performed a self-evaluation of its activity pursuant to C-Rule 36 of the Austrian CCG. In the supervisory board meeting of 17 December 2015, it considered the efficiency of its activity, including in particular its organisation and methods of work.

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

In 2015, the firm Griss & Partner Rechtsanwälte, in which Gunter Griss is a senior partner, invoiced companies of Erste Group for legal representation and consulting services in the total amount of EUR 8,121.00.

SUPERVISORY BOARD COMMITTEES AND THEIR DECISION-MAKING POWERS

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

Risk committee

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

Executive committee

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

Audit committee

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

Nomination committee

Meetings of the nomination committee are held as needed (beginning with 1 January 2014 at least once a year) or when a member of the committee or of the management board requests a meeting. The nomination committee submits proposals to the supervisory board for filling management board mandates that become vacant and deals with issues of succession planning. The committee decides on the employment contracts for members of the management board. It deals with and decides on relationships between the company and the members of the management board except for resolutions to appoint members to the management board or revoke such appointments and on the granting of company stock options. Furthermore, the nomination committee supports the supervisory board in making proposals to the annual general meeting for filling supervisory board mandates that have become vacant. In filling vacant management board and supervisory board mandates, the focus is in particular on the members' personal and professional qualifications, a well-balanced board composition in terms of expertise, a well-balanced and broad range of knowledge, skills and experience of the members on each body, and on aspects of diversity. The nomination committee also defines a target quota for the underrepresented gender and develops a strategy to achieve this target. Furthermore, the nomination committee has to ensure that the management board's and the supervisory board's decision-making processes are not dominated by one single person or a small group of persons. The nomination committee periodically assesses the management board's and the supervisory board's structure, size, composition and performance and submits proposals for changes to the supervisory board, if necessary. In addition, the nomination committee has to conduct periodic assessments of the expertise, skills and experience of both the management board members and the individual members of the supervisory board as well as of each body in its entirety and to report its findings to the supervisory board. As regards the selection for senior management positions, the nomination committee has to review the course of action adopted by the management board and supports the supervisory board in making recommendations to the management board.

Remuneration committee

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

Construction committee/IT committee

The construction committee is responsible for advising the management board and for preparing resolutions of the supervisory board with respect to Erste Campus, the headquarters of Erste Group. The supervisory board may delegate further duties to the committee, if necessary. Following the completion and handing over of Erste Campus, the construction committee was renamed IT committee as of 2 December 2015 and its scope of duties and internal rules were amended. The IT committee monitors and supervises IT-related issues and IT strategy in general. The IT committee is also responsible for rendering advise to the management board and for the preparation of any resolutions of the supervisory board regarding Erste Campus.

MEETINGS OF THE SUPERVISORY BOARD AND REPORT ON PRINCIPAL ACTIVITIES

Six meetings of the supervisory board were held in the financial year 2015.

At each ordinary meeting of the supervisory board, the monthly developments of the balance sheet and the income statement were presented and reports were given on individual risk types and the bank's total risk; the status of individual banking subsidiaries in Central and Eastern Europe was discussed and quarterly reports were delivered on the areas audited and on the internal audit department's material audit findings according to section 42 para 3 of the Austrian Banking Act. The chairpersons of the committees reported on the main topics dealt with by the committees since the last supervisory board meeting. A recurring topic at the supervisory board meetings in the financial year 2015 was reports on current regulatory developments in the banking environment and their impacts on Erste Group, including in particular the status of the banking supervisory regime at the European level and in Austria. The management board regularly presented proposals to the supervisory board that require its approval under the law, the articles of association and the internal rules.

On 12 March 2015, the financial statements and the management report 2014, the consolidated financial statements and consolidated management report 2014 as well as the corporate governance report 2014 were reviewed; the bank auditors' reports were discussed and the financial statements 2014 were adopted in accordance with the recommendation of the audit committee. Furthermore, the resolutions proposed for the annual general meeting were discussed and approved. It was also decided to propose Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. to the annual general meeting on 12 May 2015 as an additional auditor of the (consolidated) financial statements for the financial year 2016. In addition, reports were delivered on the development of risk and credit risk, on anti-corruption activities and on a project regarding the sale of non-performing loans of Banca Comercială Română S.A. and a decision was taken on the re-organisation of the Corporates and Markets division.

At the meeting of 22 April 2015, which was also attended by staff members of the European Central Bank (ECB), who answered questions raised by supervisory board members, reports were delivered on the current status and the development of the business of Erste Bank Hungary Zrt. A report was also given on the situation of HETA Asset Resolution AG and its impact on Erste Group, on capital planning and its implementation as well as on the restructuring of the COO division. An update was presented on initiatives and cooperation arrangements, and the report on directors' dealings as well as the annual compliance report were discussed. In addition, resolutions were adopted relating to variable remuneration components for the management board.

At the constituent meeting of 12 May 2015 held after the annual general meeting, Jan Homan was elected first vice chairman and Bettina Breiteneder second vice chairwoman of the supervisory board. In addition, supervisory board members were elected to the respective supervisory board committees and the composition of the committees was thus realigned. The distribution key for the remuneration of supervisory board members approved by the annual general meeting was adopted for 2014.

At the meeting held on 24 June 2015, the report on major participations for 2014 and the first quarter of 2015, the risk development and credit risk report as well as the report on the current status and the development of the business of the Hungarian subsidiary Erste Bank Hungary Zrt were discussed.

At the meeting of 16 September 2015, Andreas Treichl was reappointed early as member of the management board for a term ending 30 June 2020 and his function as chairman of the management board was confirmed at the same time. In addition, reports were delivered on Česká spořitelna, a.s. and Banca Comercială Română S.A., on the current status of the Group Recovery Plan 2015, on the development of risk and on the Credit Risk Remediation programme.

At the meeting of 17 December 2015, the strategy and reorganisation of Group Retail was approved and reports on cyber security, diversity, large exposures pursuant to section 28b of the Austrian Banking Act, committee activities and the annual plan for the financial year 2016 were discussed and taken note of. It was further decided to propose PwC Wirtschaftsprüfung GmbH to the annual general meeting on 11 May 2016 as an additional auditor of the (consolidated) financial statements for the financial year 2017. The findings of the supervisory board's self-evaluation were discussed. Maximilian Hardegg was elected as an additional member of the IT committee (formerly: construction committee).

MEETINGS OF THE COMMITTEES AND REPORT ON ACTIVITIES

The risk committee held eighteen meetings in 2015, at which it regularly took decisions on exposures and loans exceeding the powers of the management board and was briefed on loans granted within the scope of authorisation of the management board. The committee was regularly informed of the individual risk types, risk-bearing capacity and large exposures. Furthermore, reports were given on the situation of specific sectors and industries and resulting effects on the risk strategy, on the audits conducted by supervisory authorities, on various legal disputes and on risk development in certain countries and subsidiaries. In 2015, reports were delivered repeatedly on developments in Hungary and Croatia, focusing in particular on foreign-currency loans and on the impacts of Swiss franc exchange rate fluctuations. Further topics were the evaluation of remuneration schemes and salary schemes for workout managers within the Group as well as the activities of Group Compliance and regulatory developments at the European level and in Austria.

In 2015, a meeting of the executive committee was held to discuss a project regarding the sale of non-performing loans of Banca Comercială Română S.A.

The audit committee met seven times in 2015. Among other things, the auditors reported on the audit of the single-entity and consolidated financial statements for 2014, and the audit committee subsequently conducted the final discussion. The financial statements and the management report, the consolidated financial statements and the consolidated management report as well as the corporate governance report were audited and recommended to the supervisory board for adoption. The head of the internal audit department reported on the audit subjects and material audit findings for the year 2014 and explained the audit plan for 2015. The internal audit department presented its reports pursuant to section 42 para 3 of the Austrian Banking Act as well as a report pursuant to section 39 of the Austrian Banking Act. A report was given on the assessment of the functionality of the risk management system according to Rule 83 of the Austrian CCG and on the effectiveness of the internal control system. The audit committee also discussed its work plan for 2016 and defined which topics were to be placed on the agendas of which meetings. After completion of a bidding process and evaluation of its results, it was decided, subject to the approval of the supervisory board, to propose PwC Wirtschaftsprüfung GmbH to the annual general meeting on 11 May 2016 as an additional auditor of the (consolidated) financial statements for the financial year 2017. The auditors provided information about the preliminary audit of the single-entity and consolidated financial statements for 2015. Further reports were about the audit conducted and the decision taken by the Austrian Financial Reporting Enforcement Panel (Österreichische Prüfstelle für Rechnungslegung) as well as about the outcome of the Asset Quality Review and the findings of an outside auditor's review of the internal audit function's asset quality assessment. Reports were also delivered on the audit of Erste Campus, the performance of investments and the internal control system and the management letter 2014 was discussed.

The nomination committee met three times in 2015 and dealt with various personnel matters relating to the management board and the supervisory board. These included, first of all, the election of supervisory board members at the annual general meeting 2014. The nomination committee assessed the qualifications of the candidates nominated for first-time or re-election and recommended that the supervisory board propose to the annual general meeting the first-time election of Maximilian Hardegg, Gonzalo Gortázar Rotaeche und Antonio Massanell Lavilla and the re-election of Wilhelm Rasinger to the supervisory board. The nomination committee also assessed the qualifications of Andreas Treichl for early re-appointment as member and chairman of the management board and recommended his re-appointment by the supervisory board. In addition, the nomination committee reviewed the evaluation pursuant to C-Rule 36 of the Austrian CCG and evaluation of the management board and the supervisory board pursuant to section 39 no 6 and 7 of the Austrian Banking Act.

The remuneration committee met five times in 2015 and discussed various remuneration topics relating to Erste Group and its subsidiaries including the structure of key performance indicators and the bonus policy concerning the requirements for the payment of variable remuneration components. In addition, the remuneration of members of the supervisory board was discussed, and decisions regarding the remuneration of management board members were made. Information was provided about regulatory developments concerning remuneration and their implementation by Erste Group, including in particular the impacts of CRD IV/CRR rules.

The construction committee met three times in 2015. Its main topics were project planning, project organisation, the budget, costs and risks as well as procedures relating to tenders, scheduling and developments regarding Erste Campus, the new Erste Group headquarters building in Vienna. After the successful completion and acceptance of the Erste Campus project in December 2015, the construction committee was renamed IT committee, its scope of duties was redefined and its internal rules were amended accordingly. In 2015, a meeting of the IT committee was held, which discussed, among other things, the IT strategy and fundamental strategic COO initiatives.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Principles governing the remuneration policy

The principles governing management board remuneration are specified in the remuneration policy of Erste Group Bank AG, including in particular the definition and evaluation of performance criteria. The contractual maximum value of performance-linked payments to management board members shall not exceed 100% of the fixed salaries. The method for determining whether the performance criteria have been met is defined at the beginning of the year by the supervisory board following a proposal of the responsible organisational units (Group Performance Management, Group Risk Management and Group Human Resources). Management board members have to achieve defined performance criteria at both company level and individual level. The first criterion is Erste Group's overall performance. For the year 2015, this criterion is measured by reference to three indicators: the SREP ratio, the common equity tier 1 ratio and operating result minus risk cost. The second performance criterion is the achievement of individual objectives. These are, for example, operating result, operating result minus risk costs, return on tangible equity, risk costs to customer loans, the NPL coverage ratio and the NPL ratio.

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

Remuneration of management board members

Remuneration in 2015

in EUR thousand	Fixed salaries	Other remuneration	Performance-linked remuneration		Total
			for 2014	for previous years	
Andreas Treichl	1,335.1	1,454.4	0.0	156.8	2,946.3
Peter Bosek	633.0	84.4	0.0	0.0	717.4
Petr Brávek (since 1 April 2015)	495.3	63.6	0.0	0.0	558.9
Andreas Gottschling	633.0	157.4	0.0	4.0	794.4
Gernot Mittendorfer	633.0	86.3	0.0	27.2	746.5
Jozef Síkela	633.0	82.2	0.0	0.0	715.2
Total	**4,362.4**	**1,928.3**	**0.0**	**188.0**	**6,478.7**

In 2015, Peter Bosek was a management board member of the Holding as well as of Erste Bank Oesterreich. Therefore, the remuneration was split equally between both entities.

The item "Other remuneration" comprises pension fund contributions, contributions to employee provision funds (for new-type severance payments) and remuneration in kind. In 2015, performance-linked remuneration and share equivalents were paid out or vested for previous years. No performance-linked remuneration was paid to members of the management board for the financial years 2014 and 2011.

Non-cash performance-linked remuneration in 2015

Share equivalents (in units)	for 2014	for previous years
Andreas Treichl	0	6.953
Peter Bosek	0	0
Petr Brávek (since 1 April 2015)	0	0
Andreas Gottschling	0	168
Gernot Mittendorfer	0	1.424
Jozef Síkela	0	0
Total	**0**	**8.545**

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

Long-term incentive programme

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

In 2015, EUR 3,140.0 thousand was paid in cash and 8,390 share-equivalents were assigned to former members of management bodies and their dependants.

Principles governing the pension scheme for management board members

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

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

Regarding vested benefits and entitlements of management board members in the event of termination of their position, the standard legal severance benefit provisions of section 23 of the Austrian Salaried Employees Act (Angestelltengesetz) still apply to one member of the management board. No other members of the management board are entitled to receive any severance benefits.

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

Remuneration of members of the supervisory board

in EUR thousand	Meeting fees for 2015	Supervisory board compensation for 2014	Total
Friedrich Rödler	46,0	100,0	146,0
Georg Winckler	13,0	75,0	88,0
Jan Homan	29,0	65,5	94,5
Bettina Breiteneder	27,0	50,0	77,0
Elisabeth Bleyleben-Koren	30,0	30,7	60,7
Gonzalo Gortázar Rotaeche	3,0	0,0	3,0
Gunter Griss	10,0	30,7	40,7
Maximilian Hardegg	25,0	0,0	25,0
Elisabeth Krainer Senger-Weiss	19,0	30,7	49,7
Antonio Massanell Lavilla	9,0	0,0	9,0
Juan Maria Nìn Génova	0,0	47,5	47,5
Brian D.O´Neill	11,0	50,0	61,0
Wilhelm Rasinger	34,0	50,0	84,0
John James Stack	9,0	50,0	59,0
Markus Haag	0,0	0,0	0,0
Regina Haberhauer	0,0	0,0	0,0
Friedrich Lackner	0,0	0,0	0,0
Andreas Lachs	0,0	0,0	0,0
Bertram Mach	0,0	0,0	0,0
Barbara Pichler	0,0	0,0	0,0
Jozef Pinter	0,0	0,0	0,0
Karin Zeisel	0,0	0,0	0,0
Total	**265,0**	**580,1**	**845,1**

The 2015 annual general meeting granted the members of the supervisory board remuneration totalling EUR 580,100 for the financial year 2014. The distribution of this remuneration is at the supervisory board's discretion and was approved at the constituent meeting of the supervisory board on 12 May 2015. In addition, attendance fees paid to the members of the supervisory board were set at EUR 1,000 per meeting of the supervisory board or one of its committees.

Directors' and officers' liability insurance

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

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

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

At the beginning of 2014, Erste Group set a group-wide internal target of having 35% of positions in top management and on supervisory boards filled by women by 2019. This target applies to the local banking subsidiaries (excluding the savings banks in Austria). Currently, 28% of positions in top management are filled by women, which is a 2 percentage point decrease over 2014 resulting from organisational changes. The share of female supervisory board members increased by 1 percentage point to 24% in 2015. To increase the number of women in senior management positions, Erste Group aims for a greater gender and age balance in its talent pools.

The *Erste Women Hub* focuses on supporting women in advancing their careers, reaching out to female customers and encouraging an inclusive work environment. Various initiatives in Austria, such as the *WoMentoring* programme, *Women Financial Lifetime* and *Securities Dialogue for Women,* were launched. Česká spořitelna continues its comprehensive diversity and inclusion programme *Diversitas*. The programme is focused on all aspects of diversity management, such as supporting the career advancement of women through mentoring, coaching, leadership development and networking, and offering flexible work arrangements and a parental support programme as well as age management and an intergenerational dialogue. Both Slovenská sporiteľňa and Banca Comercială Română offered workshops dedicated to women in their diversity approach. In addition, Slovenská sporiteľňa recruits disabled persons for their call centre, and Erste Bank Hungary agreed with the employees'council to provide additional 5 days of paid leave for disabled employees.

EXTERNAL EVALUATION

Erste Group Bank AG commissioned an external evaluation of compliance with the Austrian Code of Corporate Governance in accordance with C-Rule 62 of the Austrian CCG at least every three years, most recently in 2015, for the respective preceding business years. All evaluations reached the conclusion that Erste Group Bank AG had met all requirements of the Code. Summary reports on these evaluations are available at the website of Erste Group Bank AG. An external evaluation for 2017 is scheduled for spring 2018. A summary report of this evaluation will also be available at the website.

SHAREHOLDERS' RIGHTS

Voting rights

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

Dividend rights

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

Liquidation proceeds

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

Subscription rights

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

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

The articles of association of Erste Group Bank AG do not contain any provisions regarding a change in the share capital, the rights associated with the shares or the exercise of the shareholders' rights that differ from statutory requirements.
Stock corporations like Erste Group Bank AG must hold at least one annual general meeting (ordinary shareholders' meeting) per year, which must be held within the first eight months of any financial year and cover at least the following items:

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

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

Vienna, 26 February 2016

Management board

Andreas Treichl mp Chairman	Andreas Gottschling mp Member
Peter Bosek mp Member	Gernot Mittendorfer mp Member
Petr Brávek mp Member	Jozef Síkela mp Member

ADDITIONAL CORPORATE GOVERNANCE PRINCIPLES

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

Based on our Statement of Purpose, we are determined to develop our products and services to the highest possible standards. To achieve these standards, we ask ourselves three questions before taking a decision. With "Is it legal?" and "Is it profitable?", we cover fundamental requirements. But we also want to make sure that any decision is in the best interest of our customers whilst at the same time not violating Erste Group's interest. Therefore, we ask the third question "Is it the right thing to do?"

Compliance

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

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

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

In Austria, an anti-corruption law (sections 302, 304 to 311 of the Austrian Criminal Code) and the Federal Bureau of Anti-Corruption and the Economic and Corruption Prosecutor Office (Wirtschafts- und Korruptionsstaatsanwaltschaft) highlight the importance of fighting corruption in public and private business. In 2014 the Economic and Corruption Prosecutor Office investigated 1,359 cases of economic or corruption misconduct. No figures for 2015 are available yet.

In 2015, Erste Group did not recognise any incident of corruption.

Employees are encouraged to report suspected unethical and/or unlawful behaviour via a designated tool (Erste Integrity) to the whistleblowing office. The whistleblowing platform offers the possibility to file reports and ask questions in case of suspected misconduct of financial crime (such as fraud, corruption, embezzlement), theft (e.g. concerning assets of customers), securities and markets issues (e.g. insider trading), money laundering and terrorism financing, conflicts of interest outside the securities business (e.g. illegitimate gifts, secondary employment) or regulatory issues (pursuant to section 99g of the Austrian Banking Act).

To ensure compliance with all laws and regulations group-wide standards, policies and procedures are evaluated and refined continuously.

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

Activities in 2015

- release of a new group policy for "anti-corruption" to support public authorities in their course of action against bribery and corruption
- implementation of a new reporting tool for gifts and invitations in Austria to standardise the process and facilitate adequate compliance monitoring
- provision of regular information relating to the latest anti-bribery and anti-corruption laws and regulations as well as training for employees
- release of a new group policy establishing a general framework for managing potential conflicts of interest in different areas
- introduction of a new local policy in Austria for secondary employments, participations and additional functions or mandates to manage potential conflicts of interest

_ kick-off of roll-out for a whistleblowing tool in Erste Group entities to ensure an international state-of-the-art process for potential whistleblowing cases and their documentation. In a next step, employees will be able to report severe cases of potential misconduct not only in the respective local entity but also directly to the holding.

Activities started in 2015 with roll out planned for 2016

_ policies for further areas of potential conflicts of interests (e.g. sponsoring)
_ roll-out of a documentation/approval tool for secondary employments, participations and additional functions or mandates in Austria
_ continued roll-out of Erste Integrity as a whistleblowing tool in entities throughout the group.

Directors' dealings

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

Transparency

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

Risk management

Erste Group's approach to risk management seeks to achieve the best balance between risk and return for earning a sustainable return on equity. A detailed report on risk policy, risk management strategy and organisation, as well as a thorough discussion of the individual risk categories, is included in the Notes beginning on page 192. In addition, credit risk is analysed in detail in a separate section starting on page 29, in the "Segments" section of this report.

G4 index pursuant to the guidelines of the Global Reporting Initiative

Pursuant to the criteria of the Global Reporting Initiative („Core“), the general standard disclosures and the specific standard disclosures for all aspects of relevance according to the materiality analysis are described in this report on the basis of the G4 indicators. Moreover, additional indicators are described.

The index lists the G4 indicators, a short description of the respective indicators and a reference, where the information is to be found (annual report or website of Erste Group Bank AG).

GENERAL STANDARD DISCLOSURES		
Strategy und analysis		
G4 1	Statement from the most senior decision-maker of the organisation	AR15 Strategy p. 10 et seq.
G4 2	Description of key impacts, risks and opportunities	AR15 Strategy p. 10 et seq.
Organisational profile		
G4 3	Name of the organisation	Erste Group Bank AG
G4 4	Primary brands, products and services	AR15 Cover, strategy p. 11
G4 5	Location of the organisation's headquarter	Vienna
G4 6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	AR15 Cover, strategy p. 11, 14
G4 7	Nature of ownership and legal form	AR15 Cover (shareholder structure, imprint)
G4 8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	AR15 Cover, strategy p. 11, 14, group consolidated financial statements, segment reporting (note 37) p. 176 et seqq.
G4 9	Scale of the organisation	AR15 Cover (employees, branches), group consolidated financial statements, segment reporting (note 37) p. 176 et seqq.
G4 10	Total number of employees by employment contract and gender	AR15 Management report p. 19 (headcount), employees p. 69 It is differentiated between region, gender and further criteria.
G4 11	Percentage of total employees covered by collective bargaining agreements	100%, as collective bargaining agreements at all locations
G4 12	Description of the organisation's supply chain	AR15 Customers and suppliers p. 63
G4 13	Significant changes during the reporting period regarding the organisation’s size, structure, ownership, or its supply chain	No significant changes
G4 14	Report whether and how the precautionary approach or principle is addressed by the organisation	AR15 Strategy p. 10 The management board of Erste Group adopted a statement of purpose and a code of conduct that take the precautionary approach into account. AR 15 Environment p. 70
G4 15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	Carbon Disclosure Project since 2010, UN PRI since 2012, GRI guidelines since 2012, diversity charter since 2014, UN Global Compact and Nestor Gold Charta since 2015
G4 16	Memberships of associations (such as industry associations) and national or international advocacy organisations	WSBI (World Savings Banks Institute), ESBG (European Savings Banks Group), Österreichischer Sparkassenverband, Verband Österreichischer Banken und Bankiers, OEVFA (Österreichische Vereinigung für Finanzanalyse und Asset Management), BWG (Bankwissenschaftliche Gesellschaft Österreich), WIFO (Wirtschaftsforschungsinstitut Österreich), Österreichische Industriellenvereinigung, RESPACT (Austrian Business Council for Sustainable Development), ÖGUT (Österreichische Gesellschaft für Umwelt und Technik), WWF (World Wildlife Fund)
Identified material aspects and boundaries		
G4 17	All entities included in the organisation’s consolidated financial statements or equivalent documents. Report whether any entity included in the organisation’s consolidated financial statements or equivalent documents is not covered by the report	All companies of Erste Group Bank AG to be consolidated except savings banks within Haftungsverbund; dissenting from the above definition no environmental data are available from following organisational units: all locations of Erste Group outside Austria, the Czech Republic, Slovakia, Hungary, Croatia, Serbia, Romania (this means in particular the offices in London and New York). In addition, there are deviations between the number of employees that are assigned to specific organisational units and locations.
G4 18	Process for defining the report content and the aspect boundaries	See analysis of materiality http://www.erstegroup.com/en/investors/reports
G4 19	List of material aspects	Indirect economic impacts, energy, emissions, supplier assessment focusing on sustainability aspects, employment, health and safety, training and education, diversity and equal opportunity, anti-corruption, compliance, products and services labeling
G4 20	For each material aspect, report the aspect boundary within the organisation	See analysis of materiality http://www.erstegroup.com/en/investors/reports With the exemption of the KPIs shown under G4 21 all other material KPIs are within the organisation.
G4 21	For each material aspect, report the aspect boundary outside the organisation	HR4, HR5, HR6
G4 22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	No restatements
G4 23	Significant changes from previous reporting periods in the scope and aspect boundaries	None

Stakeholder engagement		
G4 24	List of stakeholder groups engaged by the organisation	Customers, employees, investors, society, environment, suppliers
G4 25	Basis for identification and selection of stakeholders	Topics were selected on internal discussions with the involvement of managers and employees in the relevant business divisions.
G4 26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	See analysis of materiality http://www.erstegroup.com/en/investors/reports
G4 27	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns	See analysis of materiality http://www.erstegroup.com/en/investors/reports
Report profile		
G4 28	Reporting period (such as fiscal or calendar year) for information provided	Fiscal year 2015
G4 29	Date of most recent previous report	Fiscal year 2014
G4 30	Reporting cycle (such as annual, biennial)	Annual
G4 31	Contact point for questions regarding the report or its content	http://www.erstegroup.com/en/investors/ir-contacts
G4 32	GRI Content Index	In accordance with "CORE", AR15 p. 87 et seqq. and http://www.erstegroup.com/en/investors/reports
G4 33	Independent assurance report	AR15 p. 92 et seq.
Governance		
G4 34 -41	Governance structure and composition	AR15 Corporate governance (corporate governance report) p. 74 et seqq.
G4 42	Highest governance body's role in setting purpose, values and strategy	AR15 Corporate governance (corporate governance report) p. 76 et seqq.
G4 43 -44	Highest governance body's competencies and performance evaluation	AR15 Corporate governance (corporate governance report) p. 76 et seqq.
G4 45 -47	Highest governance body's role in risk management	AR15 Corporate governance (corporate governance report) p. 78
G4 48	Highest governance body's role in sustainable reporting	Members of holding board evaluating sustainable parts of annual report
G4 49-50	Highest governance body's role in evaluating economic, environmental and social performance	AR15 Corporate governance (corporate governance report) p. 78 et seqq.
G4 51	Remuneration policies for the highest governance body and senior executives	AR15 Corporate governance (corporate governance report) p. 81 et seq.
G4 52	Process for determining remuneration	AR15 Corporate governance (corporate governance report) p. 81 et seq.
G4 53	How stakeholders' views are sought and taken into account regarding remuneration	AR15 Corporate governance (corporate governance report) p. 79, 84
G4 54	The ratio of the annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	Not reported because of reasons for confidentiality
G4 55	The ratio of percentage increase in annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	Not reported because of reasons for confidentiality
Ethics and integrity		
G4 56	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	AR15 Strategy p. 10 The management board adopted a statement of purpose and, building on this statement of purpose, a code of conduct.
G4 57	Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines	AR15 Corporate governance (corporate governance report) p. 85 et seq.
G4 58	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour	AR15 Corporate governance (corporate governance report) p. 85 et seq.
SPECIFIC STANDARD DISCLOSURES		
Management approach (DMA)		
DMA EC	**Economic EC**	
	Overall	AR15 Commitment to society p. 56 et seqq. and customers and suppliers p. 60 et seqq.
DMA EN	**Environmental EN**	
	Overall	AR15 Environment p. 70 et seqq., customers and suppliers p. 60 et seqq. and http://www.erstegroupprocurement.com/en/services/Procurement/Suppy-Chain-and-Supplier-Code-of-Conduct
DMA LA	**Labour practices and decent work LA**	
	Overall	AR15 Employees p. 65 et seqq., customers and suppliers p.63 et seq. and http://www.erstegroupprocurement.com/en/services/Procurement/Suppy-Chain-and-Supplier-Code-of-Conduct
DMA HR	**Human rights HR**	
	Overall	AR15 Customers and suppliers p. 63 et seq. http://www.erstegroupprocurement.com/en/services/Procurement/Suppy-Chain-and-Supplier-Code-of-Conduct and http://www.erstegroup.com/en/About-us/CorporateGovernance (aspects of responsible conduct) AR15 Employees p. 65 et seqq.

DMA SO	**Society SO**	
	Overall	AR15 Corporate governance (corporate governance report) compliance p. 85 et seq. and http://www.erstegroupprocurement.com/en/services/Procurement/Suppy-Chain-and-Supplier-Code-of-Conduct and http://www.erstegroupprocurement.com/en/Downloads/b43acc97-e606-4510-85d8-54c5cf268199/mc-code-of-conduct-for-suppliers.pd
DMA PR	**Product responsibility PR**	
	Overall	AR15 Customers and suppliers p. 63 et seq.
Economic		
Economic performance		
EC1	Direct economic value generated and distributed	AR15 Group financial statements, group statement of comprehensive income and country by country reporting (Note 54) p. 254
EC3	Coverage of the organisation's defined benefit plan obligations	AR15 Group consolidated financial statements, provisions (Note 34) p. 170 et seqq.
EC4	Financial assistance received from government	There is no financial assistance from the government.
Indirect economic impacts		
EC8	Significant indirect economic impacts, including the extent of impacts	AR15 Commitment to society p. 56 et seqq. and customers and suppliers (financial inclusion) p. 63 et seq.
Procurement practices		
EC9	Proportion of spending on local suppliers at significant locations of operation	AR15 Customers and suppliers p.63
Environmental		
Materials		
EN1	Materials used by weight or volume	AR15 Environment p. 73
Energy		
EN3	Energy consumption within the organisation	AR15 Environment p. 70 et seqq. Due to the implementation of a new sustainability data software, environmental data was not audited in 2015. See AR 15 independent assurance report p. 92 et seq.
EN5	Energy intensity	AR15 Environment p. 73 environmental data was not audited in 2015, see EN3
EN6	Reduction of energy consumption	AR15 Environment p. 70, 73 environmental data was not audited in 2015, see EN3
Emissions		
EN15	Direct greenhouse gas (ghg) emissions (scope 1)	AR15 Environment p. 70, 73 environmental data was not audited in 2015, see EN3
EN16	Energy indirect greenhouse gas (ghg) emissions (scope 2)	AR15 Environment p. 70, 73 environmental data was not audited in 2015, see EN3
EN18	Greenhouse gas (ghg) emissions intensity	AR15 Environment p. 70, 73 environmental data was not audited in 2015, see EN3
EN19	Reduction of greenhouse gas (ghg) emissions	AR15 Environment p. 70, 73 environmental data was not audited in 2015, see EN3
Effluents and waste		
EN23	Total weight of waste by type and disposal method	Waste management data is no longer reported, as waste does not represent a material aspect for financial instutions and the collection of data is partially based on estimates (e.g. branches are part of residential buildings)
Compliance		
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Neither fines nor sanctions
Supplier environmental assessment		
EN32	Percentage of new suppliers that were screened using environmental criteria	AR15 Customers and suppliers p. 64
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	No negative impacts and therefore no actions taken AR15 Customers and suppliers p. 64
Social		
Labour practices and decent work		
Employment		
LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	AR15 Employees p. 69 Turnover is reported by age and region.
LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Full-time and part-time employees get the same benefits
LA3	Return to work and retention rates after parental leave, by gender	Retention rates are currently not provided by the systems. It is planned to report the retention rates for all countries (except Croatia and Serbia) in 2016.
Occupational health and safety		
LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	AR15 Employees p. 67 et seqq. A breakdown by various categories is not provided by the systems. It is planned to provide data by country in 2016.
Training and education		
LA9	Average hours of training per year per employee by gender, and by employee category	AR15 Employees p. 67
LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	AR15 Employees p. 66 et seq.

LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	100%
Diversity and equal opportunity		
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	AR15 Employees p. 67 et seq. and corporate governance (corporate governance report) p. 76 et seq.
Equal remuneration for women and men		
LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	There is no differentiation by gender in the collective bargaining agreement. It is planned to balance potential differences in total remuneration.
Supplier assessment for labour practices		
LA14	Percentage of new suppliers that were screened using labour practices criteria	AR15 Customers and suppliers p. 64
LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	No negative impacts and therefore no actions taken AR15 Customers and suppliers p. 64
Human rights		
Non-discrimination		
HR3	Total number of incidents of discrimination and corrective actions taken	As a preventive measure, an anti-discrimination officer was appointed at the end of 2015, who works with management on awareness and prevention and councils, advises and mediates in matters concerning harassment and discrimination. No significant incidents were brought forward to the anti-discrimination officer in Austria in 2015. There is no standardised data management in the other countries.
Freedom of association and collective bargaining		
HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	No measures necessary for own operations nor for suppliers
Child labour		
HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labour	No measures necessary for own operations nor for suppliers
Forced or compulsory labour		
HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labour	No measures necessary for own operations nor for suppliers
Supplier human rights assessment		
HR10	Percentage of new suppliers that were screened using human rights criteria	AR15 Customers and suppliers p.64
HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	No negative impacts and therefore no actions taken AR15 Customers and suppliers p. 64
Society		
Anti-corruption		
SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	AR15 Corporate governance (corporate governance report) p. 85 et seq. Erste Group regularly assesses operational risks and effectiveness of controls. The highest risk is found with customer-events. Therefore, there is regular contact between the compliance department and the department organizing the event.
SO4	Communication and training on anti-corruption policies and procedures	AR15 Corporate governance (corporate governance report) p. 85 et seq.
SO5	Confirmed incidents of corruption and actions taken	In 2015, no incidents of corruption were identified. AR15 Corporate governance (corporate governance report) p. 85
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	A reporting system to collect all significant fines and monetary sanctions for non-compliance with laws and regulations is being implemented. AR15 Corporate governance (corporate governance report) p. 78, 85 et seq.
Supplier assessment for impacts on society		
SO9	Percentage of new suppliers that were screened using criteria for impacts on society	AR15 Customers and suppliers p. 64
SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	No negative impacts and therefore no actions taken AR15 Customers and suppliers p. 64 et seq.
Product responsibility		
Product and service labeling		
PR5	Results of surveys measuring customer satisfaction	AR15 Customers and suppliers p. 61
Sector specific standard disclosures		
former FS1	Policies with specific environmental and social components applied to business lines	AR15 Strategy p. 10 http://www.erstegroup.com/en/about-us/corporate-governance (aspects of responsible conduct) and http://www.erstegroupprocurement.com/en/services/Procurement/Suppy-Chain-and-Supplier-Code-of-Conduct
former FS2	Procedures for assessing and screening environmental and social risks in business lines	http://www.erstegroupprocurement.com/en/services/Procurement/Suppy-Chain-and-Supplier-Code-of-Conduct Asset Management: http://www.erste-am.at/de/institutionelle-anleger/unser-denken/nachhaltigkeit Sustainable Investment: http://www.erste-am.at/de/private_anleger/unsere-loesungen/nachhaltige-veranlagung Voting portal: http://www.erste-am.at/de/institutionelle-anleger/unser-denken/voting There are additional internal guidelines that are not published.
former FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	New employees get training

former FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	AR15 Customers and suppliers p. 60 et seqq. According to the business model and the statement of purpose of Erste Group, exclusion criteria are in place for sustainable investments. In addition, Erste Group offers a number of social banking and financial inclusion initiatives.
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	AR15 Group financial statements, segment reporting (Note 37) p. 176 et seqq.
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	AR15 Customers and suppliers p. 60 et seqq. http://www.erste-am.at/de/private_anleger/unsere-loesungen/nachhaltige-veranlagung http://www.erstegroup.com/en/career/commitment
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	AR15 Environment, other environmental initiatives p. 72 et seqq.
former FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	In accordance with the (not published) guidelines, there are regular risk assessments.
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Erste Asset Management deals with this topic within the scope of its sustainable investment funds http://www.erste-am.at/de/private_anleger/unsere-fonds/nachhaltige-fonds
FS11	Percentage of assets subject to positive and negative environmental or social screening	AR15 Customers and suppliers p. 61 et seq. Asset Management: Actively managed funds that are amongst others screened for prohibited weapons amounted to EUR 23.4 billion. The total volume of assets managed by sustainable investment funds reached EUR 4 billion in 2015.
former FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting	http://www.erste-am.at/de/institutionelle-anleger/unser-denken/voting
FS14	Initiatives to improve access to financial services for disadvantaged people	AR15 Commitment to society p. 56 et seqq. and AR15 Customers and suppliers p. 60 et seq., 62 et seq.
former FS15	Policies for the fair design and sale of financial products and services	AR15 Strategy p. 10 and AR15 Customers and suppliers p. 60 et seqq. Focus on products and services that are easy to understand and improved accessibility (barrier-free initiatives, digital banking)
former FS16	Initiatives to enhance financial literacy by type of beneficiary	AR15 Commitment to society p. 56 et seq. A number of initiatives are offered and supported. A new ambitious project is the *Financial Life Park* (FLiP) that is designed to raise curiosity and illustrate the importance of finance at all age groups. School classes starting from primary school and teenager are the main target group.

To the Board of Erste Group Bank AG

Independent Assurance Report

Independent assurance over the 2015 sustainability disclosures and data of Erste Group Bank AG

***Attention**: This letter has been translated from German to English for referencing purposes only. Please refer to the officially legally binding version as written and signed in German. Only the German version is the legally binding version.*

Engagement

We were requested to perform a limited assurance engagement over the 2015 sustainability disclosures and data (hereafter **"Reporting"**) in accordance with the GRI G4 CORE Option of Erste Group Bank AG.

The assurance engagement covers the Reporting as follows:

- "Annual Report 2015" in pdf-format concerning information and references linked from the GRI-Index to sustainability disclosures and data.
- Additional information on the company´s website regarding materiality analysis, see "GRI materiality analysis 2015" available at http://www.erstegroup.com/en/investors/reports

Our assurance engagement solely covers references directly specified in the GRI-Index. It does not cover any further web references, nor references made directly in the Reporting.

Our procedures have been designed to obtain a limited level of assurance on which to base our conclusions. The extent of evidence gathering procedures performed is less than for that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

Limitations to our Review

- The boundaries for the Reporting of Erste Group Bank AG and our limited assurance were defined as the scope of consolidated entities with the following exceptions. Not included were savings banks, which are consolidated via the so called Haftungsverbund (joint liability).
- Furthermore environmental data was not collected for subsidiaries outside Austria, Czech Republic, Slovakia, Hungary, Croatia, Serbia and Romania (e.g. the offices in London and New York).
- The scope of our review procedures at operational level was limited to the following site visits: Vienna and Budapest.
- We did not test data derived from external surveys, we only verified that relevant disclosures and data are correctly quoted in the Reporting.
- The objective of our engagement was neither a financial audit nor a financial audit review. We did not perform any further assurance procedures on data, which were subject of the annual financial audit, the corporate governance report or the risk reporting. We merely checked that data was presented in accordance with the GRI Guidelines.
- Limited assurance over prospective information was not subject to our engagement.
- Neither the detection and investigation of criminal offenses, such as embezzlement or other fraudulent actions, nor the assessment of effectiveness and efficiency of management were subject to our engagement.
- We did not audit energy and CO2-emission data for 2015. Due to the implementation of a new software tool to collect and analyse sustainability data of Erste Group the preparation of data could not be completed on time.

Criteria

The information included in the Reporting was based on the criteria applicable in the year 2015 (“**The Criteria"**), consisting of:

- GRI Sustainability Reporting Guidelines G4 [1]

We believe that these criteria are suitable for our assurance engagement.

Management responsibilities

Erste Group AG's management is responsible for the Reporting and that the information therein is in accordance with the criteria mentioned above. This responsibility includes designing, implementing and maintaining internal controls. These are essential for the elimination of material misstatements in the Reporting.

Our responsibilities

It is our responsibility to express a conclusion on the information included in the Reporting on the basis of the limited assurance engagement.

Our assurance engagement has been planned and performed in accordance with the International Federation of Accountants' ISAE3000[2] and the Code of Ethics for Professional Accountants, issued by the International Federation of Accountants (IFAC), which includes requirements in relation to our independence.

The objective of our engagement is not to account for the interests of any third parties. Our work solely serves the client and his purpose. Our engagement is thus not destined to be used as a basis of decision-making for third parties.

The "General Conditions of Contract for the Public Accounting Professions"[3], are binding for this engagement. According to that, our liability is limited and an accountant is only liable for violating intentionally or by gross negligence the contractual duties and obligations entered into. In cases of gross negligence the maximum liability towards Erste Group AG and any third party together is EUR 726,730 in the aggregate.

What we did to form our conclusion

We have performed all the procedures deemed necessary to obtain the evidence that is sufficient and appropriate to provide a basis for our conclusions. The assurance engagement was conducted at Erste Group AG´s head quarter in Vienna and in Budapest. Our main procedures were:

- Obtained an overview over the industry as well as the characteristics and governance of the organisation;
- Interviewed a selection of Group and functional senior managers and executives to understand key expectations and identify systems, processes and internal control processes to support them;

[1] https://www.globalreporting.org/reporting/g4/Pages/default.aspx
[2] International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or reviews of Historical Financial Information (ISAE3000), effective for assurance statements dated after January 1, 2005.
[3] version of February 21th 2011 (AAB 2011) issued by the Chamber of Public Accountants and Tax Advisors, section 8 http://www.kwt.or.at/de/PortalData/2/Resources/downloads/downloadcenter/AAB_2011_englische_Fassung.pdf

- Reviewed Group level, Board and Executive documents to assess awareness and priority and to understand how progress is tracked;
- Examined risk management and governance processes related to sustainability and critical evaluation of the representation in the Reporting;
- Performed analytical procedures at Group level;
- Performed site visits in Budapest to review progress and obtain evidence of performance. In addition we reviewed data samples at site level for completeness, reliability, accuracy and timeliness;
- Reviewed data and processes on a sample basis to test whether they had been collected, consolidated and reported appropriately at Group level. This included reviewing data samples to test whether the data had been reported in an accurate, reliable and complete manner;
- Reviewed the coverage of material issues against the key issues raised in the stakeholder dialogues, areas of performance covered in external media reports and the environmental and social reports of Erste Group AG's peers;
- Challenged a sample of statements and claims in the Reporting against our work steps and the GRI G4 principles and
- Reviewed whether the GRI G4 Guidelines were consistently applied for the CORE Option.

Our Conclusion

Based on the scope of our review nothing has come to our attention that causes us to believe that the disclosures and data in the Reporting were not prepared, in accordance with the criteria identified above.

Recommendation

Without restriction the above stated conclusion, we express the following recommendations to improve your sustainability management and reporting process:

- Expansion of report boundaries to all consolidated entities to ensure consistent reporting and
- Inclusion of all entities in a consistent and integrated management and reporting system.
- Implementation of additional monitoring processes regarding energy and CO2-emission data.

Vienna, March 18th 2016

ERNST & YOUNG Wirtschaftsprüfungsgesellschaft m.b.H

Brigitte Frey **ppa. Christine Jasch**

Your Notes

Your Notes

Your Notes

Regulatory own funds

In the following Erste Group fulfils the disclosure requirements according to the Capital Requirements Regulation (CRR), in detail Articles 436 (b) – (e) CRR and Articles 437 (1) (a), (d), (e) and (f) CRR.

The information presented in this chapter relates to the disclosed and audited figures in Note 52 in the financial statements. References to chapters refer to the financial statements.

Regulatory Requirements

Since 1 January 2014, Erste Group has been calculating the regulatory capital and the regulatory capital requirements according to Basel 3. The requirements were implemented within the EU by the Capital Requirements Regulation (CRR) and the Capital Requirement Directive (CRD IV) that were enacted in national law in the Austrian Banking Act (ABA), as well as within various technical standards issued by the European Banking Authority (EBA).

All requirements as defined in the CRR, the ABA and the aforementioned technical standards are fully applied by Erste Group for regulatory purposes and for the disclosure of regulatory information.

Accounting Principles

The financial and regulatory figures published by Erste Group are based on IFRS regulatory capital components. Eligible capital components derive from the balance sheet and income statement which were prepared in accordance with IFRS. Adjustments to the accounting figures are considered due to the different definitions in the scopes of consolidation. Further details are explained in the section "Regulatory scope of consolidation". The uniform closing date of the consolidated regulatory figures of Erste Group is the 31 December of the respective year.

Comparison of consolidation for accounting purposes and regulatory purposes

Disclosure requirements: Article 436 (b) CRR

Scope of Consolidation

Further details regarding the IFRS scope of consolidation are disclosed in chapter “B. Significant accounting policies” under the section “scope of consolidation”.

The regulatory scope of consolidation is used as a synonym for the scope of consolidation that follows the regulatory requirements for consolidation as defined by the CRR and the ABA, which introduces the requirements of the CRD IV into national law.

Regulatory scope of consolidation

The regulatory scope of consolidation is defined in Part One, Title II, chapter 2 Section 3 of the CRR. The definition of entities to be consolidated for regulatory purposes are mainly defined in Article 4 (1) (3) and (16) to (27) CRR in conjunction with the Articles 18 and 19 CRR and Article 30 ABA. Based on the relevant sections in Article 4 CRR, entities to be consolidated are determined based on the business activity of the relevant entities.

Main differences between the IFRS- and the regulatory scope of consolidation based on the different requirements as defined in IFRS and CRR as well as the ABA

- Based on the CRR and ABA, mainly credit institutions pursuant to Article 4 (1) (1) CRR, investment firms pursuant to Article 4 (1) (2) CRR, ancillary services undertakings pursuant to Article 4 (1) (18) CRR and financial institutions pursuant to Article 4 (1) (26) CRR have to be considered within the regulatory scope of consolidation. Under IFRS all other entities not required to be consolidated under CRR, such as insurance undertakings, must be included in the IFRS scope of consolidation.
- Exclusion of entities from the regulatory scope of consolidation can be applied based on Article 19 CRR. According to Article 19 (1) CRR, entities can be excluded from the regulatory scope if their total assets and off-balance sheet items are less than the lower amount of either EUR 10 million or 1% of the total amount and off-balance sheet items of the parent company. Erste Group applies Article 19 (1) CRR.
- According to Article 19 (2) CRR, entities can also be excluded if the limits defined in Article 19 (1) CRR are exceeded, but are not relevant for regulatory purposes. Exclusion of entities based on Article 19 (2) CRR needs the prior approval of the competent authorities. For entities that exceed the limits as defined in Article 19 (1) CRR by insignificant amounts, Erste Group applies Article 19 (2) CRR and follows the requirements for the approval process as defined within this article. Erste Group does not apply Article 19 (2) CRR for credit institutions and investment firms.

Consolidation methods

Main differences between the IFRS- and the regulatory consolidation method, considering regulatory adjustments

For the calculation of consolidated own funds, Erste Group generally applies the same consolidation methods as used for accounting purposes. The difference relates to Article 18 (4) CRR only, which requires proportional consolidation of entities and financial institutions managed by an undertaking included in the consolidation together with one or more undertakings not included in the consolidation, where the liability of those undertakings is limited to the share of the equity held by the institution. Based on Article 18 (4) CRR, Erste Group applies proportional consolidation for two entities.

Consideration of consolidation methods for the calculation of consolidated own funds according to the CRR

The amounts used for the calculation of the own funds derive from the balance sheet according to IFRS. The amounts that are used as the basis for the calculation of own funds are recalculated based on the definition of the regulatory scope of consolidation according to the CRR. The difference between the IFRS balance sheet and the regulatory balance sheet arises from the different scopes of consolidation (see table regarding balance sheet reconciliation). Amounts that relate to the own shares as well as to the minority interests in fully consolidated entities are therefore determined based on the regulatory scope of consolidation according to CRR. Minority interests are calculated based on the requirements as defined in Articles 81 to 88 CRR. Minority interests that relate to entities other than credit institutions are excluded from the own funds. Minority interests that relate to credit institutions are limited to capital requirements that relate to the minority interests in the relevant credit institutions. Erste Group applies Article 84 CRR. According to Austrian transitional provisions, 40% of the non-eligible minorities have to be excluded from consolidated own funds in 2015. As Erste Group applies the Austrian transitional provisions on group-level this percentage has been applied to the exclusion of minority interests in own funds as of 31 December 2015. Amounts that relate to minority interests in other comprehensive income are neither included in the consolidated own funds of Erste Group according to the final CRR provisions nor during the transitional period.

Consideration of non-consolidated financial sector entities and deferred tax assets that rely on future profitability arising from temporary differences within the calculation of consolidated common equity Tier 1 of Erste Group

Carrying amounts representing the investments in financial sector entities as defined in Article 4 (27) CRR that are not fully consolidated or considered by using the at equity method for regulatory purposes have to be deducted from the own funds based on the requirements as defined in Articles 36 (1) (h), 45 and 46 CRR for non-significant investments and Articles 36 (1) (i) CRR, Article 43, 45, 47 and 48 CRR for significant investments. For these purposes, non-significant investments are defined as investments in financial sector entities in which the participation is equal to or less than 10% of common equity Tier 1 (CET 1) of the relevant financial sector entities, while significant investments are defined as investments that are above 10% of the CET 1 of the relevant financial sector entities. To determine the participation in the relevant financial sector entities, these participations are calculated based on the direct, indirect and synthetic holdings in the relevant entities.

According to Article 46 (1) (a) CRR, holdings in non-significant investments have to be deducted only if the total amount for such investments, including additional tier 1 items according to Article 56 (c) and 59 CRR and Tier 2 items according to Article 66 (c) and 70 CRR, exceeds a defined threshold of 10% in relation to CET1 of the reporting institution. The deduction shall be applied to the amount that exceeds the 10% threshold. Amounts that are equal to or less than 10% of the CET1 of the reporting institution are considered with the applicable risk weights according part 3, title II, chapter 2 respectively chapter 3 and if necessary according to the requirements of part 3, title IV within the RWAs based on the requirements according to Article 46 (4) CRR.

For the deduction of significant investments in the CET1 of financial sector entities, a threshold is defined in Article 48 (2) CRR. According to Article 48 (2) CRR, significant investments in the CET1 of financial sector entities have to be deducted only if they exceed 10% of the CET1 of the reporting institution. If the 10% threshold is exceeded, the deduction is limited to the amount by which the defined threshold is exceeded. The remaining amount has to be considered within the calculation of the RWAs. The risk weight (RW) is defined at 250% according to Article 48 (4) CRR.

In addition to the aforementioned threshold, a combined threshold for the deduction of significant investments according to Article 36 (1) (i) CRR and for deferred tax assets that rely on future profitability and arise from temporary differences according to Article 36 (1) (c) CRR as well as according to Article 38 CRR is defined in Article 48 (2) CRR. The combined threshold according to Article 48 (2) CRR is defined at 17.65% of the CET1 of the reporting institution. If the threshold is exceeded, the exceeding amount has to be deducted from the CET1 of the reporting institution. The remaining amount has to be considered within the RWAs. A 250% risk weight (RW) shall be applied for the amount not exceeding the 17.65% threshold according to Article 48 (4) CRR.

Beside the 17.65% combined threshold, a 10% threshold related to the CET1 capital of the reporting institution is applied for deferred tax assets that rely on future profitability arising from temporary differences according to Article 48 (3) CRR. In case the amount for deferred tax assets that rely on future profitability and which arise from temporary differences exceeds the threshold of 10% of CET1 of the reporting institution the exceeding amount has to be deducted from the CET1 of the reporting institution. The amount that is equal to or less than the threshold as defined in Article 48 (3) CRR has to be considered within the calculation of RWAs with a 250% risk weight (RW) according to Article 48 (4) CRR.

At the reporting date, Erste Group did not exceed any of the aforementioned thresholds. Hence, direct, indirect and synthetic investments in financial sector entities were not deducted from the consolidated own funds of Erste Group and therefore are considered in RWAs.

Threshold calculations according to Articles 46 and 48 CRR

in EUR million	Dec 15
Non significant investments in financial sector entities	
Threshold (10% of CET1)	1,228
Holdings in CET1	-238
Holdings in AT1	-15
Holdings in T2	-455
Distance to threshold	**520**
Significant investments in financial sector entities	
Threshold (10% of CET1)	1,228
Holdings in CET1	-254
Distance to threshold	**974**
Deferred tax assets	
Threshold (10% of CET1)	1,228
Deferred tax assets that are dependent on future profitability and arise from temporary differences	-209
Distance to threshold	**1,019**
Combined threshold for deferred tax assets and significant investments	
Threshold (17.65% of CET1)	2,168
Deferred tax assets that are dependent on future profitability and arise from temporary differences and CET1 instruments of financial sector entities where the institution has a significant investment	-464
Distance to threshold	**1,704**

Presentation of the scope of consolidation

Number of entities within the different scopes of consolidation

	Dec 15					
	IFRS		CRR			
	Full	Equity	Full	Proportional	De Minimis	Equity
Credit institutions	67	2	67	1	0	1
Financial institutions, financial holding companies and mixed financial holding companies	238	34	233	1	48	15
Ancillary service undertakings, investment firms and asset management companies	80	1	52	0	54	1
Others	111	15	0	0	0	0

As of 31 December 2015 the number of companies consolidated according to IFRS was 548. The number of companies consolidated according to regulatory capital requirements, except those entities which are covered by Article 19 (1) and (2) CRR) was 371.

Changes within the fully consolidated entities within the regulatory scope of consolidation

	As of Dec 14	New	Deconsolidated	Merged	Reclassification	As of Dec 15
Credit institutions	**67**	**0**	**0**	**0**	**0**	**67**
Austria	52	0	0	0	0	52
CEE	14	0	0	0	0	14
Other	1	0	0	0	0	1
Financial institutions, financial holding companies and mixed financial holding companies	**244**	**7**	**9**	**9**	**0**	**233**
Austria	155	2	1	8	0	148
CEE	74	0	8	1	0	65
Other	15	5	0	0	0	20
Ancillary service undertakings, investment firms and asset management companies	**52**	**4**	**2**	**2**	**0**	**52**
Austria	19	2	0	1	0	20
CEE	28	2	2	1	0	27
Other	5	0	0	0	0	5

Impediments to the transfer of own funds

Disclosure requirement: Article 436 (c) CRR

Currently there are no restrictions or significant impediments to the transfer of financial funds or regulatory capital known for Erste Group. Further details are disclosed in chapter “B. Significant accounting policies”.

Total capital shortfall of all subsidiaries not included in the consolidation

Disclosure requirement: Article 436 (d) (e) CRR

As of 31 December 2015, there was no capital shortfall at any of the companies included in Erste Group's consolidation.

Own funds

For the disclosure of own funds, Erste Group follows the requirements according to Article 437 CRR as well as the requirements defined in the Implementing Technical Standards (EU) No 1423/2013, which were published in the Official Journal of the European Union on 20 December 2013.

- Based on the requirements defined by the EBA in the Implementing Technical Standards, the following information must be provided:
- A full reconciliation of CET1 items - Additional Tier 1 (AT1) items, Tier 2 (T2) items, filters and deductions applied pursuant to Articles 32 36, 56, 66 and 79 - to the own funds of the institution’s balance sheet in accordance with Article 437 (1) (a) CRR (see the following tables: Balance sheet, Total equity, Intangible assets, Tax assets and liabilities, Subordinated liabilities).
- A table designed by the EBA in order to show the capital structure of regulatory capital. The table includes details on the capital structure of Erste Group including the capital components as well as any regulatory deductions and prudential filters. Disclosures in this table cover the disclosure requirements as defined in Article 437 (1) (d) CRR, separate disclosure of the nature and amounts of each prudential filter applied pursuant to Articles 32 to 35 CRR, each deduction according to Articles 47, 48, 56, 66 and 79 CRR as well as items not deducted in accordance with Articles 47, 48, 56, 66 and 79 CRR.

The tables in the following sections may contain rounding differences.

Balance sheet reconciliation

Disclosure requirement: Article 437 (1) (a) CRR

The table below represents the difference between the IFRS - and the regulatory scope of consolidation. Details regarding the number of entities within the different scopes of consolidation are disclosed in the table "Presentation of the scope of consolidation"

in EUR million	Dec 15		
	IFRS	Effects - scope of consolidation	CRR
Assets			
Cash and cash balances	12,350	-35	12,315
Financial assets - held for trading	8,719	6	8,725
Derivatives	*5,303*	*6*	*5,309*
Other trading assets	*3,416*	*0*	*3,416*
Financial assets - at fair value through profit or loss	359	-40	319
Financial assets - available for sale	20,763	-525	20,237
Financial assets - held to maturity	17,701	-1	17,700
Loans and receivables to credit institutions	4,805	-52	4,753
Loans and receivables to customers	125,897	413	126,309
Derivatives - hedge accounting	2,191	0	2,191
Changes in fair value of portfolio hedged items	0	0	0
Property and equipment	2,402	-98	2,304
Investment properties	753	172	925
Intangible assets	1,465	-10	1,454
Investments in associates and joint ventures	167	-22	145
Current tax assets	119	-1	118
Deferred tax assets	310	-8	303
Assets held for sale	526	-215	311
Other assets	1,217	211	1,428
Total assets	**199,743**	**-205**	**199,539**
Liabilities and equity			
Financial liabilities - held for trading	5,867	1	5,869
Derivatives	5,434	0	5,434
Other trading liabilities	434	1	434
Financial liabilities - at fair value through profit or loss	1,907	0	1,907
Deposits from banks	0	0	0
Deposits from customers	149	0	149
Debt securities issued	1,758	0	1,758
Other financial liabilities	0	0	0
Financial liabilities measured at amortised costs	170,787	-252	170,535
Deposits from banks	14,212	303	14,515
Deposits from customers	127,797	167	127,964
Debt securities issued	27,896	-140	27,756
Other financial liabilities	882	-581	301
Derivatives - hedge accounting	593	0	593
Changes in fair value of portfolio hedged items	966	0	966
Provisions	1,736	0	1,736
Current tax liabilities	90	-2	88
Deferred tax liabilities	96	-9	87
Liabilities associated with assets held for sale	578	0	578
Other liabilities	2,317	100	2,416
Total equity	**14,807**	**-42**	**14,765**
Equity attributable to non-controlling interests	3,802	4	3,806
Equity attributable to owners of the parent	11,005	-47	10,959
Total liabilities and equity	**199,743**	**-205**	**199,539**

The following tables represent, as far as possible, a reconciliation between the IFRS balance sheet items to the items of CET1, AT1 and T2, as well as information on the regulatory adjustments arising from correction items in accordance with Articles 32 to 35 CRR and the deductions according to Articles 36, 56, 66 and 79 CRR.

The last column contains a letter that sets the derived amount from IFRS figures with the appropriate eligible amount of own funds presentation during the transitional provisions in conjunction.

Total equity

in EUR million	Dec 15 IFRS	Effects - scope of consolidation	CRR	IPS adjustments	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Subscribed capital	860	0	860	0	0	860	
Capital reserve	1,478	0	1,478	0	-2	1,476	
Capital instruments and the related share premium accounts	2,337	0	2,337	0	-2	2,336	a
Retained earnings	9,071	-44	9,026	0	-215	8,811	b
Other comprehensive income (OCI)	-403	-3	-405	188	28	-190	c
Cash flow hedge reserve	115	1	115	6	-24	97	g
Available for sale reserve	688	-1	687	306	-157	835	
60% prudential filter according to 468 CRR						571	h
Currency translation	-759	-2	-761	-20	28	-753	
Remeasurement of net liability of defined pension plans	-334	0	-334	-104	77	-361	
Deferred tax	-112	0	-112	0	112	0	
Other	0		0	0	-7	-7	
Equity attributable to the owners of the parent	**11,005**	**-47**	**10,959**	**188**	**-188**	**10,958**	
Equity attributable to non-controlling interests	3,802	4	3,806	-188	-166	3,452	d
Total equity	**14,807**	**-42**	**14,765**	**0**	**-354**	**14,410**	

IPS adjustments include the amounts for entities that are consolidated due to the Institutional Protections Scheme according to Article 113 (7) CRR. Further details regarding the development of IFRS equity are disclosed under section III Group Statement of Changes in Total Equity.

Intangible assets

in EUR million	Dec 15 IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Intangible assets	1,465	-10	1,454	-26	1,428	
40% deductible from CET1 acc. to transitional provisions					571	e
60% deductible from AT1 acc. to transitional provisions					857	j
Intangible assets	**1,465**	**-10**	**1,454**	**-26**	**1,428**	

Details regarding the development of intangible assets are disclosed under Note 27 Intangible assets.

Deferred Taxes

in EUR million	Dec 15 IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Deferred tax assets (DTA) that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	93	0	93	-42	51	f
Related DTA allocated on or after Jan 14 for which 100% deduction is required according to CRR transitional provisions			47	0	47	
Related DTA allocated up to Dec 13 for which 10% deduction from CET1 is required according to CRR transitional provisions			46	-42	5	
Deferred tax assets that rely on future profitability and arise from temporary differences	217	-7	209	-209	0	
Deferred tax assets	**310**	**-8**	**303**	**-251**	**51**	

Details regarding deferred tax assets are disclosed under Note 28 Tax assets and liabilities.

Based on the threshold definition according to Article 48 CRR deferred tax assets that rely on future profitability and arise from temporary differences are not deductible for Erste Group at year end 2015. In accordance with Article 48 (4) CRR the non-deductible amount is risk weighted with 250% and considered within the credit risk.

Subordinated liabilities

in EUR million	Dec 15 IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Subordinated issues, deposits and supplementary capital	6,053	2	6,055	-915	5,140	
Tier 2 capital instruments (including related share premium) issued by the parent company					4,649	k
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by third parties					491	l
Instruments issued by subsidiaries subject to phase-out					258	m
Hybrid issues	354	4	358	-95	263	i
Subordinated liabilities	**6,407**	**5**	**6,412**	**-1,010**	**5,402**	

Details regarding subordinated liabilities are disclosed under Note 32 Financial liabilities-at fair value through profit or loss and Note 33 Financial liabilities measured at amortised cost. EUR 169 million subordinated debt in form of deposits are included in the balance sheet position Financial liabilities measured at amortised cost and are not explicitly shown in Note 33.

Transitional provisions

The Transitional Provisions which are applied by Erste Group, are based on CRR-Supplementary Regulation according to BGBl II Nr. 425/2013.

Own funds template during the transitional period

Disclosure requirements: Art. 437 (1) (d) (e) CRR

Erste Group does not consider Art. 437 (1) (f) CRR for the calculation of consolidated own funds.

The table below presents the composition of the regulatory capital during the transitional period based on the Implementing Technical Standards on the disclosure of own funds published in the Official Journal of the EU.

In column (A), the current amount, which considers all the transitional requirements, is disclosed. Column (C) discloses the residual amount, implying full CRR implementation. Column (D) provides information of data comparable figures related to IFRS equity, intangible assets, deferred tax assets and subordinated liabilities as previously displayed.

in EUR million		(A) Dec 2015	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	(D) Reference to reconciliation tables
1	Capital instruments and the related share premium accounts	2,336	26 (1), 27, 28, 29, EBA list 26 (3)	0	a
	of which: Ordinary shares	2,336	EBA list 26 (3)	0	a
2	Retained earnings	8,811	26 (1) (c)	0	b
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-190	26 (1)	0	c
3a	Fund for general banking risk	0	26 (1) (f)	0	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	486 (2)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (2)	0	
5	Minority interests (amount allowed in consolidated CET1)	3,452	84, 479, 480	-57	d
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)	0	
6	**CET1 capital before regulatory adjustments**	**14,410**		**-57**	
Common Equity Tier 1 (CET1): regulatory adjustments					
7	Additional value adjustments (negative amount)	-112	34, 105	0	
8	Intangible assets (net of related tax liability) (negative amount)	-571	36 (1) (b), 37, 472 (4)	-857	e
9	Empty set in the EU				
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-51	36 (1) (c), 38, 472 (5)	-42	f
11	Fair value reserves related to gains or losses on cash flow hedges	-97	33 (a)	0	g
12	Negative amounts resulting from the calculation of expected loss amounts	-88	36 (1) (d), 40, 159, 472 (6)	-132	
13	Any increase in equity that results from securitised assets (negative amount)	0	32 (1)	0	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-47	33 (b)	0	
15	Defined-benefit pension fund assets (negative amount)	0	36 (1) (e), 41, 472 (7)	0	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-72	36 (1) (f), 42, 472 (8)	0	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	36 (1) (g), 44, 472 (9)	0	
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	0	
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	0	
20	Empty set in the EU		0	0	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	36 (1) (k)	0	
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	36 (1) (k) (i), 89 to 91	0	
20c	of which: securitisation positions (negative amount)	0	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258	0	
20d	of which: free deliveries (negative amount)	0	36 (1) (k) (iii), 379 (3)	0	

The table is continued on the next page.

Continuation of the table

	in EUR million	(A) Dec 2015	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	(D) Reference to reconciliation tables
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0	
22	Amount exceeding the 15% threshold (negative amount)	0	48 (1)	0	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	36 (1) (i), 48 (1) (b), 470, 472 (11)	0	
24	Empty set in the EU				
25	of which: deferred tax assets arising from temporary differences	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0	
25a	Losses for the current financial year (negative amount)	0	36 (1) (a), 472 (3)	0	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	36 (1) (l)	0	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0		0	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-571		333	
	of which: unrealised losses	0	467	0	
	of which: unrealised gains	-571	468	333	h
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0	481	0	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	-663	36 (1) (j)	663	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-2,274**		**-34**	
29	**CET1 capital**	**12,136**		**-91**	
Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	0	51, 52	0	
31	of which: classified as equity under applicable accounting standards	0		0	
32	of which: classified as liabilities under applicable accounting standards	0		0	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	263	486 (3)	-263	i
	Public sector capital injections grandfathered until Jan 18	0	483 (3)	0	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	1	85, 86, 480	0	
35	of which: instruments issued by subsidiaries subject to phase-out	0	486 (3)	0	
36	**AT1 capital before regulatory adjustments**	**264**		**-263**	
Additional Tier 1 (AT1) capital: regulatory adjustments					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-4	52 (1) (b), 56 (a), 57, 475 (2)	4	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	56 (b), 58, 475 (3)	0	
39	Holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56 (c), 59, 60, 79, 475 (4)	0	
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56 (d), 59, 79, 475 (4)	0	

The table is continued on the next page.

Continuation of the table

	in EUR million	(A) Dec 2015	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	(D) Reference to reconciliation tables
41	Regulatory adjustments applied to AT1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)	0		0	
41a	Residual amounts deducted from AT1 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-923	472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	923	
	of which: interim loss	0		0	
	of which: intangible assets	-857		857	j
	of which: shortfall of provisions to expected loss	-66		66	
41b	Residual amounts deducted from AT1 with regard to deduction from T2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	477, 477 (3), 477 (4) (a)		
	of which: reciprocal cross holdings in T2 instruments	0		0	
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		0	
41c	Amount to be deducted from or added to AT1 with regard to additional filters and deductions required pre- CRR	0	467, 468, 481	0	
	of which: possible filter to unrealised losses	0		0	
	of which: possible filter to unrealised gains	0		0	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56 (e)	0	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-927**	**0**	**927**	
44	**Additional Tier 1 (AT1) capital**	**0**		**1**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**12,136**		**-90**	
Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	4,649	62, 63	0	k
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	486 (4)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (4)	0	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	491	87, 88, 480	-258	l
49	of which: instruments issued by subsidiaries subject to phase-out	258	486 (4)	-258	m
50	Credit risk adjustments	408	62 (c) (d)	0	
51	**Tier 2 (T2) capital before regulatory adjustment**	**5,547**		**-258**	
T2 capital: regulatory adjustments					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-50	63 (b) (i), 66 (a), 67, 477 (2)	0	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	66 (b), 68, 477 (3)	0	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	66 (c), 69, 70, 79, 477 (4)	0	
54a	of which: new holdings not subject to transitional arrangements	0		0	
54b	of which: holdings existing before 1 January 2013 and subject to transitional arrangements	0		0	

The table is continued on the next page.

Continuation of the table

	in EUR million	(A) Dec 2015	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	(D) Reference to reconciliation tables
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-0.4	66 (d), 69, 79, 477 (4)	0	
56	Regulatory adjustments applied to T2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0		0	
56a	of which: residual amounts deducted from T2 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-66	472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	66	
	of which: shortfall of provisions to expected loss	-66	0	66	
	of which: non significant investments	0	0	0	
56b	Residual amounts deducted from T2 with regard to deduction from AT1 during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	475, 475 (2) (a), 475 (3), 475 (4) (a)	0	
	of which: reciprocal cross holdings in T1 instruments	0		0	
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		0	
56c	Amounts to be deducted from or added to T2 with regard to additional filters and deductions required pre- CRR	0	467, 468, 481	0	
	of which possible filter to unrealised losses	0		0	
	of which: possible filter to unrealised gains	0		0	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-116**		**66**	
58	**Tier 2 (T2) capital**	**5,431**		**-192**	
59	**Total capital (TC = T1 + T2)**	**17,566**		**-282**	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	0		0	
	of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)	0	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	0	
	of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	0	475, 475 (2) (b), 475 (2) (c), 475 (4) (b)	0	
	of which: items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)	0	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	0	
60	**Total risk-weighted assets**	**98,300**		**1,982**	
Amounts below the thresholds for deduction (before risk-weighting)					
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	12.3%	92 (2) (a), 465	-0.3%	
62	Tier 1 (as a percentage of total risk exposure amount)	12.3%	92 (2) (b), 465	-0.3%	
63	Total capital (as a percentage of total risk exposure amount)	17.9%	92 (2) (c)	-0.6%	

The table is continued on the next page.

Continuation of the table

in EUR million		(A) Dec 2015	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	(D) Reference to reconciliation tables
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	not yet implemented	CRD 128, 129, 140	0	
65	of which: capital conservation buffer requirement	not yet implemented		0	
66	of which: countercyclical buffer requirement	not yet implemented		0	
67	of which: systemic risk buffer requirement	not yet implemented		0	
67a	of which: global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	not yet implemented	CRD 131	0	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	not yet implemented	CRD 128	0	
69	[non-relevant in EU regulation]	0		0	
70	[non-relevant in EU regulation]	0		0	
71	[non-relevant in EU regulation]	0		0	
Amounts below the thresholds for deduction (before risk-weighting)					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	709	36 (1) (h), 45, 46, 472 (10)56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	0	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	254	36 (1) (i), 45, 48, 470, 472 (11)	0	
74	Empty set in the EU			0	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)	209	36 (1) (c), 38, 48, 470, 472 (5)	0	
Applicable caps on the inclusion of provisions in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	62	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	0	62	0	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	676	62	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	408	62	0	
Capital instruments subject to phase-out arrangements (only applicable between January 2013 and January 2022)					
80	Current cap on CET1 instruments subject to phase-out arrangements	70%	484 (3), 486 (2) & (5)	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484 (3), 486 (2) & (5)	0	
82	Current cap on AT1 instruments subject to phase-out arrangements	70%	484 (4), 486 (3) & (5)	0	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	96	484 (4), 486 (3) & (5)	0	
84	Current cap on T2 instruments subject to phase-out arrangements	70%	484 (5), 486 (4) & (5)	0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484 (5), 486 (4) & (5)	0	

Own funds development

In 2015 the regulatory own funds developed as follows:

in EUR million	
Common Equity Tier 1 (CET-1) development, phase in	
CET1 as of 31 Dec 2014	**10,623**
Increase / decrease retained earnings	682
Increase / decrease accumulated other comprehensive income	135
Increase / decrease minority interest	284
Increase / decrease prudential filters	69
Changes in regulatory deductions	24
Goodwill	0
Other intangibles	-1
IRB shortfall	12
Own Instruments	10
DTAs that rely on future profitability and do not arise from temporary differences	4
Change in transitional provisions	319
Changes in CET1	1,513
CET1 as of 31 Dec 2015	**12,136**
Additional Tier 1 development, phase in	
AT1 as of 31 Dec 2014	**296**
Increase / decrease in AT1	1
Changes in regulatory deduction	-569
Change in transitional provisions	272
Changes in AT1	-296
AT1 as of 31 Dec 2015	**0**
Tier 2 development, phase in	
T2 as of 31 Dec 2014	**5,216**
Increase / decrease in T2	353
Changes in regulatory deduction	30
IRB Excess and SA credit risk adjustments	-178
Change in transitional provisions	9
Changes in Tier 2	215
T2 as of 31 Dec 2015	**5,431**
Total own funds	**17,566**

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I. Group statement of comprehensive income of Erste Group for the year ended 31 December 2015

Income statement

in EUR thousand	Notes	1-12 14 restated	1-12 15
Net interest income	1	4,495,201	4,444,657
Net fee and commission income	2	1,869,848	1,861,768
Dividend income	3	74,217	49,901
Net trading and fair value result	4	242,259	210,135
Net result from equity method investments		15,810	17,510
Rental income from investment properties & other operating leases	5	180,593	187,865
Personnel expenses	6	-2,184,224	-2,244,611
Other administrative expenses	6	-1,136,930	-1,179,329
Depreciation and amortisation	6	-466,113	-444,999
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	7	18,283	100,911
Net impairment loss on financial assets not measured at fair value through profit or loss	8	-2,083,728	-729,099
Other operating result	9	-1,752,936	-635,646
Levies on banking activities	9	-256,271	-236,222
Pre-tax result from continuing operations		**-727,718**	**1,639,064**
Taxes on income	10	-521,486	-363,926
Net result for the period		**-1,249,204**	**1,275,138**
Net result attributable to non-controlling interests		133,434	306,974
Net result attributable to owners of the parent		**-1,382,638**	**968,164**

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

Statement of comprehensive income

in EUR thousand	1-12 14 restated	1-12 15
Net result for the period	**-1,249,204**	**1,275,138**
Other comprehensive income		
Items that may not be reclassified to profit or loss		
Remeasurement of net liability of defined pension plans	-188,196	100,995
Deferred taxes relating to items that may not be reclassified	47,093	-33,607
Total	**-141,102**	**67,388**
Items that may be reclassified to profit or loss		
Available for sale reserve (including currency translation)	581,154	-31,580
Gain/loss during the period	574,144	-10,077
Reclassification adjustments	7,011	-21,502
Cash flow hedge reserve (including currency translation)	172,783	-27,413
Gain/loss during the period	224,285	11,354
Reclassification adjustments	-51,502	-38,766
Currency translation	-63,062	90,987
Gain/loss during the period	-63,062	90,987
Reclassification adjustments	0	0
Deferred taxes relating to items that may be reclassified	-190,587	35,869
Gain/loss during the period	-193,353	6,349
Reclassification adjustments	2,765	29,520
Total	**500,288**	**67,864**
Total other comprehensive income	**359,186**	**135,252**
Total comprehensive income	**-890,019**	**1,410,389**
Total comprehensive income attributable to non-controlling interests	274,387	229,740
Total comprehensive income attributable to owners of the parent	-1,164,406	1,180,650

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

Earnings per share

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

		1-12 14 restated	1-12 15
Net result attributable to owners of the parent	in EUR thousand	-1,382,638	968,164
Weighted average number of outstanding shares		427,533,286	426,726,297
Earnings per share	**in EUR**	**-3.23**	**2.27**
Weighted average diluted number of outstanding shares		427,533,286	426,726,297
Diluted earnings per share	**in EUR**	**-3.23**	**2.27**

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

II. Group balance sheet of Erste Group as of 31 December 2015

in EUR thousand	Notes	01.01.2014 restated	Dec 14	Dec 15
Assets				
Cash and cash balances	12	9,300,683	7,835,417	12,350,003
Financial assets - held for trading		12,283,046	10,530,878	8,719,244
Derivatives	13	6,342,237	7,173,380	5,303,001
Other trading assets	14;18	5,940,808	3,357,498	3,416,243
Financial assets - at fair value through profit or loss	15;18	528,984	349,583	358,959
Financial assets - available for sale	16;18	20,677,648	22,373,356	20,762,661
Financial assets - held to maturity	17;18	17,779,013	16,877,214	17,700,886
Loans and receivables to credit institutions	19	8,376,688	7,442,288	4,805,222
Loans and receivables to customers	20	119,868,987	120,833,976	125,896,650
Derivatives - hedge accounting	22	1,943,645	2,871,607	2,191,175
Property and equipment	26	2,319,501	2,264,041	2,401,868
Investment properties	26	950,572	950,168	753,243
Intangible assets	27	2,440,833	1,440,946	1,464,529
Investments in associates and joint ventures	23	207,594	194,984	166,541
Current tax assets	28	100,398	107,310	118,786
Deferred tax assets	28	731,097	301,469	310,370
Assets held for sale	29	74,774	291,394	526,451
Other assets	30	2,470,898	1,622,702	1,216,785
Total assets		**200,054,360**	**196,287,334**	**199,743,371**
Liabilities and equity				
Financial liabilities - held for trading		6,474,745	7,746,381	5,867,450
Derivatives	13	6,086,938	7,188,386	5,433,865
Other trading liabilities	31	387,807	557,994	433,586
Financial liabilities - at fair value through profit or loss		2,339,171	2,072,725	1,906,766
Deposits from banks		0	0	0
Deposits from customers		459,964	319,960	148,731
Debt securities issued	32	1,879,207	1,752,765	1,758,035
Other financial liabilities		0	0	0
Financial liabilities measured at amortised cost		170,785,614	166,921,248	170,786,703
Deposits from banks	33	17,299,491	14,802,602	14,212,032
Deposits from customers	33	121,955,141	122,262,612	127,797,081
Debt securities issued	33	31,244,697	29,386,741	27,895,975
Other financial liabilities		286,286	469,294	881,616
Derivatives - hedge accounting	22	644,319	725,928	592,891
Changes in fair value of portfolio hedged items		733,747	1,225,473	965,583
Provisions	34	1,447,605	1,652,688	1,736,367
Current tax liabilities	28	84,519	91,050	89,956
Deferred tax liabilities	28	169,392	98,778	95,787
Liabilities associated with assets held for sale		0	0	577,953
Other liabilities	35	2,653,713	2,309,605	2,316,601
Total equity		**14,721,534**	**13,443,457**	**14,807,313**
Equity attributable to non-controlling interests		3,461,883	3,605,371	3,801,997
Equity attributable to owners of the parent		11,259,651	9,838,086	11,005,316
Total liabilities and equity		**200,054,360**	**196,287,334**	**199,743,371**

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

III. Group statement of changes in total equity

in EUR million	Subscribed capital	Capital reserves	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Currency translation	Remeasurement of net liability of defined pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
As of 1 January 2015	**860**	**1,478**	**8,116**	**140**	**580**	**-849**	**-394**	**-92**	**9,838**	**3,605**	**13,444**
Restatement	0	0	0	0	0	0	0	0	0	0	0
Restated as of 1 January 2015	**860**	**1,478**	**8,116**	**140**	**580**	**-849**	**-394**	**-92**	**9,838**	**3,605**	**13,444**
Changes in treasury shares	0	0	2	0	0	0	0	0	2	0	2
Dividends paid	0	0	0	0	0	0	0	0	0	-40	-40
Capital increases	0	0	0	0	0	0	0	0	0	1	1
Participation capital	0	0	0	0	0	0	0	0	0	0	0
Changes in the scope of consolidation	0	0	-15	0	0	0	0	0	-15	6	-10
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	968	-25	107	90	60	-20	1,181	230	1,410
Net result for the period	0	0	968	0	0	0	0	0	968	307	1,275
Other comprehensive income	0	0	0	-25	107	90	60	-20	212	-77	135
As of 31 December 2015	**860**	**1,478**	**9,071**	**115**	**688**	**-759**	**-334**	**-112**	**11,005**	**3,802**	**14,808**
As of 1 January 2014	**860**	**7,037**	**4,256**	**-33**	**259**	**-785**	**-277**	**2**	**11,319**	**3,466**	**14,785**
Restatement	0	0	-59	0	0	0	0	0	-59	-4	-63
Restated as of 1 January 2014	**860**	**7,037**	**4,197**	**-33**	**259**	**-785**	**-277**	**2**	**11,260**	**3,462**	**14,722**
Changes in treasury shares	0	0	-77	0	0	0	0	0	-77	0	-77
Dividends paid	0	0	-171	0	0	0	0	0	-171	-122	-292
Capital increases	0	0	0	0	0	0	0	0	0	0	0
Participation capital	0	0	0	0	0	0	0	0	0	0	0
Changes in the scope of consolidation	0	0	-10	0	0	0	0	0	-10	-9	-19
Other changes	0	-5,559	5,559	0	0	0	0	0	0	0	0
Acquisition of non-controlling interest	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	-1,383	173	321	-65	-117	-94	-1,164	274	-890
Net result for the period	0	0	-1,383	0	0	0	0	0	-1,383	133	-1,249
Other comprehensive income	0	0	0	173	321	-65	-117	-94	218	141	359
As of 31 December 2014	**860**	**1,478**	**8,116**	**140**	**580**	**-849**	**-394**	**-92**	**9,838**	**3,605**	**13,444**

In 2014, in the line 'Other changes', the reclassification between capital reserve and retained earnings due to a group internal merger between EGB Ceps Holding GmbH and EGB Ceps Beteiligungen GmbH with Erste Group Bank is reported.

For further details, see Note 36 Total equity.

IV. Group cash flow statement

in EUR million	1-12 14 restated	1-12 15
Net result for the period	**-1,249**	**1,275**
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation, impairment and reversal of impairment, revaluation of assets	1,612	567
Allocation to and release of provisions (including risk provisions)	2,119	972
Gains/(losses) from the sale of assets	-153	-297
Other adjustments	-23	-43
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Financial assets - held for trading	1,902	1,886
Financial assets - at fair value through profit or loss	107	23
Financial assets - available for sale	-1,382	1,641
Loans and receivables to credit institutions	-1,186	1,971
Loans and receivables to customers	-890	-5,065
Derivatives - hedge accounting	-755	655
Other assets from operating activities	998	506
Financial liabilities - held for trading	1,272	-1,879
Financial liabilities - at fair value through profit or loss	-266	-166
Financial liabilities measured at amortised cost		
Deposits from banks	-2,497	-591
Deposits from customers	307	5,534
Debt securities issued	-1,875	-1,478
Other financial liabilities	183	412
Derivatives - hedge accounting	82	-133
Other liabilities from operating activities	4	138
Cash flow from operating activities	**-1,691**	**5,930**
Proceeds of disposal		
Financial assets - held to maturity and associated companies	3,078	2,385
Property and equipment, intangible assets and investment properties	231	133
Acquisition of		
Financial assets - held to maturity and associated companies	-2,160	-3,161
Property and equipment, intangible assets and investment properties	-634	-773
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0	0
Disposal of subsidiaries	0	0
Cash flow from investing activities	**514**	**-1,416**
Capital increases	0	1
Capital decrease	0	0
Acquisition of non-controlling interest	0	0
Dividends paid to equity holders of the parent	-171	0
Dividends paid to non-controlling interests	-122	-40
Other financing activities	0	0
Cash flow from financing activities	**-292**	**-39**
Cash and cash equivalents at beginning of period	**9,301**	**7,835**
Cash flow from operating activities	-1,691	5,930
Cash flow from investing activities	514	-1,416
Cash flow from financing activities	-292	-39
Effect of currency translation	4	39
Cash and cash equivalents at end of period	**7,835**	**12,350**
Cash flows related to taxes, interest and dividends	**4,302**	**4,034**
Payments for taxes on income (included in cash flow from operating activities)	-267	-355
Interest received	6,301	6,733
Dividends received	74	50
Interest paid	-1,806	-2,394

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

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

V. Notes to the group financial statements of Erste Group

A. GENERAL INFORMATION

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

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

It is planned for the management (following a presentation to the supervisory board) to approve the consolidated financial statements for publication on 26 February 2016.

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

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

B. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The consolidated financial statements of Erste Group for the financial year ending on 31 December 2015 and the related comparative information were prepared in compliance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union on the basis of IAS Regulation (EC) No. 1606/2002. This satisfies the requirements of Section 59a of the Austrian Banking Act and Section 245a of the Austrian Commercial Code.

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

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

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

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

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

b) Basis of consolidation

Subsidiaries

All entities directly or indirectly controlled by Erste Group Bank AG are consolidated in the Group financial statements on the basis of their annual accounts as of 31 December 2015, and for the year then ended.

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

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

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

Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, an interest in an associate or joint venture is recognised on the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity. The Group's share of the associate's or joint venture's result is recognised in the statement of profit or loss and other comprehensive income. Entities accounted for using the equity method are recognised on the basis of annual financial statements as of 31 December 2015 and for the year then ended.

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

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

Scope of consolidation

As at 31 December 2015, Erste Group Bank AG, as parent entity of Erste Group, includes in its IFRS scope of consolidation a total of 496 subsidiaries (31 December 2015: 528). This includes a total of 47 local savings banks which, alongside Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG, are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector (please refer to 'd) Significant accounting judgements, assumptions and estimates' for further details).

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

The IFRS scope of consolidation of Erste Group has been increased by a total of 16 (2014: 34) entities. Additionally in 2014, 18 own-managed investment funds were included retrospectively as a result of adopting IFRS 10 'Consolidated Financial Statements'.

Opening balance as of 31 December 2014	**528**
Additions	
Entities newly added to the scope of consolidation	16
Disposals	
Companies sold or liquidated	-26
Mergers	-22
Closing balance as of 31 December 2015	**496**

Further details regarding the scope of consolidation please refer to Note 54 Details of the companies wholly or partly owned by Erste Group as of 31 December 2015.

Additions in 2015

The following table shows the additions of fully consolidated entities in 2015 with names and country of residence. These additions had no material impact on the financial position and performance of the Group.

Additions of fully consolidated entities Entity	Country of residence
QBC Immobilien GmbH & Co Zeta KG	Austria
EBB-Epsilon Holding GmbH	Austria
Toplice Sveti Martin d.d.	Croatia
GLL A319 AS LIMITED	Malta
GLADIATOR LEASING IRELAND LIMITED	Ireland
GLL CLASSIC 400 LIMITED	Malta
GLL MSN 2118 LIMITED	Ireland
BeeOne GmbH (EH-Beta Holding)	Austria
IPS Fonds	Austria
SILO DREI next LBG 57 Liegenschaftsverwertung GmbH & Co KG	Austria
Sparkasse Kufstein Immobilien GmbH	Austria
STRAULESTI PROPERTY DEVELOPMENT SRL	Romania
Sluzby SLSP, s.r.o.	Slovakia
GLL Engine Leasing Limited	Malta
ESPA BOND EURO-RESERVA	Austria
ESPA CORPORTATE BASKET 2020	Austria

Disposals in 2015

The following table shows the disposals of fully consolidated entities in 2015 with names and country of residence. These disposals had no material impact on the financial position and performance of the Group.

Disposals of fully consolidated entities Entity	Country of residence
Portfolio Kereskedelmi, Szolgaltato es Szamitastechnikai Kft.	Hungary
IMMORENT BETA, leasing druzba, d.o.o.	Slovakia
S IMMORENT GAMMA drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Croatia
QBC Immobilien GmbH & Co Beta KG	Austria
QBC Immobilien GmbH & Co Epsilon KG	Austria
Immorent Beta s.r.o.	Slovakia
IMMORENT Brno Retail s.r.o.	Czech Republic
ESPA ASSET-BACKED	Austria
SPARKASSEN 17	Austria
RUTAR INTERNATIONAL trgovinska d.o.o.	Slovakia
Smichov Real Estate, a.s.	Czech Republic
Immorent-Einrichtungshauserrichtungs- und Grundverwertungsgesellschaft m.b.H.	Austria
IMMORENT Cheb s.r.o.	Czech Republic
IMMORENT TMIS s.r.o. (vorm. TMIS ALFA s.r.o.)	Czech Republic
SPV - Druck Gesellschaft m.b.H	Austria
ALPHA IMMORENT DRUSTVO SA OGRANICENOM ODGOVORNOSCU BEOGRAD	Serbia
CPDP Shopping Mall Kladno, a.s.	Czech Republic
IMMOBUL BETA EOOD	Bulgaria
IMMORENT LINE BULGARIA EOOD	Bulgaria
ERSTE GROUP IMMORENT BULGARIA EOOD	Bulgaria
QBC Immobilien GmbH	Austria
QBC Immobilien GmbH & Co Alpha KG	Austria
QBC Immobilien GmbH & Co Delta KG	Austria
QBC Immobilien GmbH & Co Gamma KG	Austria
QBC Immobilien GmbH & Co Zeta KG	Austria
Trencin Retail Park a.s.	Slovakia

Additions in 2014

No material additions of new subsidiaries occurred during the year 2014.

Disposals in 2014

As of 1 January 2014, the Czech pension fund entity 'Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s.' (Transformed pension fund) has been deconsolidated. This deconsolidation was triggered by significant amendments to the fund's investment strategy (due to changes in the fund's articles of incorporation) that limited the fund manager's decision-making powers over relevant fund activities (please refer to '(d) Significant accounting judgements, assumptions and estimates' for further details). This resulted in a loss of control in accordance with IFRS 10. The impact of deconsolidation was a decrease in Group assets by EUR 1,702 million (thereof financial assets - available-for-sale EUR 608 million, financial assets - held to maturity EUR 368 million and loans and receivables to credit institutions EUR 710 million) and decrease of the group liabilities by EUR 1,853 million (thereof financial liabilities measured at amortised cost – deposits from customers EUR 1,829 million).

c) Accounting and measurement methods

Restatement

Erste Group was audited according to Section 2 (1) 2 of the Law on Financial Reporting Enforcement (audit without particular cause). In particular the group consolidated financial statements 2013 and half-year financial statements 2014 of Erste Group were audited. The audit has been completed in December 2015.

During the audit it has become evident, that related to a group of connected customers classified as non-performing in 2014, there has been objective evidence for impairment according to IAS 39.59 already in 2013. As a consequence, a specific loan loss provision according to IAS 39.63 in the amount of the difference between the carrying amount and the expected cash flows of the respective outstanding loans should have been recognized in profit or loss for the financial reporting period 2013.

According to IAS 8.41 prior period errors are accounted for retrospectively. The consolidated financial statements including all comparative amounts for prior periods are reported as if the prior period error had never occurred. For that reason in the consolidated financial statements 2013, a specific loan loss provision in the amount of EUR 86 million is to be allocated for the respective outstanding loans and the assigned portfolio loan loss provision in the amount of EUR 11 million shall be released. Furthermore for the financial reporting period 2014, the allocation of the specific loan loss provision as well as the release of the corresponding portfolio loan loss provision is to be reversed accordingly.

The effects on the items concerned of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement and on the allowances for loans and receivables to customers are presented below:

Income statement

in EUR thousand	1-12 14 published	Restatement	1-12 14 restated
Net interest income	4,495,201		4,495,201
Net fee and commission income	1,869,848		1,869,848
Dividend income	74,217		74,217
Net trading and fair value result	242,259		242,259
Net result from equity method investments	15,810		15,810
Rental income from investment properties & other operating leases	180,593		180,593
Personnel expenses	-2,184,224		-2,184,224
Other administrative expenses	-1,136,930		-1,136,930
Depreciation and amortisation	-466,113		-466,113
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	18,283		18,283
Net impairment loss on financial assets not measured at fair value through profit or loss	-2,159,242	75,514	-2,083,728
Other operating result	-1,752,936		-1,752,936
Levies on banking activities	-256,271		-256,271
Pre-tax result from continuing operations	**-803,232**	**75,514**	**-727,718**
Taxes on income	-509,404	-12,082	-521,486
Net result for the period	**-1,312,636**	**63,432**	**-1,249,204**
Net result attributable to non-controlling interests	129,357	4,077	133,434
Net result attributable to owners of the parent	**-1,441,993**	**59,355**	**-1,382,638**

Statement of comprehensive income

in EUR thousand	1-12 14 published	Restatement	1-12 14 restated
Net result for the period	**-1,312,636**	**63,432**	**-1,249,204**
Total other comprehensive income	**359,186**		**359,186**
Total comprehensive income	**-953,450**	**63,432**	**-890,019**
Total comprehensive income attributable to non-controlling interests	270,310	4,077	274,387
Total comprehensive income attributable to owners of the parent	**-1,223,760**	**59,355**	**-1,164,406**

Earnings per share

in EUR thousand	1-12 14 published	Restatement	1-12 14 restated
Earnings per share	**-3.37**	**0.14**	**-3.23**
Diluted earnings per share	**-3.37**	**0.14**	**-3.23**

Group balance sheet

in EUR thousand	Dec 14 published	Restatement	Dec 14 restated
As of 1 January 2014			
Assets			
Loans and receivables to customers	119,944,501	-75,514	119,868,987
Current tax assets	719,015	12,082	731,097
Not restated items	79,454,276		79,454,276
Total assets	**200,117,792**	**-63,432**	**200,054,360**
Liabilities and equity			
Not restated items	185,332,826		185,332,826
Total equity	**14,784,966**	**-63,432**	**14,721,534**
Equity attributable to non-controlling interests	3,465,959	-4,077	3,461,883
Equity attributable to owners of the parent	11,319,006	-59,355	11,259,651
Total liabilities and equity	**200,117,792**	**-63,432**	**200,054,360**

The balance sheet as at 31. December 2014 remains unchanged.

Cash flow statement restatement

in EUR million	Dec 14 published	Restatement	Dec 14 restated
Net result of the period	**-1,313**	**64**	**-1,249**
Allocation to and realease of provision (including risk provisions)	2,194	-75	2,119
Other assets from operating activities	986	12	998
Not restated items	-3,558		-3,558
Cash flow from operating activities	**-1,691**		**-1,691**
Cash flow from investing activities	**514**		**514**
Cash flow from financing activities	**-292**		**-292**
Cash and cash equivalents at beginning of period	**9,301**		**9,301**
Cash and cash equivalents at end of period	**7,835**		**7,835**

In 2014 a disclosure shift was done in the line item “cash flow from investing activities” between the dividends paid to non-controlling interests and to owner of the parent company. Therefore, the amounts of the comparative period were retrospectively adjusted. This adjustment had no impact on the cash reserve per end of 2014.

Allowances for loans and receivables to customers

Published in EUR million	As of Dec 13	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	As of Dec 14
Specific allowances	**- 7,102**	**- 3,522**	**2,100**	**1,439**	**202**	**160**	**- 6,723**
Debt securities with customers	- 9	- 11	4	-	-	3	- 13
Loans and advances to customers	- 7,092	- 3,511	2,096	1,439	202	157	- 6,710
Collective allowances	**- 651**	**- 583**	**-**	**512**	**-**	**- 47**	**- 768**
Debt securities with customers	- 2	- 0	-	-	-	0	- 2
Loans and advances to customers	- 649	- 583	-	512	-	- 48	- 766
Total	**- 7,753**	**- 4,105**	**2,100**	**1,951**	**202**	**113**	**- 7,491**

Restatement in EUR million	As of Dec 13	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	As of Dec 14
Specific allowances	**- 86**	**86**	**-**	**-**	**-**	**-**	**0**
Debt securities with customers	-	-	-	-	-	-	-
Loans and advances to customers	- 86	86	-	-	-	-	0
Collective allowances	**11**	**-**	**-**	**- 11**	**-**	**-**	**0**
Debt securities with customers	-	-	-	-	-	-	-
Loans and advances to customers	11	-	-	- 11	-	-	0
Total	**- 75**	**86**	**-**	**- 11**	**-**	**-**	**0**

Restated in EUR million	As of Dec 13 restated	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	As of Dec 14
Specific allowances	**- 7,188**	**- 3,436**	**2,100**	**1,439**	**202**	**160**	**- 6,723**
Debt securities with customers	- 9	- 11	4	-	-	3	- 13
Loans and advances to customers	- 7,178	- 3,425	2,096	1,439	202	157	- 6,710
Collective allowances	**- 640**	**- 583**	**-**	**501**	**-**	**- 47**	**- 768**
Debt securities with customers	- 2	- 0	-	-	-	0	- 2
Loans and advances to customers	- 638	- 583	-	501	-	- 48	- 766
Total	**- 7,828**	**- 4,019**	**2,100**	**1,940**	**202**	**113**	**-7,491**

The restatement relates to specific and collective allowances for non-financial corporations.

Restatement of Note 1 Net interest income

Starting with year 2015, following a change of the internal reporting structure, the presentation of interest income from financial assets – held for trading and interest expense from financial liabilities – held for trading presented in Note 1 Net interest income has been improved to provide more relevant and reliable information on the financial position and performance of the Group. This restatement had no impact on the income statement of the Group. As it was not possible to restate the comparative figures for 2014 accordingly, the comparison period 2014 has not been adjusted.

Foreign currency translation

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

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

i. Transactions and balances in foreign currency

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

ii. Translation of the statements of Group companies

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

Financial instruments – recognition and measurement

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

Erste Group uses the following categories of financial instruments:

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

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

i. Initial recognition

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

ii. Initial measurement of financial instruments

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

iii. Cash and cash balances

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

iv. Derivative financial instruments

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

For presentation purposes derivatives are split into
- Derivatives – held for trading; and
- Derivatives – hedge accounting

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

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

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

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

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

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

v. Financial assets and financial liabilities - held for trading

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

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

Changes in fair value (clean price for debt instruments) resulting from other trading assets and liabilities are reported in the income statement under the line item 'Net trading and fair value result'. Interest income and expenses are reported in the income statement under the line item 'Net interest income'. Dividend income is shown under the line item 'Dividend income'.
If securities purchased under agreement to resell or borrowed through securities lending transactions are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'Other trading liabilities'.

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

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

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

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

Furthermore, Erste Group uses the fair value option in the case of some hybrid financial liabilities. This is relevant when:
_ such classification eliminates or significantly reduces an accounting mismatch between the financial liability otherwise measured at amortised cost and the related derivative measured at fair value; or
_ the entire hybrid contract is designated at fair value through profit or loss due to the existence of an embedded derivative.

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

Financial liabilities designated at fair value through profit or loss are reported on the balance sheet under the line item 'Financial liabilities designated at fair value through profit or loss' further broken down into 'Deposits' (both from customers and banks), 'Debt securities issued' and 'Other financial liabilities'. Changes in fair value are recognised in the income statement under the line item 'Net trading and fair value result'. Interest incurred is reported under the line item 'Net interest income'.

vii. Financial assets – available for sale

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

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

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

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

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

viii. Financial assets – held to maturity

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

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

ix. Loans and receivables

The balance sheet line items ‘Loans and receivables to credit institutions’ includes financial instruments which are allocated to financial instrument category loans and receivables with a contractual maturity of more that 24 hours. The balance sheet line items ‘Loans and receivables to customers’ includes financial instruments which are allocated to financial instrument category loans and receivables with a contractual maturity of more that 24 hours. Furthermore, finance lease receivables that are accounted for using IAS 17 are presented under these balance sheet line items.

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

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

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

Impairment losses arising from loans and receivables are recognised in the income statement under the line item ‘Net impairment loss on financial assets not measured at fair value through profit or loss ’.

x. Financial liabilities measured at amortised cost

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

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

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

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

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

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

Embedded derivatives

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

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

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

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

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

Reclassifications of financial assets

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

Derecognition of financial assets and financial liabilities

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

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

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

Repurchase and reverse repurchase agreements

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

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

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

Securities lending and borrowing

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

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

Impairment of financial assets and credit risk losses of contingent liabilities

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

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

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

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

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

i. Financial assets carried at amortised cost

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

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

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

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

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

ii. Available-for-sale financial assets

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

If, in a subsequent period, the fair value of a debt instrument increases, which can be related objectively to an event occurring after the impairment was recognized, impairmnet loss is reveresed thorugh the income statement under the line item 'Gains/losses' Impairment losses and their reversals are recognized directly against the assets on the balance sheet.

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

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

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

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

iii. Contingent liabilities

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

Hedge accounting

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

i. Fair value hedges

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

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

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

ii. Cash flow hedges

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

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

Offsetting financial instruments

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

Determination of fair value

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

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

Leasing

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

Erste Group as a lessor

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

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

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

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

Business combinations and goodwill

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

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

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

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

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

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

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

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

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

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

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

Property and equipment

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

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

The estimated useful lives are as follows:

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

Land is not depreciated.

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

Investment properties

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

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

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

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

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

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

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

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

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

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

The estimated useful lives are as follows:

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

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

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

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

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

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

Non-current assets and disposal groups held for sale

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

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

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

Financial guarantees

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

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

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

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

Defined employee benefit plans

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

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

Severance benefit obligations exist in relation to Austrian employees who entered the Group's employment before 1 January 2003. The severance benefit is one-time remuneration to which employees are entitled when their employment relationship ends. The entitlement to this severance payment arises after three years of employment. Defined-benefit plans include jubilee benefits. Jubilee payments (payments for long service and/or loyal service) are remuneration tied to the length of an employee's service to the employer. The entitlement to jubilee benefits is established by collective agreement, which defines both the conditions and amount of the entitlement.

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

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

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

Provisions

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

Taxes

i. Current tax

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

ii. Deferred tax

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

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

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

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

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

Treasury shares and contracts on treasury shares

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

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

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

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

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

Interest income includes interest income on loans and receivables to credit institutions and customers, on cash balances and on bonds and other interest-bearing securities in all financial assets categories. Interest expenses include interest paid on deposits from customers, deposits from banks, debt securities issued and other financial liabilities in all financial liabilities categories.

Net interest income also includes interest on derivative financial instruments held in the banking book. In addition, net interest cost on severance payment, pension and jubilee obligations is presented here.

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

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

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

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

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

This line item includes dividend from shares and other equity-related securities in all portfolios as well as income from other investments in companies categorised as available for sale.

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

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

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

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

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

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

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

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

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

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

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

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

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

d) Significant accounting judgements, assumptions and estimates

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

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

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

Hence, assessing the existence of control under this definition may require considerable accounting judgements, assumptions and estimates, notably in non-standard situations such as:
_ power stemming both from voting rights and from contractual arrangements (or mostly from the latter);
_ exposure stemming both from on-balance investments and from off-balance commitments or guarantees (or mostly from the latter); or
_ variable returns stemming both from readily identifiable income streams (e.g. dividends, interest, fees) and from cost savings, economies of scale and/or operational synergies (or mostly from the latter).

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

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

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

Based on the contractual agreement, Haftungsverbund GmbH as the steering company is vested with the following substantive rights related to the savings banks:
_ participation in the appointment of board members
_ approval of budgets including capital decisions
_ provision of binding guidelines in the areas of risk and liquidity management as well as internal audit
_ determination of thresholds for capital requirement including the payout of dividends

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

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

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

iii. Pension funds under own management
The Group has assessed whether the contractual arrangements appointing an Erste Group subsidiary as pension fund manager (with no substantive removal rights by the fund's participants) are generally expected to confer power over such funds, followed by an assessment of the Group's exposure/rights to the pension fund's variable returns. The relevant legal requirements regulating the activities of such pension funds in their respective jurisdictions were also considered, notably in assessing the significance of the rights to variable returns from management fees, as well as of the exposure to losses from any guarantees that the fund manager may be legally bound to.

As a result of this review, the Czech pension fund 'Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s' (the 'Transformed pension fund') has been deconsolidated with effect from with 2014, as a result of significant statutory changes in the fund's articles of incorporation. These changes resulted in the narrowing of the fund manager's investment mandate, limiting the scope of the fund manager's decision making authority and restricting the manager's (and therefore Erste Group's) exposure to the fund's variability of returns and other interests (including guarantees).

Joint control and classification of joint arrangements

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

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

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

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

For the ensuing IFRS 12-driven disclosures applicable to joint ventures (and associates), please refer to Note 23 Equity method investments.

Significant influence

IAS 28 'Investments in Associates and Joint Ventures' defines significant influence as the power to participate in the financial and operating policy decisions of the investee without having control or joint control of those policies. Furthermore, IAS 28 indicates that if an entity holds, directly or indirectly 20% or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case.

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

Interests in structured entities

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

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

In the case of Erste Group, such accounting judgements, assumptions and estimates have been primarily relevant for assessing involvements with securitisation vehicles and investment funds. In respect to securitisation vehicles, Erste Group assessed that on-balance or off-balance exposures to entities involved in securitisation activities meet the definition of interests in structured entities. For investment funds, Erste Group concluded that such investment funds would typically satisfy the characteristics of a structured entity - irrespective of whether they are own-managed funds or third party managed funds. Moreover, the Group reached the conclusion that direct Group investments higher than 0% and management fees varying in relation to the assets under management and are not distributed full to third parties would typically indicate an interest in these structured entities. In alignment with the accounting judgement described under the paragraph 'Investment funds under own management' above, interests below 20% are not consolidated due to lack of control.

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

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

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgement is required to establish fair values. Disclosures for valuation models, the fair value hierarchy and fair values of financial instruments can be found in Note 46 Fair value of assets and liabilities.

For the valuation of OTC derivatives no Funding Value Adjustment (FVA) was considered. Erste Group is analyzing the different developments on the market. The observations will be considered in the future methodology.

Impairment of financial assets

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

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

Impairment of non-financial assets

Erste Group reviews its non-financial assets at each balance sheet date to assess whether there is an indication of impairment loss that should be recorded in the income statement. Furthermore, cash-generating units to which goodwill is allocated are tested for impairment on a yearly basis. Judgement and estimates are required to determine the value in use and fair value less costs of disposal by estimating the timing and amount of future expected cash flows and the discount rates. Assumptions and estimates used for impairment on non-financial asset calculations are described in the parts 'Business combinations and goodwill' and 'Impairment of non-financial assets (property and equipment, investment property, intangible assets)' in the Accounting Policies. Inputs used for goodwill impairment testing and their sensitivities can be found in Note 27 Intangible assets in the section 'Development of goodwill'.

Deferred tax assets

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

Defined benefit obligation plans

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

Provisions

Recognition of provisions requires judgement with respect to whether Erste Group has a present obligation as a result of a past event and whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Furthermore, estimates are necessary with respect to the amount and timing of future cash flows when determining the amount of provisions. Provisions are disclosed in Note 37 Provisions and further details on provisions for contingent credit liabilities in Note 44.5 Credit risk. Legal proceedings that do not meet the criteria for recognition of provisions are described in Note 49 Contingent liabilities.

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

e) Application of amended and new ifrs/ias

The accounting policies adopted are consistent with those used in the previous financial year except for standards and interpretations that became effective for financial years beginning after 1 January 2014. As regards new standards and interpretations and their amendments, only those that are relevant for the business of Erste Group are listed below.

Effective standards and interpretations
The following standards and their amendments have become mandatory for our financial year 2015, endorsed by EU:
- IFRIC 21 Levies
- Annual Improvements to IFRSs 2011-2013 Cycle

IFRIC 21 Levies. IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. These criteria are among otheres applied for recovery & resolution fund which is presented in other operating income. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014, but in EU for annual periods beginning on or after 17 June 2014.

Annual Improvements to IFRSs 2011-2013 Cycle. In December 2013, the IASB issued a set of amendments to various standards. The amendments are effective for annual periods beginning on or after 1 July 2014, but in EU for annual periods beginning on or after 1 January 2015. Application of these amendments did not have a significant impact on Erste Group's financial statements.

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

Following standards, amendments and interpretations are not yet endorsed by the EU:
- IFRS 9: Financial Instruments
- IFRS 14 Regulatory Deferral Accounts:The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.
- IFRS 15: Revenue from Contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation ExceptionIFRS 16: Leases
- Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7: Disclosure Initiative

Following standards, amendments and interpretations are already endorsed by the EU:
- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs 2010-2012 Cycle
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11: Accounting for Acquisitions of Interest in Joint Operations
- Amendments to IAS 1: Disclosure Initiative
- Annual Improvements to IFRSs 2012-2014 Cycle

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

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

IFRS 9 does not change classification and measurement principles for financial liabilities compared to IAS 39. The only change is related to financial liabilities designated at fair value through profit or loss (fair value option). The fair value changes related to the credit risk of such liabilities will be presented in other comprehensive income.

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

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

During the year 2015, Erste Group proceeded with the development of master business concepts and business requirements documentation addressing the changes in policies, procedures, processes and systems, assessed as necessary in preparation for transition to IFRS 9 on 1 January 2018. As part of this effort, iterative financial impact studies (notably with regards to classification/measurement and impairment of financial assets) were started across the Group and are planned to continue throughout 2016, along with gradually moving from the concept phase to the implementation phase of the documented business requirements.

On this basis, Erste Group upholds its original expectations that this standard will have a significant effect on balance sheet items and measurement methods for financial instruments. Thus, in the area of classification and measurement, Erste Group identified a risk that part of its loan portfolio will have to be re-measured at fair value through profit or loss, due to the contractual cash flow characteristics. In the same time, this risk is already actively managed, notably by mitigation activities which have been planned and partly started across the Group, in respect of the lending products assessed as being at risk of such re-measurement. On the other hand, some debt securities currently measured at fair value through other comprehensive income may be measured at amortised cost due to the ’held-to-collect contractual cash’ flows business model applied to them. In the area of impairment loss, allowances are expected to increase more than insignificantly for some non-defaulted exposures. Also, the Group expects that the structure of the financial statements (both main components and explanatory notes) will be have to be adapted, notably in the light of the new reporting and disclosure requirements of IFRS7, as triggered by IFRS9. Such adaptions would also consider any new regulatory reporting requirements (notably FINREP related) which EU or national regulators may contemplate as part of preparing for initial application of IFRS 9 at the level of the wider European and national banking sector.

IFRS 9 provides an accounting policy choice in the area of hedge accounting. Thus, upon adoption of IFRS9, entities can either (a) start with full application of the hedge accounting requirements of IFRS9, (b) start with limited application of the hedge accounting requirements of IFRS9 by continuing to apply IAS39 to the specific case of fair value hedges of interest rate exposure of a portfolio of financial assets or financial liabilities, or (c) continue with full application of the hedge accounting requirements of IAS39. Erste Group plans to implement the third choice. However, some actions are expected to be necessary in order to address additional disclosures that will be required based on IFRS7 after adoption of IFRS9.

IFRS 14 Regulatory Deferral Accounts (IASB Effective Date: 1 January 2016). IFRS 14 Regulatory Deferral Accounts permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. The European Commission has decided not to launch the endorsement process of this interim standard and wait for the final standard.

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

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (IASB Effective Date: 1 January 2016). Amendments to IFRS 10 and IAS 28 were issued in September 2014 and are effective for annual periods beginning on or after 1 January 2016.These amendments deal with the sale or contribution of assets or subsidiaries in a transaction between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised only when the assets or the subsidiaries constitute a business, as defined in IFRS 3. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (IASB Effective Date: 1 January 2016). The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. Also, they clarify that when applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (IASB Effective Date: 1 July 2014; EU Endorsement Effective Date 1 February 2015). Amendments to IAS 19 were issued in November 2013 and are effective for annual periods beginning on or after 1 July 2014, but in EU for annual periods beginning on or after 1 Febuary 2015. The amendments clarify that contributions from employees or third parties that are linked to service must be attributed to periods of service using the same attribution method as used for the gross benefit. However, the contribution may be recognised as a reduction in the service cost if the amount of the contributions is independent of the number of years of service. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle (IASB Effective Date: 1 July 2014; EU Endorsement Effective Date 1 February 2015). In December 2013, the IASB issued a set of amendments to various standards. The amendments are effective for annual periods beginning on or after 1 July 2014, but in EU for annual periods beginning on or after 1 Febuary 2015. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (IASB Effective Date: 1 January 2016). Amendments to IAS 16 and IAS 38 were issued in May 2014 and are effective for annual periods beginning on or after 1 January 2016. The amendments prohibit the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (IASB Effective Date: 1 January 2016). Amendments to IFRS 11 were issued in May 2014 and are effective for annual periods beginning on or after 1 January 2016. The amendments specify that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IAS 1: Disclosure Initiative (IASB effective date: 1 January 2016). Disclosure Initiative makes the following changes:

_ Materiality: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
_ Statement of financial position and statement of profit or loss and other comprehensive income: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional

guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

- Notes: The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

These changes and clarifications are not expected to trigger significant changes in the presentation of Erste Group’s IFRS consolidated financial statements.

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

The impact on the group financial statements will be evaluated.

Annual Improvements to IFRSs 2012-2014 Cycle (IASB effective date: 1 January 2016). In September 2014, the IASB issued a set of amendments to various standards. The amendments are effective for annual periods beginning on or after 1 January 2016. Application of these amendments is not expected to have a significant impact on Erste Group’s financial statements.

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

The impact on the group financial statements will be evaluated.

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

The impact on the group financial statements will be evaluated, but it is not expected that these amendments will have a significant impact.

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

1. Net interest income

in EUR million	1-12 14	1-12 15
Interest income		
Financial assets - held for trading	326.3	817.5
Financial assets - at fair value through profit or loss	3.2	2.9
Financial assets - available for sale	473.6	469.6
Financial assets - held to maturity	610.8	580.2
Loans and receivables	4,875.7	4,447.8
Derivatives - hedge accounting, interest rate risk	-17.3	86.7
Other assets	28.7	21.0
Total interest income	**6,301.1**	**6,425.7**
Interest expenses		
Financial liabilities - held for trading	-84.3	-604.1
Financial liabilities - at fair value through profit or loss	-39.2	-43.9
Financial liabilities measured at amortised cost	-2,106.9	-1,676.1
Derivatives - hedge accounting, interest rate risk	463.9	359.9
Other liabilities	-39.4	-25.7
Total interest expense	**-1,805.9**	**-1,989.9**
Negative interest from financial liabilities	0.0	21.9
Negative interest from financial assets	0.0	-13.1
Net interest income	**4,495.2**	**4,444.7**

For financial assets or liabilities that are not measured at fair value through profit or loss, the total interest income amounted to EUR 5,518.6 million (2014: EUR 5,988.9 million) and the total interest expense to EUR 1,701.8 million (2014: EUR 2,146.3 million). Net interest income for these items is therefore EUR 3,816.8 million (2014: EUR 3,842.7 million).

In December 2014 and during the first half year of 2015, important benchmark interest rates – particularly Euribor – became negative. Since Euro is the functional currency for Erste Group, this development affected interest income and interes expense of the Group. Negative interest from financial liabilities and financial assets are shown in a separate line, while the impact was insignificant for the comparison period 2014. The amounts relate to the interbank business only.

Starting with year 2015, following a change of the internal reporting structure, the presentation of interest income from financial assets – held for trading and interest expense from financial liabilities – held for trading has been improved to provide more relevant and reliable information on the financial position and performance of the Group. As retrospective changes of the comparative figures were not possible, the comparison period 2014 has not been adjusted.

2. Net fee and commission income

in EUR million	1-12 14	1-12 15
Securities	185.4	187.8
Own issues	16.7	22.4
Transfer orders	153.5	159.1
Other	15.1	6.2
Clearing and settlement	9.2	0.0
Asset management	217.8	251.2
Custody	44.3	80.5
Fiduciary transactions	2.2	2.2
Payment services	896.8	887.7
Card business	215.1	216.9
Other	681.7	670.8
Customer resources distributed but not managed	180.3	168.7
Collective investment	19.7	16.3
Insurance products	110.7	111.5
Building society brokerage	18.3	17.7
Foreign exchange transactions	19.4	20.3
Other	12.2	2.9
Structured finance	0.1	0.0
Servicing fees from securitization activities	0.0	0.0
Lending business	233.3	198.2
Guarantees given, guarantees received	43.0	62.8
Loan commitments given, loan commitments received	62.0	32.6
Other lending business	128.3	102.8
Other	100.5	85.6
Net fee and commission income	**1,869.8**	**1,861.8**
Fee and commission income	2,354.7	2,341.1
Fee and commission expenses	-484.8	-479.3

3. Dividend income

in EUR million	1-12 14	1-12 15
Financial assets - held for trading	1.5	0.5
Financial assets - at fair value through profit or loss	3.4	4.2
Financial assets - available for sale	43.8	38.3
Dividend income from equity investments	25.5	6.9
Dividend income	**74.2**	**49.9**

4. Net trading and fair value result

in EUR million	1-12 14	1-12 15
Net trading result	314.8	178.2
Securities and derivatives trading	100.7	-82.4
Foreign exchange transactions	183.4	266.9
Result from hedge accounting	30.8	-6.4
Result from financial assets and liabilities designated at fair value through profit or loss	-72.6	31.9
Result from measurement/sale of financial assets designated at fair value through profit or loss	8.7	0.3
Result from measurement/sale of financial liabilities designated at fair value through profit or loss	-81.3	31.7
Net trading and fair value result	**242.3**	**210.1**

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

5. Rental income from investment properties & other operating leases

in EUR million	1-12 14	1-12 15
Investment properties	85.4	80.0
Other operating leases	95.2	107.9
Rental income from investment properties & other operating leases	**180.6**	**187.9**

6. General administrative expenses

in EUR million	1-12 14	1-12 15
Personnel expenses	**-2,184.2**	**-2,244.6**
Wages and salaries	-1,628.4	-1,687.3
Compulsory social security	-423.9	-433.1
Long-term employee provisions	-21.0	-19.0
Other personnel expenses	-110.9	-105.2
Other administrative expenses	**-1,136.9**	**-1,179.3**
Deposit insurance contribution	-87.6	-99.6
IT expenses	-262.5	-286.5
Expenses for office space	-248.3	-237.7
Office operating expenses	-117.2	-114.6
Advertising/marketing	-167.8	-167.4
Legal and consulting costs	-128.3	-130.8
Sundry administrative expenses	-125.3	-142.7
Depreciation and amortisation	**-466.1**	**-445.0**
Software and other intangible assets	-150.4	-163.2
Owner occupied real estate	-77.4	-74.4
Investment properties	-103.4	-105.9
Customer relationships	-37.0	-6.2
Office furniture and equipment and sundry property and equipment	-97.8	-95.4
General administrative expenses	**-3,787.3**	**-3,868.9**

Personnel expenses include expenses of EUR 48.9 million (2014: EUR 60.7 million) for defined contribution plans, of which EUR 1.8 million (2014: EUR 0.9 million) relate to members of the management board.

The increase of contributions to deposit insurance schemes in 2015 is attributable to contributions to a deposit insurance fund in the amount of EUR 21.5 million that Austrian financial institutions had to pay for the first time in 2015. The impairment of customer relationship decreased in 2015, because the customer relationship of Banca Comerciala Romana was fully impaired in 2014 and the customer relationship of Erste Card Club d.d. was fully amortised in 2015.

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

	1-12 14	1-12 15
Domestic	15,593	15,579
Erste Group, EB Oesterreich and subsidiaries	8,330	8,381
Haftungsverbund savings banks	7,263	7,199
Abroad	30,403	30,917
Česká spořitelna Group	10,471	10,536
Banca Comercială Română Group	7,066	7,071
Slovenská sporiteľňa Group	4,223	4,232
Erste Bank Hungary Group	2,789	2,900
Erste Bank Croatia Group	2,714	2,840
Erste Bank Serbia Group	959	978
Savings banks subsidiaries	1,149	1,202
Other subsidiaries and foreign branch offices	1,032	1,158
Total	**45,996**	**46,496**

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

in EUR million	1-12 14	1-12 15
From sale of financial assets available for sale	32.2	84.3
From sale of financial assets held to maturity	3.6	1.7
From sale of loans and receivables	-0.8	-2.0
From repurchase of liabilities measured at amortised cost	-16.8	17.0
Gains/losses from disposal of financial assets and liabilities not measured at fair value through profit or loss, net	**18.3**	**100.9**

The carrying amount of investments in equity instruments measured at cost that were sold during the period was EUR 0.4 million (2014: EUR 2.5 million). The resulting gain on sale was EUR 0.2 million (2014: EUR 0 million). In the line item 'From sale of financial assets available for sale' an income from 2015 in the amount of EUR 13.6 million (reclassification of the available for sale reserve from other comprehensive income) is shown, which was realized due to the sale of shares in a foreign private equity fund.

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

in EUR million	1-12 14 restated	1-12 15
Financial assets - available for sale	-39.3	-62.2
Loans and receivables	-2,044.9	-666.5
Allocation to risk provisions	-4,030.9	-2,620.1
Release of risk provisions	2,013.1	1,839.0
Direct write-offs	-227.5	-167.0
Recoveries recorded directly to the income statement	200.5	281.7
Financial assets - held to maturity	0.4	-0.4
Net impairment loss on financial assets not measured at fair value through profit or loss	**-2,083.7**	**-729.1**

In the line item 'Financial assets - available for sale' an impairment of an equity holding is shown in the amount of EUR 30 million.

9. Other operating result

in EUR million	1-12 14	1-12 15
Result from properties/movables/other intangible assets other than goodwill	-580.4	-33.0
Allocation to/release of other provisions	-57.7	-243.0
Allocation to/release of provisions for commitments and guarantees given	-16.2	-63.0
Levies on banking activities	-256.3	-236.2
Banking tax	-210.0	-198.4
Financial transaction tax	-46.3	-37.8
Other taxes	-26.0	-27.6
Impairment of goodwill	-475.0	0.0
Result from other operating expenses/income	-341.5	-32.8
Other operating result	**-1,752.9**	**-635.6**

Operating expenses (including repair and maintenance) for 'Investment properties' not held for rental income totalled to EUR 1.3 million (2014: EUR 1.0 million). Operating expenses (including repair and maintenance) for 'Investment properties' held for rental income totalled to EUR 10.9 million (2014: EUR 12.0 million).

The amount of impairment loss on assets held for sale recognised in the result from other operating expenses/income is EUR -3.8 million (2014: EUR -7.4 million).

Recovery and Resolution Fund

In the line 'Result from other operating expenses/income' contributions to the national resolution funds payable in 2015 for the first time in the amount of EUR 51.3 million (2014: EUR 0 million) are disclosed. The contributions are based on the European Recovery and Resolution Directive, which, inter alia, establishes a financing mechanism for the resolution of credit institutions. As a consequence, banks are required to contribute annually to a resolution fund, which in a first step is installed on a national level. According to these regulations, until December 31, 2024 the available financial means of the resolution funds shall reach at least 1% of the amount of covered deposits of all the credit institutions authorized within the European Union. Therefore the resolution funds have to be built over a period of 10 years, during which the contributions shall be spread out as even as possible unil the target level is reached. The application of the Directive in the European member state requires the transposition into national law. In Czech Republic the Recovery and Resolution Directive was not implemented into national law until year end 2015, therefore in 2015 no contribution expense of subsidiaries in Czech Republic to resolution funds is included.

Foreign currency denominated loans in Croatia

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

Provision for litigations in Romania

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

2014: Foreign currency denominated loans in Hungary

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

During November and December 2014 the Hungarian National Bank released three decrees stipulating the manner of settlement and calculation methods for the compensation payments to affected customers. Based on these rules, the expense for compensating customers regarding the bid-ask exchange rate spreads applied for disbursements and repayments amounts to EUR 304.4 million, disclosed under other operating result. Thereof EUR 238 million relate to active loans and were netted with the respective exposures. The residual expense of EUR 66.4 million relating to already closed loans are disclosed under 'Other provisions'.

In November 2014 the Hungarian parliament issued the Conversion Law stipulating the compulsory conversion of defined fx denominated loans in February 2015 at a fixed exchange rate. As of the balance sheet date, the affected loans were translated with the legally fixed exchange rate. The application of the law resulted in an expense of EUR 32.4 million shown under other operating result. On the other hand an income from fx translation amounting to EUR 32.4 million ('Result from other operating expenses/income') is reported under net trading and fair value result.

2014: Impairment of goodwill and other intangibles

Banca Comercială Română SA (BCR) significantly lowered its expectations of recovery for several large packages of non-performing loans. In addition based on the instructions of the Romanian National Bank the sale of such non-performing portfolios has been accelerated. In the light of the low price offers received for benchmark sales during the second quarter of 2014 the collaterals for such loans had to be reassessed. This subsequently led to a significant rise of the risk costs and a decrease in the planned interest income on such nonperforming loans. Due to these developments the residual goodwill as well as the customer list and the brand were fully impaired in the first half of 2014. In the course of the preparation of the annual report 2014 the underlying assumptions from the first half-year of 2014 have been reviewed. This did not lead to any changes. Erste Bank Croatia ('EBC') had to accommodate local regulations introduced in 2014 regarding higher capital requirements, therefore indicating a potential decrease in EBC`s future cash-generating capacity and distributable dividends. This indication was deemed as potentially further affecting the cash generating unit of Steiermärkische Bank und Sparkassen Aktiengesellschaft ('STMK'), which holds a significant participation in Erste Bank Croatia. As a result the goodwill Erste Bank Croatia (EBC) as well as the goodwill allocated to Steiermärkische Bank und Sparkassen Aktiengesellschaft (STMK) has already been fully impaired in the first half of 2014. The goodwill allocated to Girocredit was fully impaired in 2014 as a result of the impairment test performed.

The development of the goodwill of all subsidiaries (cash generating units) is presented in Note 27 Intangible Assets. In addition, the key parameters and assumptions on which the impairment tests are based are summarized in this note.

Other impairments:
The main classes of assets affected by impairment losses where property plant and equipment, investment properties, intangible assets and foreclosed assets. The main events that led to the recognition of impairment losses can be summarized as:

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

10. Taxes on income

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

in EUR million	1-12 14 restated	1-12 15
Current tax expense / income	-312.4	-367.8
current period	-287.8	-354.4
prior period	-24.5	-13.4
Deferred tax expense / income	-209.1	3.8
current period	-207.6	4.9
prior period	-1.5	-1.1
Total	**-521.5**	**-363.9**

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

in EUR million	1-12 14 restated	1-12 15
Pre-tax profit/loss	-727.7	1,639.1
Income tax expense for the financial year at the domestic statutory tax rate (25%)	181.9	-409.8
Impact of different foreign tax rates or imposition of new taxes	-98.8	62.2
Impact of tax-exempt earnings of investments and other tax-exempt income	139.1	108.1
Tax increases due to non-deductible expenses, additional business tax and similar elements	-147.0	-121.1
Impact of the goodwill impairment recognized on Group level	-118.7	0.0
Impact from taxable participation impairment / reversal eliminated upon consolidation (before related valuation assessment)	345.8	-25.8
Tax loss carry-forward non-recoverable at the end of the prior period, reducing the current tax expense for the current period	3.9	9.6
Current period's impairment of deferred tax assets previously recognized through profit or loss in connection with temporary deductible differences	-308.2	-24.0
Current period's impairment of deferred tax assets previously recognized in connection with tax loss carry-forward not yet expired	-32.2	-3.9
Current period's impairment of deferred tax assets previously recognized in connection with tax loss carry-forward, due to expiring of the legally available carry-forward period	-27.2	-0.4
Current period's recognition/reversal of impairment through profit or loss of deferred tax assets in connection with temporary deductible differences non-recoverable at the end of the prior period	4.7	117.7
Current period's recognition/reversal of impairment of deferred tax assets in connection with not yet used/not expired tax loss carry-forward non-recoverable at the end of the prior period	0.4	33.1
Impact of current non-recoverable fiscal losses and temporary differences for the year	-439.2	-95.1
Tax income/(expense) not attributable to the reporting period	-26.0	-14.5
Total	**-521.5**	**-363.9**

As shown above Group's effective tax expense for the year 2015 has in contrast to 2014 not been negatively impacted as a whole by write-offs of deferred tax assets.

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

	1-12 14			1-12 15		
in EUR million	Before-tax amount	Tax benefit	Net-of-tax amount	Before-tax amount	Tax benefit	Net-of-tax amount
Available for sale-reserve (incl. currency translation)	581.2	-180.8	400.4	-31.6	27.7	-3.9
Cash flow hedge-reserve (including currency translation)	172.8	-17.5	155.3	-27.4	8.2	-19.2
Remeasurement of net liability of defined pension plans	-188.2	54.8	-133.4	101.0	-33.6	67.4
Currency translation	-63.1	0.0	-63.1	91.0	0.0	91.0
Other comprehensive income	**502.7**	**-143.5**	**359.2**	**133.0**	**2.3**	**135.3**

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

11. Appropriation of profit

For the year 2015, Erste Group Bank AG posted a post-tax profit of EUR 872.7 million under the Austrian accounting regulations, which increased its distributable capital accordingly (2014: EUR -5,822.8 million post-tax loss). Most of the loss in 2014 (EUR -5,554.0 million) arose from a group internal merger between EGB Ceps Holding GmbH and EGB Ceps Beteiligungen GmbH with Erste Group Bank AG.

Consequently, a dividend distribution amounting to EUR 0.50 per share will be proposed at the forthcoming annual general meeting of Erste Group Bank AG (2014 no dividend distribution)

12. Cash and cash balances

in EUR million	Dec 14	Dec 15
Cash on hand	2,467	2,794
Cash balances at central banks	4,509	7,328
Other demand deposits	859	2,228
Cash and cash balances	**7,835**	**12,350**

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

13. Derivatives – held for trading

	Dec 2014			Dec 2015		
in EUR million	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**159,252**	**6,134**	**5,942**	**164,243**	**4,673**	**4,360**
Interest rate	127,497	5,450	5,403	124,450	4,139	4,109
Equity	801	35	5	820	21	6
Foreign exchange	29,981	628	508	38,073	476	205
Credit	362	1	4	532	3	6
Commodity	402	19	21	368	35	35
Other	209	1	0	0	0	0
Derivatives held in the banking book	**34,726**	**1,040**	**1,246**	**36,877**	**1,008**	**1,524**
Interest rate	18,473	781	928	17,552	737	908
Equity	1,512	83	66	2,091	106	68
Foreign exchange	13,588	127	237	16,156	121	534
Credit	600	13	12	542	13	11
Commodity	74	2	1	47	1	0
Other	478	34	3	488	30	2
Total gross amounts	**193,978**	**7,173**	**7,188**	**201,119**	**5,682**	**5,884**
Offset		0	0	.	-379	-450
Total		**7,173**	**7,188**		**5,303**	**5,434**

Since the second quarter of 2015, Erste Group undertakes a part of interest rate derivative transactions via London Clearing House. Consequently, those derivatives are shown net of the respective cash collaterals in the balance sheet in accordance with the criteria described in Chapter ‘B. Significant accounting policies’.

14. Other trading assets

in EUR million	Dec 14	Dec 15
Equity instruments	185	253
Debt securities	3,124	3,159
General governments	2,377	2,393
Credit institutions	333	393
Other financial corporations	154	120
Non-financial corporations	260	254
Loans and advances	49	4
Other trading assets	**3,357**	**3,416**

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

in EUR million	Dec 14	Dec 15
Equity instruments	211	183
Debt securities	139	176
General governments	6	5
Credit institutions	83	159
Other financial corporations	49	12
Non-financial corporations	1	0
Financial assets - at fair value through profit or loss	**350**	**359**

16. Financial assets - available for sale

in EUR million	Dec 14	Dec 15
Equity instruments	1,272	1,456
Debt securities	21,102	19,307
General governments	13,814	13,169
Credit institutions	3,658	2,779
Other financial corporations	878	796
Non-financial corporations	2,752	2,564
Financial assets - available for sale	**22,373**	**20,763**

The carrying amount of investments in equity instruments measured at cost is EUR 71 million (2014: EUR 68 million). Of this, Erste Group intends to dispose of investments in carrying amount of EUR 6 million (2014: EUR 2 million) through direct sales.

17. Financial assets – held to maturity

	Gross carrying amount		Collective allowances		Net carrying amount	
in EUR million	Dec 14	Dec 15	Dec 14	Dec 15	Dec 14	Dec 15
General governments	15,024	16,050	0	-1	15,023	16,049
Credit institutions	1,024	1,010	-1	-1	1,023	1,009
Other financial corporations	242	194	0	0	241	194
Non-financial corporations	590	449	-1	-1	590	448
Total	**16,879**	**17,703**	**-2**	**-2**	**16,877**	**17,701**

18. Securities

	Dec 14					Dec 15				
			Financial assets					Financial assets		
in EUR million	Loans and advances to customers and credit institutions	Trading assets	At fair value through profit or loss	Available for sale	Held to maturity	Loans and advances to customers and credit institutions	Trading assets	At fair value through profit or loss	Available for sale	Held to maturity
Bonds and other interest-bearing securities	**694**	**3,124**	**139**	**21,102**	**16,878**	**434**	**3,159**	**176**	**19,307**	**17,701**
Listed	0	2,475	98	18,285	15,535	0	2,866	141	18,209	16,875
Unlisted	694	649	41	2,817	1,343	434	293	35	1,098	826
Equity-related securities	**0**	**185**	**211**	**1,204**	**0**	**0**	**253**	**183**	**1,385**	**0**
Listed	0	57	44	716	0	0	235	34	683	0
Unlisted	0	128	167	488	0	0	18	149	702	0
Equity holdings at cost	0	0	0	68	0	0	0	0	71	0
Total	**694**	**3,309**	**350**	**22,373**	**16,878**	**434**	**3,413**	**359**	**20,763**	**17,701**

Investment funds are disclosed within equity-related securities.

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

Securities lending and repurchase transactions are disclosed in Note 42 Transfers of financial assets – repurchase transactions and securities lending.

During the financial year 2015, bond investments with a carrying amount of EUR 349.6 million (2014: EUR 273.4 million) were reclassified from the category Financial assets – held to maturity to Financial assets – available for sale, of which EUR 334.5 million (2014: EUR 228.9 million) was sold up to year-end. Reclassifications (and subsequent sales) in the amount of EUR 320.0 (2014: EUR 206.2 million) were made considering that the related securities were maturing within 3 months from the sale dates (2014: within 2 months).

Consequently, a total adverse net effect of EUR 4.2 million (2014: EUR 0.2 million) was recognised in the income statement for the year, whilst a further adverse effect of EUR 0.2 million (2014: EUR 3.6 million) was reflected in other comprehensive income in respect of reclassified bonds not yet sold at year-end.

19. Loans and receivables to credit institutions

Loans and receivables to credit institutions

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 31 December 2015				
Debt securities	268	0	-1	267
Central banks	0	0	0	0
Credit institutions	268	0	-1	267
Loans and advances	4,551	-9	-4	4,538
Central banks	1,260	0	0	1,260
Credit institutions	3,290	-9	-3	3,278
Total	**4,819**	**-9**	**-5**	**4,805**
As of 31 December 2014				
Debt securities	442	0	-1	440
Central banks	74	0	0	74
Credit institutions	368	0	-1	366
Loans and advances	7,019	-15	-3	7,002
Central banks	2,163	0	0	2,162
Credit institutions	4,857	-15	-2	4,840
Total	**7,461**	**-15**	**-4**	**7,442**

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

Allowances for loans and receivables to credit institutions

in EUR million	As of Dec 14	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	As of Dec 15	Amounts written off	Recoveries of amounts previously written off
Specific allowances	**-15**	**0**	**5**	**1**	**0**	**0**	**-8**	**-8**	**7**
Debt securities	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Loans and advances	-15	0	5	1	0	0	-8	-8	7
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-15	0	5	1	0	0	-8	-8	7
Collective allowances	**-3**	**-12**	**0**	**13**	**0**	**-2**	**-5**	**0**	**0**
Debt securities	-1	0	0	0	0	0	-2	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-1	0	0	0	0	0	-2	0	0
Loans and advances	-2	-12	0	13	0	-2	-3	0	0
Central banks	0	-2	0	2	0	0	0	0	0
Credit institutions	-2	-10	0	10	0	-2	-4	0	0
Total	**-17**	**-12**	**5**	**14**	**0**	**-2**	**-13**	**-8**	**7**
	As of Dec 13						**As of Dec 14**		
Specific allowances	**-54**	**-5**	**46**	**64**	**0**	**-66**	**-15**	**-8**	**4**
Debt securities	0	0	0	3	0	-3	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	3	0	-3	0	0	0
Loans and advances	-54	-5	46	62	0	-64	-15	-8	4
Central banks	0	0	0	1	0	-1	0	0	0
Credit institutions	-54	-5	46	60	0	-62	-15	-8	4
Collective allowances	**-1**	**-7**	**0**	**8**	**0**	**-4**	**-3**	**0**	**0**
Debt securities	0	-1	0	0	0	0	-1	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	-1	0	0	0	0	-1	0	0
Loans and advances	-1	-6	0	8	0	-4	-2	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-1	-6	0	8	0	-4	-2	0	0
Total	**-55**	**-12**	**46**	**73**	**0**	**-70**	**-17**	**-8**	**4**

20. Loans and receivables to customers

Loans and receivables to customers

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 31 December 2015				
Debt securities with customers	183	-14	-2	167
General governments	67	0	-1	66
Other financial corporations	0	0	0	0
Non-financial corporations	116	-14	-1	102
Loans and advances to customers	131,723	-5,262	-731	125,729
General governments	7,433	-6	-14	7,412
Other financial corporations	5,030	-154	-26	4,849
Non-financial corporations	56,112	-3,194	-424	52,495
Households	63,148	-1,907	-268	60,973
Total	**131,906**	**-5,276**	**-733**	**125,897**
As of 31 December 2014				
Debt securities with customers	269	-13	-2	254
General governments	108	0	-1	107
Other financial corporations	25	0	0	25
Non-financial corporations	135	-13	-1	122
Loans and advances to customers	128,056	-6,710	-766	120,580
General governments	7,701	-6	-14	7,681
Other financial corporations	5,249	-142	-25	5,082
Non-financial corporations	54,319	-4,134	-440	49,745
Households	60,786	-2,428	-287	58,071
Total	**128,325**	**-6,723**	**-768**	**120,834**

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

Allowances for loans and receivables to customers

in EUR million	As of Dec 2014	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	As of Dec 2015	Amounts written off	Recoveries of amounts previously written off
Specific allowances	**-6,723**	**-2,168**	**2,222**	**1,347**	**162**	**-116**	**-5,276**	**-159**	**274**
Debt securities with customers	-13	-1	0	1	0	-1	-14	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-13	-1	0	1	0	0	-14	0	0
Loans and advances to customers	-6,710	-2,168	2,222	1,346	162	-115	-5,262	-159	274
General governments	-6	-3	2	2	0	-1	-7	0	0
Other financial corporations	-142	-47	22	27	4	-18	-154	-3	2
Non-financial corporations	-4,134	-1,272	1,295	897	81	-61	-3,195	-123	179
Households	-2,428	-846	904	421	77	-35	-1,907	-34	93
Collective allowances	**-768**	**-439**	**0**	**480**	**0**	**-6**	**-733**	**0**	**0**
Debt securities with customers	-2	0	0	0	0	0	-2	0	0
General governments	-1	0	0	0	0	0	-2	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-1	0	0	0	0	0	0	0	0
Loans and advances to customers	-766	-439	0	480	0	-6	-731	0	0
General governments	-14	-8	0	8	0	0	-14	0	0
Other financial corporations	-25	-16	0	18	0	-3	-26	0	0
Non-financial corporations	-440	-213	0	221	0	9	-424	0	0
Households	-287	-201	0	233	0	-12	-268	0	0
Total	**-7,491**	**-2,608**	**2,222**	**1,827**	**162**	**-121**	**-6,009**	**-159**	**274**

	As of Dec 13 restated						As of Dec 14		
Specific allowances	**-7,188**	**-3,436**	**2,100**	**1,439**	**202**	**160**	**-6,723**	**-220**	**196**
Debt securities with customers	-9	-11	4	0	0	3	-13	-14	11
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-9	-11	4	0	0	3	-13	-14	11
Loans and advances to customers	-7,179	-3,425	2,096	1,439	202	157	-6,710	-206	185
General governments	-6	-6	3	3	1	-1	-6	0	1
Other financial corporations	-183	-95	91	48	3	-5	-142	-2	2
Non-financial corporations	-4,681	-2,187	1,431	837	109	357	-4,134	-163	149
Households	-2,310	-1,137	572	551	90	-194	-2,428	-40	33
Collective allowances	**-640**	**-583**	**0**	**502**	**0**	**-47**	**-768**	**0**	**0**
Debt securities with customers	-2	0	0	0	0	0	-2	0	0
General governments	0	0	0	0	0	-1	-1	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-2	0	0	0	0	2	-1	0	0
Loans and advances to customers	-638	-583	0	502	0	-48	-766	0	0
General governments	-11	-7	0	5	0	-1	-14	0	0
Other financial corporations	-16	-27	0	21	0	-2	-25	0	0
Non-financial corporations	-353	-310	0	226	0	-4	-440	0	0
Households	-258	-239	0	250	0	-41	-287	0	0
Total	**-7,828**	**-4,019**	**2,100**	**1,940**	**202**	**113**	**-7,491**	**-220**	**196**

21. Impairment loss for financial instruments

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

in EUR million	Dec 14 restated	Dec 15	Position in Statement of Comprehensive Income
Allocations to risk provisions	4,030	2,620	Net impairment loss on financial assets not measured at fair value through profit or loss
Direct write offs	228	167	Net impairment loss on financial assets not measured at fair value through profit or loss
Impairment of loans and advances to credit institutions and customers	**4,258**	**2,787**	**Net impairment loss on financial assets not measured at fair value through profit or loss**
Financial assets - available for sale	53	63	Net impairment loss on financial assets not measured at fair value through profit or loss
Financial assets - held to maturity	1	1	Net impairment loss on financial assets not measured at fair value through profit or loss
Contingent credit risk liabilities	279	299	Other operating result (Note 9)
Total	**4,590**	**3,150**	

22. Derivatives – hedge accounting

	Dec 14			Dec15		
in EUR million	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Fair value hedges	**29,184**	**2,689**	**724**	**25,430**	**2,108**	**601**
Interest rate	29,142	2,689	712	25,430	2,108	601
Equity	0	0	0	0	0	0
Foreign exchange	42	0	12	0	0	0
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Cash flow hedges	**4,327**	**183**	**2**	**4,547**	**161**	**12**
Interest rate	3,760	181	1	4,000	160	10
Equity	0	0	0	0	0	0
Foreign exchange	567	2	1	547	0	2
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total gross amounts	**33,511**	**2,872**	**726**	**29,977**	**2,269**	**614**
Offset		0	0		-77	-21
Total		**2,872**	**726**		**2,192**	**593**

Since the second quarter of 2015, Erste Group undertakes a part of interest rate derivative transactions via London Clearing House. Consequently, those derivatives are shown net of the respective cash collaterals in the balance sheet in accordance with the criteria described in chapter ‘B. Significant accounting policies’.

23. Equity method investments

in EUR million	Dec 14	Dec 15
Credit institutions	86	87
Financial institutions	45	40
Non-credit institutions	63	39
Total	**195**	**167**

In 2015, the carrying amount of the equity investment Let's Print Holding AG in the amount of EUR 16 million was reclassified from balance sheet item ‘Investments in associates and joint venture’ – line ‘credit-institution’ – to item ‘Assets held for sale’.

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

in EUR million	Dec 14	Dec 15
Total assets	3,998	4,249
Total liabilities	3,499	3,761
Income	16	176
Profit/loss	-68	42

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

Significant equity method investments where the Erste Group has strategic interest

	Dec 14			Dec 15		
in EUR million	Prvá stavebná	Let's Print Holding AG	VBV - Betriebliche Altersvorsorge AG	Prvá stavebná	Let's Print Holding AG	VBV - Betriebliche Altersvorsorge AG
Country of Incorporation	Slovakia	Austria	Austria	Slovakia	Austria	Austria
Place of business	Slovakia	Austria	Austria	Slovakia	Austria	Austria
Main business activity	Financing building society	Printing Office	Insurance	Financing building society	Printing Office	Insurance
Ownership% held	35%	42%	30%	35%	42%	30%
Voting rights held%	35%	42%	27%	35%	42%	27%
IFRS Classification (JV/A)	Associate	Associate	Associate	Associate	Associate	Associate
Reporting currency	Euro	Euro	Euro	Euro	Euro	Euro
Dividend income received	0	0	5	0	0	7
Impairment loss recognized (cumulative basis)	0	0	0	0	0	0
Impairment loss recognized (for the reporting year)	0	0	0	0	0	0
Loan commitments, financial guarantees and other commitments given	0	0	0	0	0	0
Investee's financial information for the reporting year						
Cash and cash balances	0	6	15	0	6	8
Other current assets	412	34	8	367	34	9
Non-current assets	2,160	96	38	2,327	88	40
Current liabilities	549	29	0	635	26	0
Non-current liabilities	1,782	78	7	1,815	68	2
Operating Income	74	237	2	76	231	2
Post-tax result from continuing operations	19	4	6	25	5	7
Post-tax result from discontinued operations	0	0	0	0	0	0
Other comprehensive income	3	0	0	6	0	0
Total comprehensive income	22	4	6	31	5	7
Depreciation and amortization	-3	-8	0	-4	-9	0
Interest income	109	0	0	109	0	0
Interest expense	-53	-3	0	-49	-2	0
Tax expense/income	-7	-1	0	-7	0	0
Reconciliation of investee's net assets against equity investment's carrying amount						
Net assets attributable to Erste Group	84	13	16	85	14	16
Carrying goodwill included in the cost of investment	0	6	0	0	2	0
Impairments (cumulative basis)	0	0	0	0	0	0
Carrying amount	84	20	16	85	16	16

The carrying amount of the equity investment Let's Print Holding AG in the amount of EUR 16 million is disclosed in the balance sheet under item 'Assets held for sale' (please see also Note 29 Assets held for sale and liabilities associated with assets held for sale).

Insignificant equity method investments

in EUR million	Dec 14		Dec 15	
Investees' aggregated key financial information	Associates	Joint Ventures	Associates	Joint Ventures
Post-tax result from continuing operations	20	0	6	0
Post-tax result from discontinued operations	0	0	0	0
Other comprehensive income	3	0	0	0
Total comprehensive income	**23**	**0**	**7**	**0**
Loan commitments, financial guarantees and other commitments given	**0**	**0**	**0**	**0**
Carrying amount	**75**	**0**	**58**	**7**

24. Unconsolidated structured entities

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

Investment funds

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

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

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

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

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

Securitization vehicles

Erste Group is also involved as an investor in a number of unconsolidated securitisation vehicles sponsored and managed by unrelated third parties in foreign jurisdictions. The interests of the Group in these entities mostly take the form of bond investments, the majority of which are classified as available for sale and therefore measured at fair value on the Group's balance sheet. Almost 95% of the exposure on unconsolidated securitisations relates to bond investments maturing beyond 1 year. At year end the remaining, weighted average maturity of those debt securities is slightly more than 7 years.

Others

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

Maximum exposure to unconsolidated structured entities

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

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

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

In 2015, investments in private equity funds in the amount of EUR 52.8 million were sold due to regulatory reasons (for more details please refer to Note 29 Assets held for sale and liabilities associated with assets held for sale). The following table for the comparative period 2014 indicates those investments in the position 'Non-current equities held for sale'.

The investments in unconsolidated securitization vehicles will presumably be sold in the next years. Some debt securities that are classified as held to maturity were excluded.

Dec 14 in EUR million	Investment Funds Own-managed	Investment Funds Third-party managed	Investment Funds Total	Securitization vehicles Own-managed	Securitization vehicles Third-party managed	Securitization vehicles Total	Other	Total
Assets								
Equity instruments, thereof:	359	694	1,053	0	0	0	0	1,053
Available for sale	308	426	734	0	0	0	0	734
Fair value through profit or loss	51	268	319	0	0	0	0	319
Debt securities, thereof:	1	0	1	0	1,221	1,221	0	1,221
Available for sale	1	0	1	0	1,071	1,071	0	1,072
Fair value through profit or loss	0	0	0	0	38	38	0	38
Held to maturity	0	0	0	0	112	112	0	112
Loans and receivables	0	0	0	0	0	0	101	101
Trading derivatives	39	0	39	0	0	0	4	43
Non-current equities held for sale	0	53	53	0	0	0	0	53
Total assets	**399**	**747**	**1,146**	**0**	**1,221**	**1,221**	**105**	**2,472**
thereof impaired	12	20	32	0	51	51	0	83
Net Impairment (losses)/gains for the year	-1	-2	-2	0	3	3	0	0
On-balance sheet exposure analysis per jurisdiction								
Austria	341	490	830	0	0	0	0	830
Central and Eastern Europe	58	30	88	0	0	0	105	193
Other jurisdictions	0	228	228	0	1,221	1,221	0	1,449
	399	**747**	**1,146**	**0**	**1,221**	**1,221**	**105**	**2,472**
Liabilities								
Debt securities issued	186	0	186	0	0	0	0	186
Deposits	1,134	0	1,134	0	0	0	14	1,148
Trading derivatives	6	0	6	0	0	0	0	6
Total liabilities	**1,326**	**0**	**1,326**	**0**	**0**	**0**	**14**	**1,340**
Off balance-sheet commitments	**87**	**0**	**87**	**0**	**0**	**0**	**6**	**93**

In 2015 Erste Group has extended the classification of interests in unconsolidated structured investment funds. The figures for the comparative period 2014 in the line ‘Deposits’ were adjusted accordingly.

25. Non controlling interest

Dec 15		HV Savings Banks, thereof		
in EUR million	Total	Sparkasse Oberösterreich	Sparkasse Steiermark	Sparkasse Kärnten
Country of Incorporation	Austria	Austria	Austria	Austria
Place of business	Austria	Austria	Austria	Austria
Main business activity	Banking	Banking	Banking	Banking
Ownership% held by NCI	50.1%-100%	60%	75%	75%
Reporting currency	Euro	Euro	Euro	Euro
Dividends paid to equity holders of the parent	22	5	4	1
Net result attributable to non-controlling interests	282	33	63	15
Accumulated NCI	3,562	454	776	190
Subsidiary-level stand-alone key financial information				
Current assets	13,643	4,071	1.936	475
Non-current assets	46,378	7,982	10,854	3,309
Current liabilities	35,973	8,104	6,447	1,692
Non-current liabilities	18,913	3,101	5,275	1,818
Operating income	1,534	283	312	99
Profit or loss from continuing operations	382	65	96	21
Total comprehensive income	**424**	**84**	**100**	**28**

Dec 14		HV Savings Banks, thereof		
in EUR million	Total	Sparkasse Oberösterreich	Sparkasse Steiermark	Sparkasse Kärnten
Country of Incorporation	Austria	Austria	Austria	Austria
Place of business	Austria	Austria	Austria	Austria
Main business activity	Banking	Banking	Banking	Banking
Ownership% held by NCI	50.1%-100%	60%	75%	75%
Reporting currency	Euro	Euro	Euro	Euro
Dividends paid to equity holders of the parent	92	4	4	0
Net result attributable to non-controlling interests	179	17	42	12
Accumulated NCI	3,252	464	729	185
Subsidiary-level stand-alone key financial information				
Current assets	18,060	4,624	1,285	440
Non-current assets	41,328	7,590	11,601	3,331
Current liabilities	28,735	8,090	2,111	776
Non-current liabilities	25,871	3,352	9,803	2,748
Operating income	1,482	271	314	94
Profit or loss from continuing operations	184	29	56	17
Total comprehensive income	**88**	**22**	**72**	**20**

26. Property, equipment and Investment properties

a) At cost

in EUR million	Property and equipment - Acquisition and production costs					
	Land and buildings (used by the Group)	Office and plant equipment / other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Balance as of 1 January 2014	**2,783**	**990**	**645**	**419**	**4,837**	**1,444**
Additions in current year (+)	135	48	42	130	355	91
Disposals (-)	-24	-57	-54	-96	-232	-39
Acquisition of subsidiaries (+)	12	3	0	34	48	26
Disposal of subsidiaries (-)	-1	0	0	-3	-4	-27
Reclassification (+/-)	-95	1	2	49	-42	-41
Assets held for sale (-)	-92	0	0	-10	-102	-17
Currency translation (+/-)	-13	-4	-4	9	-12	-5
Balance as of 31 December 2014	**2,704**	**982**	**632**	**532**	**4,849**	**1,432**
Additions (+)	133	128	66	165	493	67
Disposals (-)	-73	-59	-73	-124	-328	-95
Acquisition of subsidiaries (+)	15	0	0	0	15	18
Disposal of subsidiaries (-)	-1	-2	-1	0	-3	-116
Reclassification (+/-)	9	-1	-2	-2	3	0
Assets held for sale (-)	-14	0	0	-4	-18	-131
Currency translation (+/-)	18	4	1	15	37	8
Balance as of 31 December 2015	**2,791**	**1,052**	**624**	**581**	**5,049**	**1,183**

b) Accumulated depreciation

in EUR million	Property and equipment - Accumulated depreciation					
	Land and buildings (used by the Group)	Office and plant equipment / other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Balance as of 1 January 2014	**-1,053**	**-769**	**-538**	**-156**	**-2,516**	**-494**
Amortisation and depreciation (-)	-79	-53	-46	-70	-248	-30
Disposals (+)	35	59	52	57	203	16
Acquisition of subsidiaries (-)	-4	-2	0	-12	-18	-6
Disposal of subsidiaries (+)	1	1	0	3	4	4
Impairment (-)	-13	0	-1	-1	-16	-13
Reversal of impairment (+)	2	0	0	1	3	4
Reclassification (+/-)	39	-17	0	-29	-7	34
Assets held for sale (+)	2	0	0	0	2	1
Currency translation (+/-)	5	3	4	-4	8	2
Balance as of 31 December 2014	**-1,065**	**-779**	**-530**	**-211**	**-2,585**	**-481**
Amortisation and depreciation (-)	-73	-51	-46	-68	-238	-26
Disposals (+)	48	29	66	64	206	37
Acquisition of subsidiaries (-)	0	0	0	0	0	0
Disposal of subsidiaries (+)	0	1	0	0	2	37
Impairment (-)	-30	-1	0	-4	-34	-9
Reversal of impairment (+)	3	0	0	2	5	0
Reclassification (+/-)	-5	0	2	2	-1	-2
Assets held for sale (+)	6	0	0	9	15	18
Currency translation (+/-)	-8	-2	-1	-6	-18	-4
Balance as of 31 December 2015	**-1,123**	**-802**	**-510**	**-212**	**-2,647**	**-429**

c) Carrying amounts

in EUR million	Property and equipment - carrying amounts					
	Land and buildings (used by the Group)	Office and plant equipment / other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Balance as of 31 December 2014	**1,639**	**203**	**101**	**321**	**2,264**	**950**
Balance as of 31 December 2015	**1,668**	**250**	**114**	**369**	**2,402**	**753**

The carrying amount of investment properties includes investment properties under operating leases in the amount of EUR 159 million (2014: EUR 198 million).

In the reporting period, borrowing costs of EUR 6.3 million (2014: EUR 6.3 million) were capitalised. The related interest rates ranged from 0.5% to 3.1% (2014: from 0.5% to 1.5%).

The carrying amount of expenditures recognised in the items fixed assets and investment properties during their construction is EUR 51.5 million (2014: EUR 42.9 million). The contractual commitments for purchase of fixed assets and investment properties are EUR 81.4 million (2014: EUR 123.9 million).

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

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

27. Intangible assets

a) At cost

	Intangible assets - Acquisition and production costs						
in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 1 January 2014	**3,924**	**771**	**289**	**1,237**	**333**	**411**	**6,965**
Additions in current year (+)	0	0	0	133	50	6	189
Disposals (-)	0	0	0	-43	-20	-5	-69
Acquisition of subsidiaries (+)	0	0	0	2	0	0	2
Disposal of subsidiaries (-)	0	0	3	4	0	2	9
Reclassification (+/-)	0	0	0	-53	53	-3	-3
Assets held for sale (-)	0	0	0	0	0	0	0
Currency translation (+/-)	8	3	-1	-11	3	-3	-1
Balance as of 31 December 2014	**3,932**	**774**	**291**	**1,268**	**419**	**408**	**7,092**
Additions (+)	0	1	0	119	87	6	213
Disposals (-)	0	0	0	-33	-12	-23	-69
Acquisition of subsidiaries (+)	0	0	0	1	0	1	2
Disposal of subsidiaries (-)	0	0	0	-1	-1	0	-2
Reclassification (+/-)	0	0	0	-6	4	-1	-3
Assets held for sale (-)	0	0	0	0	0	-1	-1
Exchange-rate changes (+/-)	-20	-6	-3	9	0	6	-13
Balance as of 31 December 2015	**3,912**	**769**	**288**	**1,356**	**498**	**396**	**7,219**

b) Accumulated depreciation

	Intangible assets - Accumulated depreciation						
in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 1 January 2014	**-2,685**	**-480**	**0**	**-847**	**-248**	**-263**	**-4,524**
Amortisation and depreciation (-)	0	-37	0	-103	-28	-18	-187
Disposals (+)	0	0	0	21	20	4	45
Acquisition of subsidiaries (-)	0	0	0	-1	0	0	-1
Disposal of subsidiaries (+)		0	-3	-3	0	-2	-8
Impairment (-)	-475	-193	-291	-4	-6	-19	-988
Reversal of impairment (+)	0	0	0	0	0	0	0
Reclassification (+/-)	0	0	0	28	-44	19	2
Assets held for sale (+)	0	0	0	0	0	0	0
Currency translation (+/-)	0	-2	3	7	0	3	10
Balance as of 31 December 2014	**-3,161**	**-712**	**-291**	**-904**	**-306**	**-276**	**-5,650**
Amortisation and depreciation (-)	0	-6	0	-112	-37	-18	-173
Disposals (+)	0	0	0	21	12	21	53
Acquisition of subsidiaries (-)	0	0	0	0	0	0	0
Disposal of subsidiaries (+)	0	0	0	1	0	0	1
Impairment (-)	0	0	0	-1	-4	0	-5
Reversal of impairment (+)	0	0	0	0	0	0	0
Reclassification (+/-)	0	0	0	7	-3	-1	3
Assets held for sale (+)	0	0	0	0	0	0	1
Currency translation (+/-)	20	6	3	-6	0	-6	17
Balance as of 31 December 2015	**-3,142**	**-712**	**-288**	**-994**	**-338**	**-280**	**-5,753**

c) Carrying amounts

in EUR million	Intangible assets - carrying amounts: Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 31 December 2014	**771**	**62**	**0**	**364**	**113**	**132**	**1,442**
Balance as of 31 December 2015	**771**	**57**	**0**	**362**	**159**	**116**	**1,464**

The contractual commitments for the purchase of intangible assets amount to EUR 18.4 million.

As of 31 December 2015 the customer relationship Ringturm Kapitalanlagegesellschaft m.b.H. amounted to EUR 53 million (2014: EUR 57 million). The remaining amortization period of the customer relationship in Ringturm Kapitalanlagegesellschaft m.b.H. is 12.8 years.

As of 31 December 2014, the customer relationship and distribution network of Erste Card Club d.d. Croatia was reported in the amount of EUR 1.2 million in the respective balance sheet item and fully amortized in 2015. The customer relationship and the brand recognized for Banca Comercială Română were fully impaired in 2014 and consequently amounted to EUR 0 million as of 31 December 2014.

Development of goodwill

The changes in the carrying amount of goodwill, as well as gross amounts and accumulated impairment losses of goodwill, for the years ended 31 December 2015 and 2014 are shown below by country of subsidiary:

in EUR million	Romania	Czech Republic	Slovakia	Hungary	Croatia	Austria	Other countries	Total
Balance as of 1 January 2014	**313**	**544**	**226**	**0**	**61**	**94**	**0**	**1,239**
Acquisitions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Impairment losses	-319	0	0	0	-61	-94	0	-475
Exchange rate changes	6	1	0	0	1	0	0	8
Balance as of 31 December 2014	**0**	**545**	**226**	**0**	**0**	**0**	**0**	**771**
Gross amount of goodwill	2,251	545	226	313	114	363	120	3,932
Cumulative impairment	-2,251	0	0	-313	-114	-363	-120	-3,161
Balance as of 1 January 2015	**0**	**545**	**226**	**0**	**0**	**0**	**0**	**771**
Acquisitions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0	0	0
Exchange rate changes	0	-1	0	0	0	0	0	-1
Balance as of 31 December 2015	**0**	**544**	**226**	**0**	**0**	**0**	**0**	**771**
Gross amount of goodwill	2,251	544	226	313	114	363	120	3,931
Cumulative impairment	-2,251	0	0	-313	-114	-363	-120	-3,161

In the goodwill development summary presented above, all relevant entities (cash generating units) are grouped by country of domicile of the relevant subsidiaries. The gross amounts of the goodwill elements presented above are the amounts as determined at the time of the related acquisitions, less accumulated impairments until 31 December 2015, including the effects of exchange rate changes.

The goodwill elements having non-nil carrying amounts as at 31 December 2014 have been assessed for objective evidence of impairment on a quarterly basis throughout the year 2015. Due to the lack of objective evidence, the goodwill impairment assessment for the year 2015 addressed the following subsidiaries (cash generating units):

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

The analysis per subsidiary (cash generating unit) of both the carrying goodwill as at 31 December 2015 (1 January 2015) and of the impairment losses recognised for the year 2015 (2014) is presented in the table below. The table also summarizes the key elements of the approach taken in designing and performing the goodwill impairment test as at the end of 2015.

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

In respect of the assessed cash generating units located outside the eurozone, an inflation differential has been considered in the determination of the discount rates applicable to the related 2016-2020 cash flow projections.

The comparative summary at subsidiary-level as at 31 December 2014 is presented below:

	BCR	CSAS	EBC	SLSP	STMK	GIRO
Carrying amount of goodwill as of 1 January 2014	313	544	61	226	40	54
Effect of exchange rate changes for the year 2014	6	1	1	0	0	0
Basis upon which recoverable amount has been determined	Value in Use (discounted cash flow model based)					
Key input parameters into the discounted cash flow model	Risk Free Rate, Terminal Growth Rate, β Factor, Market Risk Premium					
Description of approach to determining value assigned to risk free rate	Risk Free Rate has been set at 1.93% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 14 November 2014					
Description of approach to determining values assigned to terminal growth rate	For Austrian CGUs: Terminal Growth Rate has been equated to 1.00% reflecting the expected Austrian annual average long-term inflation rate. For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3.00%, representing the recommended cap level for the Terminal Growh Rate, as per the report ESMA/2013/2 'European Enforcers Review of Impairment of Goodwill and Other Intangible Assets in the IFRS Financial Statements' published by the European Securities and Markets Authority (ESMA).					
Description of approach to determining values assigned to β factor	Set as the median value of a group of levered β factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Bloomberg as of the reference date 14 November 2014.					
Description of approach to determining values assigned to market risk premium	Set at 6.25% throughout relevant Group's CGUs based on publicly available evaluations by the Austrian Chamber of Commerce (Kammer der Wirtschaftstreuhänder).					
Period of cash flow projection (years)	5 years (2015 -2019); extrapolation to perpetuity based on Terminal Growth Rate					
Discount rate applied to cash flow projections (pre-tax)	14.04%	12.17%	14.49%	12.91%	12.28%	15.30%
The value assigned to β Factor	1.121	1.121	1.121	1.121	1.379	1.033
Amount of goodwill impairment loss recognised in profit or loss for the year 2014	-319	0	-61	0	-40	-54
Post-impairment carrying amount of goodwill as of 31 December 2014	0	545	0	226	0	0

In connection with those tested cash-generating units for which no goodwill impairment loss was determined as of 31 December 2015, the table below summarises the outcome of the sensitivity analysis performed to determine by how much the key input parameters into the applied discounted cash flow models would need to vary adversely in order to cause the unit's calculated recoverable amount to decrease down to its related carrying amount:

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

As of 31 December 2014, the comparative sensitivity analysis figures were as follows:

Growth rates	CSAS	SLSP
Amount by which recoverable amount exceeds carrying amount	1,834	341
Risk free rate increase that would cause recoverable amount to equal carrying amount (basis points)	3.27%	1.69%
Terminal growth rate decrease that would cause recoverable amount to equal carrying amount (basis points)	-14.45%	-6.24%
β factor increase that would cause recoverable amount to equal carrying amount (coefficient value)	0.524	0.271
Market risk premium increase that would cause recoverable amount to equal carrying amount (basis points)	2.92%	1.51%

28. Tax assets and liabilities

					Net variance 2015		
in EUR million	Tax assets 2015	Tax assets 2014	Tax liabilities 2015	Tax liabilities 2014	Total	Through profit or loss	Through other comprehen-sive income
Temporary differences relate to the following items:							
Loans and advances to credit institutions and customers	238	227	-38	-24	-3	-3	0
Financial assets - available for sale	12	2	-245	-334	99	93	7
Property and equipment (useful life in tax law different)	31	25	-27	-31	11	11	0
Amortisation of investments in subsidiaries (tax-effective in subsequent years)	47	46	-9	0	-8	-8	0
Financial liabilities measured at amortized cost (deposits and debt securities issued)	172	97	0	0	75	75	0
Long-term employee provisions (tax valuation different)	94	117	-3	-3	-23	-1	-21
Other provisions (tax valuation different)	56	53	-8	-7	2	2	0
Tax loss carry-forward	101	104	0	0	-3	-3	0
Customer relationships, brands and other intangibles	0	3	-15	-14	-3	-3	0
Other	629	206	-822	-261	-138	-160	17
Effect of netting gross deferred tax position	-1,071	-577	1,071	577	0	0	0
Total deferred taxes	**310**	**301**	**-96**	**-99**	**12**	**4**	**2**
Current taxes	**119**	**107**	**-90**	**-91**	**13**	**-368**	**0**
Total taxes	**429**	**409**	**-186**	**-190**	**24**	**-364**	**2**

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

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

Out of the total net amount of EUR 12 million (2014: EUR -359 million) representing the year-on-year variance in the Group's consolidated net deferred tax position, an amount of EUR 4 million (2014: EUR -209 million) is reflected as net deferred tax expense in the Group's income statement for the year 2015, whilst an amount of EUR 2 million (2014: EUR -143 million) represents the impact in the Grou's other comprehensive income for the year. The remaining EUR 6 million (2014: EUR -7 million) is attributable to other categories of variances in the consolidated net deferred tax position, notably due to direct movements in equity, foreign exchange differences, and changes in the consolidation scope.

The Group's consolidated deferred tax asset position in amount of EUR 310 million as at 31 December 2015 (2014: EUR 301 million) is expected to be recoverable in the foreseeable future. In spite of losses in the current or prior period for the components of the group affected this recoverability is also expected to be the case for their amounts of deferred tax assets which are exceeding their deferred tax liabilities by an amount of EUR 218 million as at 31 December 2015 (2014: EUR 180 million). These expectations result from year-end recoverability assessments undertaken by the Group's entities, either at individual level, or at relevant tax group level. Such assessments are comparing net temporary deductible differences and available fiscal losses at year-end – after offsetting with deferred tax liabilities at individual level or at relevant tax group level - with fiscal profit forecasts for a group-wide unified and unchanged time horizon of a maximum 5 years depending on the fiscal jurisdiction and applicable facts and circumstances. If the result of these assessments is negative, the deferred tax asset positions are correspondingly not recorded and the already existing deferred tax asset positions are correspondingly depreciated.

In 2015 for the Group as a whole there was a slight increase in the deferred tax assets in comparison to 2014. The effect mainly results from an increase in the Austrian Tax Group and in Croatia as well as from an adverse effect in Romania. The increase in the Austrian Tax Group is based on a better forecast for the 5 year-planning period. In Croatia, it was possible to capitalize additional deferred tax assets for tax losses - based on a one time effect in 2015 - due to a still positive forecast. This one time effect is caused by a change in legislation Hence, it was compulsatory to convert CHF-loans into EUR-loans. In Romania tax losses in 2015 were consumed due to the positive result. Therefore the deferred tax assets on tax loss carry-forward decreased.
Further information on total tax expense is provided in Note 10.

In accordance with IAS 12.39, no deferred tax liabilities were recognized for temporary differences relating to investments in subsidiaries with an amount of EUR 1,517 million (31 December 2014: EUR 1,016 million), as they are not expected to reverse in the foreseeable future. As at 31 December 2015, no deferred tax assets were recognized for tax loss carry-forward and deductible temporary differences with a total amount of EUR 5,960 million, of which EUR 3,361 million relates to tax loss carry-forward (31 December 2014: EUR 6,336 million, of which EUR 3,107 million relates to tax loss carry-forward), as they are not expected to be realized in the foreseeable future. The figure comprises an amount of EUR 241 million (31 December 2014: EUR 412 million) representing temporary differences in connection with investments in subsidiaries no deferred tax assets have been recognized for in accordance with IAS 12.44.

From the total of the not recorded deferred tax assets related to tax loss carry-forward in the following period EUR 1 million will expire (31 December 2014: EUR 1 million) and in later periods EUR 148 million (31 December 2014: EUR 118 million), EUR 620 million (31 December 2014: EUR 623 million) will not expire.

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

in EUR million	Dec 14	Dec 15
Assets held for sale	291	526
Liabilities associated with assets held for sale	0	578

As of the end of 2015, ‘Assets held for sale’ include mainly land and buildings in amount of EUR 381 million (2014: EUR 169 million). The increase in land and buildings is caused by decreased operating activities in the area of leasing within the countries Croatia, Romania and Slovenia as well as the area of project development. As a result, sales in real estate increase within the countries mentioned above.

As of 31 December 2014, investments in private equity funds in the amount of EUR 53 million as well as movable properties in the amount of EUR 69 million were presented in the line item ‘Assets held for sale’.

In addition, as of 31 December 2015, the balance sheet items ‘Assets held for sale’ and ‘Liabilities associated with assets held for sale’ include the disposal group Sparkasse Bank Malta plc. The shares in Sparkasse Bank Malta plc. shall be transferred to third parties through a non-cash distribution.

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

The carrying amounts of the assets and liabilities of Sparkasse Bank Malta plc as of 31 December 2015 are as follows:

in EUR million	Dec 15
Assets	
Cash and cash balances	42
Financial assets - available for sale	68
Loans and receivables to credit institutions	12
Loans and receivables to customers	3
Property and equipment	1
Intangible assets	1
Other assets	2
Total assets	**129**
Liabilities	
Financial liabilities measured at amortised cost	575
Deposits from banks	3
Deposits from customers	572
Current tax liabilities	2
Other liabilities	0
Total liabilities	**578**

As of 31 December 2015, in 'Other comprehensive income' no accumulated income or expense of Sparkasse Malta plc is included.

30. Other assets

in EUR million	Dec 14	Dec 15
Prepayments and accrued income	218	197
Inventories	471	270
Sundry assets	934	750
Other assets	**1,623**	**1,217**

'Sundry assets' consist mainly of clearing items from the settlement of securities and payment transactions as well as advanced payments for assets under construction. The decrease in the line item 'Inventories' in the amount of EUR 84 million was predominantly caused by deconsolidation of subsidiaries as well as reclassifications of real estate project developments in the amount of EUR 49 million to the balance sheet line item 'Assets held for sale'.

31. Other trading liabilities

in EUR million	Dec 14	Dec 15
Short positions	422	382
Equity instruments	139	191
Debt securities	283	191
Debt securities issued	47	51
Sundry trading liabilities	88	0
Other trading liabilities	**558**	**434**

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

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

	Carrying amount		Amount repayable		Delta between carrying amount and amount repayable	
in EUR million	Dec 14	Dec 15	Dec 14	Dec 15	Dec 14	Dec 15
Financial liabilities - at fair value through profit or loss	**2,073**	**1,907**	**2,503**	**1,880**	**- 431**	**26**
Deposits from banks	0	0	0	0	0	0
Deposits from customers	320	149	748	150	-428	-1
Debt securities issued	1,753	1,758	1,755	1,731	-3	27
Other financial liabilities	0	0	0	0	0	0

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

in EUR million	For reporting period		Cumulative amount	
	1-12 14	1-12 15	Dec 14	Dec 15
Financial liabilities - at fair value through profit or loss	**3.1**	**- 8.7**	**53.2**	**40.5**
Deposits from banks	0.0	0.0	0.0	0.0
Deposits from customers	0.5	-0.9	-1.2	0.3
Debt securities issued	2.7	-7.8	54.4	40.3
Other financial liabilities	0.0	0.0	0.0	0.0

In 2015 the fair value of 'financial liabilities at fair value through profit or loss' decreased due to changes in own credit risk in the amount of EUR 8.7 million (2014: increase of EUR 3.1 million). The cumulative increase due to the change of own credit risk amounts to EUR 40.5 million as of 31 December 2015 (31 December 2014: 53.2 million)

Debt securities issued

in EUR million	Dec 14	Dec 15
Subordinated liabilities	276	423
Subordinated issues and deposits	276	423
Supplementary capital	0	0
Hybrid issues	0	0
Other debt securities issued	1,477	1,335
Bonds	1,086	953
Certificates of deposit	0	0
Registered bonds/other certificates	77	74
Mortgage covered bonds	315	308
Public sector covered bonds	0	0
Other	0	0
Debt securities issued	**1,753**	**1,758**

33. Financial liabilities measured at amortised costs

Deposits from banks

in EUR million	Dec 14	Dec 15
Overnight deposits	1,913	3,272
Term deposits	11,975	9,665
Repurchase agreements	914	1,275
Deposits from banks	**14,803**	**14,212**

Deposits from customers

in EUR million	Dec 14	Dec 15
Overnight deposits	**65,103**	**73,716**
Savings deposits	17,314	19,066
General governments	0	0
Other financial corporations	165	191
Non-financial corporations	1,556	1,154
Households	15,592	17,721
Non-savings deposits	47,790	54,651
General governments	3,301	3,398
Other financial corporations	3,396	4,402
Non-financial corporations	14,576	16,625
Households	26,517	30,225
Term deposits	**56,609**	**53,671**
Deposits with agreed maturity	52,013	48,842
Savings deposits	35,725	34,142
General governments	0	0
Other financial corporations	1,221	1,060
Non-financial corporations	1,258	1,447
Households	33,246	31,635
Non-savings deposits	16,289	14,700
General governments	1,260	1,764
Other financial corporations	2,965	2,153
Non-financial corporations	3,930	3,006
Households	8,133	7,776
Deposits redeemable at notice	4,595	4,829
General governments	0	0
Other financial corporations	43	69
Non-financial corporations	108	163
Households	4,444	4,597
Repurchase agreements	**550**	**410**
General governments	290	304
Other financial corporations	213	11
Non-financial corporations	48	95
Households	0	0
Deposits from customers	**122,263**	**127,797**
General governments	**4,851**	**5,466**
Other financial corporations	**8,003**	**7,886**
Non-financial corporations	**21,476**	**22,490**
Households	**87,933**	**91,955**

Debt securities issued

in EUR million	Dec 14	Dec 15
Subordinated liabilities	5,482	5,815
Subordinated issues and deposits	4,182	5,068
Supplementary capital	942	393
Hybrid issues	357	354
Other debt securities issued	23,905	22,081
Bonds	13,017	11,355
Certificates of deposit	281	120
Other certificates of deposits/name certificates	591	1,138
Mortgage covered bonds	6,911	7,699
Public sector covered bonds	2,838	1,559
Other	266	209
Debt securities issued	**29,387**	**27,896**

In 1998, Erste Group Bank AG launched a EUR 30,000,000,000 Debt Issuance Programme (DIP). The current DIP is a programme for issuing debt instruments in various currencies and maturities with a limited range of interest rate structures. In 2015, 105 new bonds with a total volume of approximately EUR 1.7 billion were issued under the DIP.

In July 2014, the Credit Linked Notes Programme was implemented. In 2015, 39 new bonds with a total volume of EUR 42 million were issued. At the same time the Equity Linked Notes Programme was implemented, under which 99 new bonds with a total volume of EUR 298 million were issued.

Furthermore, secured and senior unsecured registered notes (‘Namenspfandbriefe’ and ‘Namensschuldverschreibungen’), as well as other bonds that were not part of the above mentioned programmes were issued with a volume of EUR 100 million.

The Euro Commercial Paper and Certificates of Deposit Programme has an overall volume of EUR 10 billion. In all, 15 issues amounting to EUR 0.6 billion were placed in 2015. Issues totalling approximately EUR 0.6 billion were redeemed over the same period.

34. Provisions

in EUR million	Dec 14	Dec 15
Long-term employee provisions	1,158	1,010
Pending legal issues and tax litigation	163	258
Commitments and guarantees given	241	297
Provisions for guarantees - off balance sheet (defaulted customers)	141	179
Provisions for guarantees - off balance sheet (non-defaulted customers)	99	118
Other provisions	91	171
Provisions for onerous contracts	5	5
Other	86	166
Provisions	**1,653**	**1,736**

a) Long-term employee provisions

in EUR million	Pensions	Severance payments	Jubilee payments	Total
Present value of long-term employee benefit obligations 31 Dec 2011	**825**	**397**	**73**	**1,295**
Present value of long-term employee benefit obligations 31 Dec 2012	**823**	**410**	**76**	**1,309**
Present value of long-term employee benefit obligations 31 Dec 2013	**787**	**395**	**76**	**1,258**
Increase from acquisition of subsidiaries	0	0	0	0
Decrease from disposal of subsidiaries	0	0	0	0
Settlements	0	0	0	0
Curtailments	0	-6	0	-6
Service cost	0	12	5	17
Interest cost	27	14	2	43
Payments	-69	-26	-6	-101
Exchange rate difference	0	0	0	0
Components recognised in other comprehensive income (Remeasurements)	-	-	0	-
Actuarial gains/losses arising from changes in financial assumptions	114	75	0	189
Actuarial gains/losses arising from changes from experience assumptions	1	2	0	1
Actuarial gains/losses recognised in income	0	0	0	0
Actuarial gains/losses arising from changes in financial assumptions		0	11	11
Actuarial gains/losses arising from changes from experience assumptions	0	0	-1	-1
Present value of long-term employee benefit obligations 31 Dec 2014	**858**	**466**	**87**	**1,411**
Obligations covered by plan assets	0	219	34	253
Obligations covered by provisions	0	247	53	300
Less fair value of plan assets	**0**	**219**	**34**	**253**
Provisions as of 31 Dec 2014	**858**	**247**	**53**	**1,158**
Present value of long-term employee benefit obligations 31 Dec 2014	**858**	**466**	**87**	**1,411**
Increase from acquisition of subsidiaries	0	0	0	0
Decrease from disposal of subsidiaries	0	0	0	0
Settlements	0	0	0	0
Curtailments	0	0	0	0
Service cost	0	14	6	20
Interest cost	17	10	2	29
Payments	-69	-20	-7	-96
Exchange rate difference	0	0	0	0
Components recognised in other comprehensive income (Remeasurements)	0	0	0	0
Actuarial gains/losses arising from changes in financial assumptions	-64	-35	0	-99
Actuarial gains/losses arising from changes from experience assumptions	-1	-5	0	-6
Actuarial gains/losses recognised in income	0	0	0	0
Actuarial gains/losses arising from changes in financial assumptions	0	0	1	1
Actuarial gains/losses arising from changes from experience assumptions	0	0	-2	-2
Present value of long-term employee benefit obligations 31 Dec 2015	**741**	**430**	**87**	**1,258**
Obligations covered by plan assets	0	215	33	248
Obligations covered by provisions	0	215	54	269
Less fair value of plan assets	**0**	**215**	**33**	**248**
Provisions as of 31 Dec 2015	**741**	**215**	**54**	**1,010**

Actuarial assumptions

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

in %	Dec 14	Dec 15
Interest rate	2.0	2.45
Expected increase in retirement benefits	2.0	1.7

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

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

in %	Dec 14	Dec 15
Interest rate	2.0	2.45
Average increase in salary (incl. career trend and collective agreement trend)	2.9	2.6

Obligations were calculated in accordance with the Pagler & Pagler mortality tables entitled 'AVÖ 2008 P – Rechnungsgrundlagen für die Pensionsversicherung'.The effects of CEE countries are insignificant compared to Austrian entities for which the data is in the table. Interest rates in the following ranges were used for these countries 2.25% (previously: 2.25%) to 4.4% (previously: 4.4%).

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

in EUR million	Severance payments	Jubilee payments	Total
Fair value of plan assets as of 31 December 2013	**194**	**32**	**226**
Addition	0	0	0
Interest income on plan assets	7	1	8
Contributions by the employer	29	5	34
Benefits paid	-15	-4	-19
Return on plan assets recognised in other comprehensive income (excluding amounts already recognised in interest income) - remeasurements	4	0	4
Return on plan assets recognised in P&L	0	0	0
Fair value of plan assets as of 31 December 2014	**219**	**34**	**253**
Addition	0	0	0
Interest income on plan assets	4	1	5
Contributions by the employer	8	3	11
Benefits paid	-13	-5	-18
Return on plan assets recognised in other comprehensive income (excluding amounts already recognised in interest income) - remeasurements	-3	0	-3
Return on plan assets recognised in P&L	0	0	0
Fair value of plan assets as of 31 December 2015	**215**	**33**	**248**

In 2015, the expected contributions for the severance and jubilee benefit obligations will amount to EUR 9.8 million (2015: EUR 10.3 million). The actual gain (loss) on plan assets amounted to EUR 2.0 million (2014: EUR 12.0 million).

Investment strategy

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

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

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

For the yearly pension provisions of the unfunded defined benefit plans and the unfunded part of severance payment provisions Erste Group generally takes care within its asset-liability management strategy covering the funding plan and interest rate risk position of the Group. The payments for 2016 are expected with EUR 77 million for both plans.

The average duration of these provisions are assumed to be 11.17 years for severance payment provisions and 8.05 years for defined benefit pension provisions.

Control and Risk

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

Overall, the Group tries to minimize the impact caused by market movements on the pension plans.

Asset Allocation in the different asset classes

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

	Dec 14					Dec 15				
in EUR million	Europe-EMU	Europe-non EMU	USA	Other countries	Total	Europe-EMU	Europe-non EMU	USA	Other countries	Total
Cash and cash equivalents	0	0	0	0	13	0	0	0	0	23
Equity instruments	1	1	9	4	15	4	5	7	11	27
Investment-grade bonds										
Government	50	1	1	5	57	92	4	4	8	107
Non-government bonds	40	14	0	0	55	25	18	0	0	43
Non-investment-grade bonds										
Government	0	0	0	0	0	0	0	11	0	12
Non-government bonds	65	17	5	0	87	12	4	11	2	29
Alternatives										
Commodities	0	0	0	0	0	0	0	0	0	0
Other	0	1	0	10	12	0	1	0	4	6
Derivatives (Market risk)										
Interest rate risk	0	0	0	0	0	0	0	0	0	0
Credit risk	0	0	0	0	0	0	0	0	0	0
Equity price risk	0	0	0	0	0	0	0	0	0	0
Foreign exchange risk	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	14	0	0	0	0	2
Plan assets	**0**	**0**	**0**	**0**	**253**	**0**	**0**	**0**	**0**	**248**

In the table above, Investment-grade means BBB and above.

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

in EUR million	Dec 14	Dec 15
Curtailments	6	0
Service cost	-17	-20
Net interest	-35	-24
Total	**-46**	**-44**

Curtailments and service costs are included in the income statement under the line item ‘General administrative expenses’. Net interest is included in the income statement under the line item ‘Net interest income’. In 2015 the cumulative amount of remeasurements recognised in other comprehensive income was EUR -471.9 million (2014: EUR -572.9 million).

Sensitivity to Key Assumption

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

in EUR million	Change-pensions	Change-severance payments	Total
Change in discount rate + 1.0%	677	365	1,042
Change in discount rate -1.0%	801	454	1,255
Change in future salary increases + 0.5%	734	429	1,163
Change in future salary increases -0.5 %	734	385	1,119
Change in future benefit increases + 0.5%	711	406	1,117
Change in future benefit increases -0.5%	791	406	1,197
Increase in survival rate by aprox. 10%	682	406	1,088

Impact on Cash Flows

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

in EUR million	Pensions	Severance payments	Total
2016	65	12	77
2017	63	15	78
2018	60	17	77
2019	58	32	90
2020	56	37	93
2021-2025	244	198	442

Duration

The following table presents the weighted average duration of the defined-benefit obligations as of year-end 2015:

in years	Pensions	Severance payments	Total
Duration	8.72	11.17	9.59

b) Sundry provisions

Sundry provisions 2015

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

Under position pending legal issues and tax litigations out of lending business, asset management or litigations with customer protection association, which normally occur in banking business, are disclosed. In 2015, a provision was recognised in the amount of EUR 101.6 million for for risks related to Romanian consumer protection claims Act amounting to EUR 101.6 million. Erste Group does not expect that these legal cases will have a material impact on the Group's financial position.

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

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

Sundry provisions 2014

in EUR million	As of Dec 13	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	As of Dec 14
Pending legal issues and tax litigation	172	32	-4	-28	0	-6	164
Commitments and guarantees given	218	279	-7	-263	1	11	240
Provisions for guarantees - off balance sheet (defaulted customers)	119	140	-6	-122	1	9	141
Provisions for guarantees - off balance sheet (non-defaulted customers)	99	138	0	-140	0	2	99
Other provisions	25	62	-5	-8	0	9	83
Provisions for onerous contracts	0	5	0	0	0	0	5
Other	25	57	-5	-8	0	9	77
Provisions	**415**	**372**	**-16**	**-299**	**1**	**14**	**488**

35. Other liabilities

in EUR million	Dec 14	Dec 15
Deferred income and accrued fee expenses	233	232
Sundry liabilities	2,076	2,084
Other liabilities	**2,310**	**2,317**

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

36. Total equity

in EUR million	Dec 14	Dec 15
Subscribed capital	860	860
Share capital	860	860
Additional paid-in capital	1,478	1,478
Retained earnings	7,500	8,668
Owners of the parent	**9,838**	**11,005**
Non-controlling interests	3,605	3,802
Total	**13,444**	**14,807**

As of 31 December 2015, subscribed capital (also known as registered capital) consists of 429.800.000 (2014: 429.800.000) voting bearer shares (ordinary shares). The pro rata amount of registered capital, per no-par value share, was EUR 2.00. Additional paid-in capital (or share premium) represents the amount by which the issue price of the shares exceeded their par value. Retained earnings and other reserves represent accumulated net profit brought forward, as well as income and expenses recognised in other comprehensive income.

Changes in number of shares and participation capital securities

Shares in units	Dec 14	Dec 15
Shares outstanding as of 1 January	**415,076,934**	**409,940,635**
Acquisition of treasury shares	-26,726,833	-9,793,323
Disposal of treasury shares	21,590,534	10,340,502
Capital increases due to ESOP and MSOP	0	0
Capital increase	0	0
Shares outstanding as of 31 December	**409,940,635**	**410,487,814**
Treasury shares	19,859,365	19,312,186
Number of shares as of 31 December	**429,800,000**	**429,800,000**
Weighted average number of shares outstanding	427,533,286	426,726,297
Dilution due to MSOP/ESOP	0	0
Dilution due to options	0	0
Weighted average number of shares taking into account the effect of dilution	427,533,286	426,726,297

Transactions and shares held by the management board and supervisory board

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

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

Managing board member	Dec 14	Additions	Disposals	Dec 15
Andreas Treichl	164,640	0	0	164,640
Peter Bosek (starting with 1 January 2015)	0	1,000	0	1,000
Petr Brávek (starting with 1 April 2015)	0	0	0	0
Andreas Gottschling	0	0	0	0
Franz Hochstrasser (until 31 December 2014)	15,260	0	-15,260	0
Herbert Juranek (until 31 December 2014)	656	0	-656	0
Gernot Mittendorfer	10,000	0	0	10,000
Jozef Síkela (starting with 1 January 2015)	0	5,500	0	5,500

Supervisory board members held the following numbers of Erste Group Bank AG shares as of the balance sheet date of 31 December 2015:

Supervisory board member	Dec 14	Additions	Disposals	Dec 15
Friedrich Rödler	1,702	0	0	1,702
Georg Winckler (until 12 May 2015)	2,500	0	-2,500	0
Jan Homan	4,400	0	0	4,400
Bettina Breiteneder	0	0	0	0
Elisabeth Bleyleben Koren	10,140	0	0	10,140
Gonzalo Gortàzar Rotaeche (starting with 12 Mai 2015)	0	0	0	0
Gunter Griss	0	0	0	0
Maximilian Hardegg (starting with 12 May 2015)	0	40	0	40
Elisabeth Krainer Senger-Weiss	0	0	0	0
Antonio Massanell Lavilla (starting with 12 May 2015)	0	0	0	0
Brian D. O'Neill	0	0	0	0
Wilhelm Rasinger	18,303	0	0	18,303
John James Stack	32,761	0	0	32,761
Markus Haag	160	0	0	160
Regina Haberhauer (starting with 12 May 2015)	0	188	0	188
Andreas Lachs	52	0	0	52
Bertram Mach (until 25 June 2015)	95	0	-95	0
Barbara Pichler	281	0	0	281
Jozef Pinter (starting with 25 June 2015)	0	0	0	0
Karin Zeisel	35	0	0	35

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

Remaining authorised and contingent capital as of 31 December 2015

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

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

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

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

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

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

37. Segment reporting

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

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

Business segmentation

The segment reporting comprises nine business segments reflecting Erste Group's management structure and its internal management reporting in 2015.

Erste Group – business segments

Retail	SME	ALM & Local CC	Savings Banks	Large Corporates	Commercial Real Estate	Other Corporate	Group Markets	Group Corporate Center	Intragroup Elimination

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 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), amortization/write-down of customer relationships and brand, goodwill impairments, the banking tax of Erste Group Bank AG as well as free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments).

Comparative figures for 2014 contained several one-off effects that did not recur in 2015. Thus, in 2014 the write-down of the entire remaining value of customer relationships and brand in Romania totaled EUR 470.7 million. Goodwill impairments amounted to EUR 475.0 million, whereby Romania accounted for EUR 319.1 million, Croatia for EUR 61.4 million and Austrian participations for EUR 94.5 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 sporitel'ňa Group)
_ **Romania** (comprising Banca Comercială Română Group)
_ **Hungary** (comprising Erste Bank Hungary Group)
_ **Croatia** (comprising Erste Bank Croatia Group), and
_ **Serbia** (comprising Erste Bank Serbia Group).

The residual segment **Other** covers mainly centrally managed activities and items that are not directly allocated to other segments. It comprises the corporate center of Erste Group Bank AG (and thus dividends and the refinancing costs from participations, general administrative expenses), internal non-profit service providers (facility management, IT, procurement), amortization/write-down of customer relationships and brand, goodwill impairments, the banking tax of Erste Group Bank AG as well as free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments). Asset/Liability Management of Erste Group Bank AG as well as the reconciliation to the consolidated accounting result (e.g. intercompany eliminations, dividend eliminations) are also part of the segment Other.

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).
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 1-12 14	Retail 1-12 15	SME 1-12 14	SME 1-12 15	ALM & LCC 1-12 14	ALM & LCC 1-12 15	Savings Banks 1-12 14	Savings Banks 1-12 15	Large Corporates 1-12 14 restated	Large Corporates 1-12 15	Commercial Real Estate 1-12 14	Commercial Real Estate 1-12 15
Net interest income	2,175.1	2,207.7	569.4	570.2	164.7	4.8	891.8	926.4	214.1	229.3	150.1	169.3
Net fee and commission income	1,050.3	1,029.1	198.4	190.3	-65.3	-45.8	419.3	439.3	99.2	89.1	15.8	14.0
Dividend income	0.5	3.5	2.5	0.0	22.4	10.8	24.7	23.1	0.0	0.0	5.1	1.0
Net trading and fair value result	59.8	56.1	31.9	34.8	24.7	-53.1	1.1	3.1	9.3	13.5	-6.2	4.7
Net result from equity method investments	8.2	10.4	0.0	0.0	3.1	3.5	0.0	0.0	0.0	0.0	0.7	0.5
Rental income from investment properties & other operating leases	23.5	23.1	30.4	30.6	35.0	32.3	42.0	40.0	0.0	0.0	40.3	40.8
General administrative expenses	-1,814.3	-1,856.4	-292.8	-306.9	-112.9	-90.9	-932.1	-966.0	-85.0	-91.4	-88.2	-86.5
thereof depreciation and amortization	-191.1	-192.4	-40.8	-41.7	-22.9	-13.7	-75.9	-76.3	-6.0	-7.2	-19.7	-17.3
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.6	0.0	3.3	0.0	-16.4	32.6	27.7	45.8	0.7	0.0	0.0	0.0
Net impairment loss on financial assets not measured at fair value through profit or loss	-671.7	-289.7	-461.1	-187.4	1.2	-13.9	-199.4	-83.6	-310.7	-11.5	-364.3	-56.9
Other operating result	-393.7	-277.5	-2.8	-31.1	-197.7	-148.5	-43.1	-39.5	14.1	-34.5	-45.9	-34.0
Levies on banking activities	-59.1	-44.1	-10.6	-10.2	-64.2	-63.3	-15.9	-15.0	-3.2	-2.7	-0.4	-0.3
Pre-tax result from continuing operations	**438.2**	**906.2**	**79.4**	**300.6**	**-141.2**	**-268.1**	**232.0**	**388.7**	**-58.3**	**194.6**	**-292.7**	**53.0**
Taxes on income	-158.0	-195.1	-33.2	-68.6	-36.1	61.3	-54.7	-89.4	-1.1	-37.7	4.2	-21.5
Net result for the period	**280.2**	**711.1**	**46.2**	**232.0**	**-177.3**	**-206.7**	**177.3**	**299.4**	**-59.5**	**156.9**	**-288.5**	**31.5**
Net result attributable to non-controlling interests	8.5	-3.4	-4.2	1.1	-2.5	-2.2	158.9	259.1	-5.7	12.4	-8.9	5.8
Net result attributable to owners of the parent	**271.7**	**714.6**	**50.4**	**230.9**	**-174.8**	**-204.5**	**18.4**	**40.2**	**-53.8**	**144.5**	**-279.6**	**25.7**
Operating income	3,317.4	3,329.8	832.7	826.0	184.6	-47.3	1,379.0	1,432.0	322.5	331.9	205.7	230.4
Operating expenses	-1,814.3	-1,856.4	-292.8	-306.9	-112.9	-90.9	-932.1	-966.0	-85.0	-91.4	-88.2	-86.5
Operating result	**1,503.1**	**1,473.4**	**539.9**	**519.1**	**71.8**	**-138.2**	**446.9**	**466.0**	**237.5**	**240.5**	**117.5**	**143.9**
Risk-weighted assets (credit risk, eop)	18,505	18,771	14,672	14,557	4,480	4,503	22,511	21,955	9,373	9,860	9,397	8,338
Average allocated capital	2,058	2,121	1,291	1,182	1,792	1,770	1,968	1,774	812	716	798	722
Cost/income ratio	54.7%	55.8%	35.2%	37.2%	61.1%	>100%	67.6%	67.5%	26.4%	27.5%	42.9%	37.5%
Return on allocated capital	13.6%	33.5%	3.6%	19.6%	-9.9%	-11.7%	9.0%	16.9%	-7.3%	21.9%	-36.1%	4.4%
Total assets (eop)	51,438	53,933	22,143	22,793	51,497	46,762	56,704	57,953	9,470	11,056	10,164	9,528
Total liabilities excluding equity (eop)	69,227	72,027	12,977	14,187	54,011	50,174	52,684	53,835	4,988	4,345	4,668	4,288
Impairments and risk provisions	**-697.3**	**-291.0**	**-473.1**	**-199.4**	**-45.1**	**-54.8**	**-221.3**	**-86.9**	**-299.1**	**-41.8**	**-466.2**	**-137.5**
Net impairment loss on loans and receivables from credit institutions and customers	-671.6	-289.7	-460.3	-182.3	-0.8	-9.4	-193.6	-73.9	-316.5	-11.4	-365.5	-23.6
Net impairment loss on other financial assets not measured at fair value through profit and loss	-0.1	0.0	-0.8	-5.1	2.0	-4.5	-5.8	-9.7	5.8	0.0	1.2	-33.3
Allocation/release of provisions for contingent credit risk liabilities	-4.1	0.6	0.6	-9.0	0.9	-16.3	-18.3	-1.7	11.5	-30.3	-40.4	-64.0
Impairments from Goodwills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non financial assets	-21.5	-1.9	-12.6	-3.0	-47.2	-24.5	-3.6	-1.6	0.0	0.0	-61.5	-16.5

Business segments (2)

in EUR million	Other Corporate 1-12 14	Other Corporate 1-12 15	Group Markets 1-12 14	Group Markets 1-12 15	Group Corporate Center 1-12 14	Group Corporate Center 1-12 15	Intragroup Elimination 1-12 14	Intragroup Elimination 1-12 15	Total group 1-12 14 restated	Total group 1-12 15
Net interest income	75.2	74.1	191.2	182.0	70.2	104.1	-6.6	-23.3	4,495.2	4,444.7
Net fee and commission income	18.9	14.8	102.9	123.3	69.1	33.4	-38.8	-25.7	1,869.8	1,861.8
Dividend income	0.5	0.0	2.4	1.8	16.4	9.9	-0.1	-0.3	74.2	49.9
Net trading and fair value result	4.8	-2.9	116.1	110.2	-11.3	14.9	12.0	28.9	242.3	210.1
Net result from equity method investments	0.0	0.0	0.0	0.0	3.9	3.1	0.0	0.0	15.8	17.5
Rental income from investment properties & other operating leases	0.1	0.0	0.0	0.0	35.1	44.7	-25.7	-23.7	180.6	187.9
General administrative expenses	-58.2	-58.6	-179.1	-187.0	-710.5	-735.4	485.9	510.2	-3,787.3	-3,868.9
thereof depreciation and amortization	-2.0	-2.0	-17.7	-22.2	-90.0	-72.2	0.0	0.0	-466.1	-445.0
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.1	18.6	0.0	0.4	-0.9	4.9	3.2	-1.4	18.3	100.9
Net impairment loss on financial assets not measured at fair value through profit or loss	-12.9	-53.0	-0.1	2.5	-64.7	-35.7	0.0	0.0	-2,083.7	-729.1
Other operating result	1.5	6.4	-0.7	-5.2	-654.7	392.8	-429.9	-464.6	-1,752.9	-635.6
Levies on banking activities	0.0	0.0	-2.1	-1.9	-100.8	-98.8	0.0	0.0	-256.3	-236.2
Pre-tax result from continuing operations	**29.8**	**-0.6**	**232.7**	**228.0**	**-1,247.5**	**-163.4**	**0.0**	**0.0**	**-727.7**	**1,639.1**
Taxes on income	-6.9	-0.4	-43.9	-46.7	-191.8	34.1	0.0	0.0	-521.5	-363.9
Net result for the period	**22.9**	**-0.9**	**188.8**	**181.3**	**-1,439.4**	**-129.3**	**0.0**	**0.0**	**-1,249.2**	**1,275.1**
Net result attributable to non-controlling interests	-0.1	0.0	3.5	4.6	-16.2	29.5	0.0	0.0	133.4	307.0
Net result attributable to owners of the parent	**22.9**	**-1.0**	**185.3**	**176.6**	**-1,423.1**	**-158.8**	**0.0**	**0.0**	**-1,382.6**	**968.2**
Operating income	99.4	86.1	412.6	417.3	183.3	210.1	-59.3	-44.2	6,877.9	6,771.8
Operating expenses	-58.2	-58.6	-179.1	-187.0	-710.5	-735.4	485.9	510.2	-3,787.3	-3,868.9
Operating result	**41.1**	**27.4**	**233.4**	**230.3**	**-527.2**	**-525.4**	**426.6**	**466.0**	**3,090.7**	**2,902.9**
Risk-weighted assets (credit risk, eop)	2,672	1,936	2,756	2,530	2,739	2,248	0	0	87,105	84,698
Average allocated capital	209	175	493	448	5,010	5,319	0	0	14,431	14,226
Cost/income ratio	58.6%	68.1%	43.4%	44.8%	>100%	>100%	>100%	>100%	55.1%	57.1%
Return on allocated capital	10.9%	-0.5%	38.3%	40.5%	-28.7%	-2.4%			-8.7%	9.0%
Total assets (eop)	3,656	2,968	18,022	19,534	12,093	10,955	-38,899	-35,738	196,287	199,743
Total liabilities excluding equity (eop)	93	69	11,456	12,161	11,716	9,648	-38,977	-35,799	182,844	184,936
Impairments and risk provisions	**-13.0**	**-54.7**	**-0.1**	**2.5**	**-991.0**	**11.9**	**0.0**	**0.0**	**-3,206.2**	**-851.5**
Net impairment loss on loans and receivables from credit institutions and customers	-17.7	-53.1	-0.2	2.5	-18.7	-25.7	0.0	0.0	-2,044.9	-666.5
Net impairment loss on other financial assets not measured at fair value through profit and loss	4.8	0.1	0.1	0.0	-46.0	-10.0	0.0	0.0	-38.8	-62.6
Allocation/release of provisions for contingent credit risk liabilities	-0.1	-1.7	0.0	0.0	33.8	59.4	0.0	0.0	-16.2	-63.0
Impairments from Goodwills	0.0	0.0	0.0	0.0	-475.0	0.0	0.0	0.0	-475.0	0.0
Net impairment loss on other non financial assets	0.0	0.0	0.0	0.0	-485.1	-11.8	0.0	0.0	-631.4	-59.4

Geographical segmentation - overview

in EUR million	Austria 1-12 14	Austria 1-12 15	Central and Eastern Europe 1-12 14 restated	Central and Eastern Europe 1-12 15	Other 1-12 14	Other 1-12 15	Total group 1-12 14 restated	Total group 1-12 15
Net interest income	1,900.7	1,971.7	2,418.8	2,301.0	175.7	171.9	4,495.2	4,444.7
Net fee and commission income	948.2	997.3	926.6	895.3	-4.9	-30.8	1,869.8	1,861.8
Dividend income	54.6	35.2	3.4	5.0	16.2	9.7	74.2	49.9
Net trading and fair value result	13.0	6.6	239.6	200.2	-10.3	3.3	242.3	210.1
Net result from equity method investments	2.7	1.9	9.2	12.5	3.9	3.1	15.8	17.5
Rental income from investment properties & other operating leases	101.5	100.3	69.7	66.6	9.4	20.9	180.6	187.9
General administrative expenses	-1,886.1	-1,932.1	-1,658.2	-1,693.8	-242.9	-243.0	-3,787.3	-3,868.9
thereof depreciation and amortization	-150.5	-154.1	-223.2	-216.5	-92.4	-74.4	-466.1	-445.0
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	27.7	65.0	4.5	14.2	-13.9	21.7	18.3	100.9
Net impairment loss on financial assets not measured at fair value through profit or loss	-573.1	-225.9	-1,433.5	-422.6	-77.1	-80.5	-2,083.7	-729.1
Other operating result	-44.1	-92.2	-621.9	-454.8	-1,086.9	-88.7	-1,752.9	-635.6
Levies on banking activities	-29.8	-29.8	-125.7	-107.6	-100.8	-98.8	-256.3	-236.2
Pre-tax result from continuing operations	**545.1**	**927.8**	**-41.8**	**923.7**	**-1,231.0**	**-212.4**	**-727.7**	**1,639.1**
Taxes on income	-173.0	-216.4	-151.8	-184.0	-196.6	36.4	-521.5	-363.9
Net result for the period	**372.1**	**711.4**	**-193.7**	**739.7**	**-1,427.6**	**-176.0**	**-1,249.2**	**1,275.1**
Net result attributable to non-controlling interests	170.2	278.7	-20.4	-1.0	-16.4	29.3	133.4	307.0
Net result attributable to owners of the parent	**201.9**	**432.7**	**-173.3**	**740.8**	**-1,411.2**	**-205.3**	**-1,382.6**	**968.2**
Operating income	3,020.7	3,113.0	3,667.3	3,480.7	189.9	178.1	6,877.9	6,771.8
Operating expenses	-1,886.1	-1,932.1	-1,658.2	-1,693.8	-242.9	-243.0	-3,787.3	-3,868.9
Operating result	**1,134.6**	**1,180.9**	**2,009.1**	**1,786.9**	**-53.0**	**-64.9**	**3,090.7**	**2,902.9**
Risk-weighted assets (credit risk, eop)	51,294	48,769	32,565	33,301	3,245	2,627	87,105	84,698
Average allocated capital	4,540	4,186	4,036	3,886	5,856	6,155	14,431	14,226
Cost/income ratio	62.4%	62.1%	45.2%	48.7%	>100%	>100%	55.1%	57.1%
Return on allocated capital	8.2%	17.0%	-4.8%	19.0%	-24.4%	-2.9%	-8.7%	9.0%
Total assets (eop)	131,916	131,151	75,181	79,266	-10,810	-10,674	196,287	199,743
Total liabilities excluding equity (eop)	108,069	106,655	67,132	70,588	7,643	7,693	182,844	184,936
Impairments and risk provisions	**-668.8**	**-325.6**	**-1,532.1**	**-486.3**	**-1,005.4**	**-39.6**	**-3,206.2**	**-851.5**
Net impairment loss on loans and receivables from credit institutions and customers	-581.1	-206.9	-1,432.7	-422.4	-31.1	-37.2	-2,044.9	-666.5
Net impairment loss on other financial assets not measured at fair value through profit and loss	8.0	-19.1	-0.7	-0.2	-46.0	-43.3	-38.8	-62.6
Allocation/release of provisions for contingent credit risk liabilities	-42.1	-82.2	-5.9	-33.5	31.8	52.7	-16.2	-63.0
Impairments from Goodwills	0.0	0.0	0.0	0.0	-475.0	0.0	-475.0	0.0
Net impairment loss on other non financial assets	-53.6	-17.5	-92.7	-30.1	-485.1	-11.8	-631.4	-59.4

Geographical area - Austria

in EUR million	EBOe & Subsidiaries 1-12 14	EBOe & Subsidiaries 1-12 15	Savings Banks 1-12 14	Savings Banks 1-12 15	Other Austria 1-12 14	Other Austria 1-12 15	Austria 1-12 14	Austria 1-12 15
Net interest income	613.5	638.2	891.8	926.4	395.4	407.1	1,900.7	1,971.7
Net fee and commission income	354.9	370.8	419.3	439.3	174.0	187.2	948.2	997.3
Dividend income	22.0	9.4	24.7	23.1	7.9	2.7	54.6	35.2
Net trading and fair value result	8.7	-0.6	1.1	3.1	3.1	4.1	13.0	6.6
Net result from equity method investments	2.1	1.4	0.0	0.0	0.7	0.5	2.7	1.9
Rental income from investment properties & other operating leases	19.2	19.4	42.0	40.0	40.4	40.8	101.5	100.3
General administrative expenses	-630.7	-640.3	-932.1	-966.0	-323.3	-325.9	-1,886.1	-1,932.1
thereof depreciation and amortization	-38.2	-40.7	-75.9	-76.3	-36.3	-37.1	-150.5	-154.1
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	-0.4	0.1	27.7	45.8	0.4	19.2	27.7	65.0
Net impairment loss on financial assets not measured at fair value through profit or loss	-104.5	-59.0	-199.4	-83.6	-269.2	-83.3	-573.1	-225.9
Other operating result	6.7	-25.6	-43.1	-39.5	-7.6	-27.1	-44.1	-92.2
Levies on banking activities	-13.8	-14.9	-15.9	-15.0	0.0	0.0	-29.8	-29.8
Pre-tax result from continuing operations	**291.4**	**313.8**	**232.0**	**388.7**	**21.7**	**225.3**	**545.1**	**927.8**
Taxes on income	-65.1	-73.5	-54.7	-89.4	-53.2	-53.5	-173.0	-216.4
Net result for the period	**226.3**	**240.3**	**177.3**	**299.4**	**-31.5**	**171.8**	**372.1**	**711.4**
Net result attributable to non-controlling interests	11.8	10.1	158.9	259.1	-0.5	9.5	170.2	278.7
Net result attributable to owners of the parent	**214.5**	**230.2**	**18.4**	**40.2**	**-31.0**	**162.3**	**201.9**	**432.7**
Operating income	1,020.3	1,038.6	1,379.0	1,432.0	621.5	642.4	3,020.7	3,113.0
Operating expenses	-630.7	-640.3	-932.1	-966.0	-323.3	-325.9	-1,886.1	-1,932.1
Operating result	**389.6**	**398.4**	**446.9**	**466.0**	**298.1**	**316.5**	**1,134.6**	**1,180.9**
Risk-weighted assets (credit risk, eop)	12,589	12,482	22,511	21,955	16,194	14,332	51,294	48,769
Average allocated capital	1,088	1,073	1,968	1,774	1,484	1,339	4,540	4,186
Cost/income ratio	61.8%	61.6%	67.6%	67.5%	52.0%	50.7%	62.4%	62.1%
Return on allocated capital	20.8%	22.4%	9.0%	16.9%	-2.1%	12.8%	8.2%	17.0%
Total assets (eop)	43,106	40,560	56,704	57,953	32,106	32,638	131,916	131,151
Total liabilities excluding equity (eop)	40,728	38,821	52,684	53,835	14,657	13,999	108,069	106,655
Impairments and risk provisions	**-106.7**	**-76.6**	**-221.3**	**-86.9**	**-340.7**	**-162.1**	**-668.8**	**-325.6**
Net impairment loss on loans and receivables from credit institutions and customers	-106.3	-49.6	-193.6	-73.9	-281.1	-83.4	-581.1	-206.9
Net impairment loss on other financial assets not measured at fair value through profit and loss	1.9	-9.4	-5.8	-9.7	11.9	0.1	8.0	-19.1
Allocation/release of provisions for contingent credit risk liabilities	-0.9	-11.7	-18.3	-1.7	-22.9	-68.9	-42.1	-82.2
Impairments from Goodwills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non financial assets	-1.4	-5.9	-3.6	-1.6	-48.6	-9.9	-53.6	-17.5

Geographical area - Central and Eastern Europe

in EUR million	Czech Republic		Romania		Slovakia		Hungary		Croatia		Serbia		Central and Eastern Europe	
	1-12 14	1-12 15	1-12 14 restated	1-12 15	1-12 14	1-12 15	1-12 14	1-12 15	1-12 14	1-12 15	1-12 14	1-12 15	1-12 14 restated	1-12 15
Net interest income	924.0	911.2	484.7	428.7	451.0	457.5	263.4	194.4	261.2	268.3	34.4	40.8	2,418.8	2,301.0
Net fee and commission income	410.6	375.8	160.0	163.2	123.4	121.4	139.3	137.5	79.9	84.8	13.4	12.6	926.6	895.3
Dividend income	1.8	2.5	0.6	1.3	0.7	0.9	0.1	0.2	0.2	0.2	0.0	0.0	3.4	5.0
Net trading and fair value result	83.1	103.5	81.2	69.4	9.6	8.8	38.8	-0.5	24.1	15.9	2.9	3.2	239.6	200.2
Net result from equity method investments	0.0	0.0	0.2	0.6	6.9	9.1	0.0	0.0	2.2	2.6	-0.2	0.2	9.2	12.5
Rental income from investment properties & other operating leases	29.9	26.8	5.5	9.1	1.8	1.9	0.8	0.9	31.7	27.6	0.0	0.3	69.7	66.6
General administrative expenses	-662.2	-681.2	-331.9	-340.5	-266.2	-266.1	-175.8	-179.9	-183.5	-187.0	-38.6	-39.0	-1,658.2	-1,693.8
thereof depreciation and amortization	-82.5	-78.9	-39.5	-38.6	-45.1	-44.6	-19.8	-20.7	-33.9	-31.5	-2.3	-2.2	-223.2	-216.5
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	5.3	16.5	-0.1	1.1	1.3	0.9	-3.6	-4.7	1.5	0.4	0.0	0.0	4.5	14.2
Net impairment loss on financial assets not measured at fair value through profit or loss	-135.4	-97.1	-923.5	16.4	-51.4	-58.0	-152.2	-105.8	-155.3	-167.3	-15.7	-10.8	-1,433.5	-422.6
Other operating result	-21.9	-37.3	-117.1	-141.2	-44.2	-33.4	-431.3	-106.9	-6.0	-135.4	-1.3	-0.6	-621.9	-454.8
Levies on banking activities	0.0	0.0	0.0	0.0	-31.5	-23.6	-94.2	-84.0	0.0	0.0	0.0	0.0	-125.7	-107.6
Pre-tax result from continuing operations	**635.1**	**620.7**	**-640.4**	**208.1**	**233.0**	**243.0**	**-320.6**	**-64.8**	**56.2**	**-90.0**	**-5.1**	**6.7**	**-41.8**	**923.7**
Taxes on income	-124.1	-124.9	47.7	-17.1	-54.2	-58.5	-10.0	-7.8	-8.9	24.6	-2.3	-0.1	-151.8	-184.0
Net result for the period	**511.1**	**495.8**	**-592.8**	**191.0**	**178.7**	**184.5**	**-330.6**	**-72.6**	**47.3**	**-65.4**	**-7.3**	**6.5**	**-193.7**	**739.7**
Net result attributable to non-controlling interests	4.9	5.3	-38.0	12.3	0.0	0.0	0.0	0.0	14.7	-19.9	-1.9	1.2	-20.4	-1.0
Net result attributable to owners of the parent	**506.2**	**490.6**	**-554.7**	**178.7**	**178.7**	**184.4**	**-330.6**	**-72.6**	**32.6**	**-45.5**	**-5.4**	**5.3**	**-173.3**	**740.8**
Operating income	1,449.4	1,419.9	732.2	672.2	593.5	599.6	442.3	332.5	399.3	399.3	50.5	57.1	3,667.3	3,480.7
Operating expenses	-662.2	-681.2	-331.9	-340.5	-266.2	-266.1	-175.8	-179.9	-183.5	-187.0	-38.6	-39.0	-1,658.2	-1,693.8
Operating result	**787.1**	**738.7**	**400.3**	**331.7**	**327.3**	**333.5**	**266.5**	**152.6**	**215.9**	**212.3**	**11.9**	**18.1**	**2,009.1**	**1,786.9**
Risk-weighted assets (credit risk, eop)	13,745	14,406	5,676	5,489	4,416	4,905	3,409	3,328	4,664	4,369	655	803	32,565	33,301
Average allocated capital	1,429	1,438	1,089	932	512	543	490	430	443	461	72	82	4,036	3,886
Cost/income ratio	45.7%	48.0%	45.3%	50.7%	44.9%	44.4%	39.7%	54.1%	45.9%	46.8%	76.4%	68.4%	45.2%	48.7%
Return on allocated capital	35.8%	34.5%	-54.4%	20.5%	34.9%	34.0%	-67.5%	-16.9%	10.7%	-14.2%	-10.2%	7.9%	-4.8%	19.0%
Total assets (eop)	32,546	35,512	13,747	13,784	12,965	13,978	5,981	6,090	9,114	8,902	829	1,000	75,181	79,266
Total liabilities excluding equity (eop)	28,798	31,211	12,652	12,486	11,483	12,441	5,419	5,582	8,073	8,002	708	867	67,132	70,588
Impairments and risk provisions	**-128.1**	**-116.9**	**-1,007.7**	**0.3**	**-60.8**	**-54.9**	**-161.3**	**-127.7**	**-157.4**	**-176.0**	**-16.8**	**-11.1**	**-1,532.1**	**-486.3**
Net impairment loss on loans and receivables from credit institutions and customers	-135.5	-97.1	-923.5	16.7	-51.4	-58.1	-152.2	-105.8	-154.4	-167.3	-15.7	-10.8	-1,432.7	-422.4
Net impairment loss on other financial assets not measured at fair value through profit and loss	0.1	0.1	0.0	-0.3	0.0	0.0	0.0	0.0	-0.9	0.0	0.0	0.0	-0.7	-0.2
Allocation/release of provisions for contingent credit risk liabilities	3.6	-6.1	-4.0	-6.5	-6.0	3.0	1.3	-19.1	-0.3	-4.8	-0.5	0.0	-5.9	-33.5
Impairments from Goodwills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non financial assets	3.7	-13.8	-80.2	-9.6	-3.5	0.2	-10.4	-2.8	-1.8	-3.8	-0.6	-0.2	-92.7	-30.1

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

Assets and liabilities not denominated in EUR were as follows:

in EUR million	Dec 14	Dec 15
Assets	65,673	68,004
Liabilities	51,031	54,294

The assets and liabilities outside Austria are given below:

in EUR million	Dec 14	Dec 15
Assets	111,167	112,229
Liabilities	85,786	81,713

Return on assets: Return on assets (net profit for the year divided by average total assets) was 0.16% at 31 December 2015 (-0.16% in 31 December 2014 restated).

39. Leases

Finance leases

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

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

in EUR million	Dec 14	Dec 15
Outstanding minimum lease payments	3,530	3,568
Non-guaranteed residual values	824	751
Gross investment	**4,354**	**4,319**
Unrealised financial income	514	441
Net investment	**3,840**	**3,877**
Present value of non-guaranteed residual values	721	701
Present value of minimum lease payments	**3,119**	**3,176**

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

	Gross investment		Present value of non-guaranteed residual values	
in EUR million	Dec 14	Dec 15	Dec 14	Dec 15
< 1 year	703	702	541	545
1 -5 years	1,887	2,093	1,485	1,612
> 5 years	1,764	1,524	1,093	1,019
Total	**4,354**	**4,319**	**3,119**	**3,176**

In the reporting period, the total amount of accumulated allowance for uncollectable minimum lease payments, presented as risk provisions for loans and advances, was EUR 124 million (2014: EUR 191 million). The total amount of contingent rents from finance leases recognised as income in the period was EUR 33 million (2014: EUR 28 million).

Operating leases

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

Operating leases from the view of Erste Group as lessor.

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

in EUR million	Dec 14	Dec 15
< 1 year	61	51
1 -5 years	151	141
> 5 years	43	32
Total	**255**	**224**

The total amount of contingent rents from operating leases recognised as income in the period was EUR 11 million (2014: EUR 9 million).

Operating leases from the view of Erste Group as lessee.

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

in EUR million	Dec 14	Dec 15
< 1 year	56	45
1 -5 years	126	78
> 5 years	73	27
Total	**254**	**150**

Lease payments from operating leases recognised as expense in the period amounted to EUR 84.9 million (2014: EUR 88.1 million).

40. Related-party transactions and principal shareholders

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

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

Principal shareholders

As of 31 December 2015, the foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (hereinafter referred to as the 'Privatstiftung') held together with its syndicate partners a total of 29.17% interest in Erste Group Bank AG and is controlling shareholder with 12.88% interest. 9.22% of the shares were held directly by the Privatstiftung. Indirect participation of the Privatstiftung was at 3.66% and is held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the Privatstiftung. 3.30% of the shares are directly held by Austrian savings banks, which act together with the Privatstiftung and are affiliated with Erste Group by virtue of the Haftungsverbund. 9.92% interest in Erste Group Bank AG was controlled by the Privatstiftung based on the syndication agreement with CaixaBank S.A. 3.8% belong to other syndicate partners.

In 2015 (for the financial year 2014), the Privatstiftung did not receive a dividend (2014: 12.9 million) on its stake in Erste Group Bank AG. The purpose of the Privatstiftung, to be achieved notably by way of the participating interest in Erste Group Bank AG, is to support social, scientific, cultural and charitable institutions as well as to generally promote the guiding principles of the savings bank philosophy. As of 31 December 2015, Franz Karl Prüller (chairman), Richard Wolf (vice chairman) and Bernhard Spalt were members of the Privatstiftung management board. The supervisory board of the Privatstiftung had eight members at the end of 2015, two of whom are also members of the supervisory board of Erste Group Bank AG.

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

As of 31 December 2015, Erste Group had in relation to the Privatstiftung liabilities of EUR 24.8 million (2014: EUR 262.6 million) and no loans and advances (2014: EUR 26.5 million). In addition, standard derivative transactions for hedging purposes were in place between Erste Group and the Privatstiftung as of the end of 2015, namely interest rate swaps with caps in the notional amount of EUR 278.0 million (2014: EUR 282.0 million). As of the end of 2015, the Privatstiftung held bonds issued by Erste Group Bank AG in the amount of EUR 9.8 million (2014: EUR 0.2 million), and Erste Group held debt securities issued by the Privatstiftung in the amount of EUR 2.9 million (2014: EUR 3.7 million).

In 2015, the interest income of Erste Group for the reporting period amounted to EUR 12.2 million (2014: EUR 12.5 million) while the interest expenses amounted to EUR 8.0 million (2014: EUR 8.6 million), resulting from the mentioned loans and advances and liabilities as well as derivative transactions and debt securities.

As of 31 December 2015 CaixaBank S.A., which is based in Barcelona, Spain, held a total of 42,634,248 (2014: 42,634,248) Erste Group Bank AG shares, equivalent to 9.92% (2014: 9.92%) of the share capital of Erste Group Bank AG. During the annual general meeting held on May 12, 2015, Mr. Antonio Massanell Lavilla (deputy chairman of CaixaBank S.A.) as well as Mr. Gonzalo Gortázar Rotaeche (CEO of CaixaBank S.A.) were elected to become members of the supervisory board of Erste Group Bank AG. Both were elected for a five year term until the annual general meeting in 2020.

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

In 2015 (for the financial year 2014), CaixaBank S.A. received no dividend based on its stake in Erste Group Bank AG.

Balances and off-balance exposures with related parties

	Dec 14		Dec 15	
in EUR million	Investments in subsidaries - not consolidated	Investments in associates and Investments in joint ventures	Investments in subsidaries - not consolidated	Investments in associates and Investments in joint ventures
Selected financial assets	**459**	**609**	**293**	**538**
Equity instruments	128	11	31	8
Debt securities	0	40	0	37
Loans and advances	330	559	262	493
Loans and advances with credit institutions	32	98	26	117
Loans and advances with customers	298	461	235	376
of which: Impaired selected assets	9	0	3	0
Selected financial liabilities	**42**	**98**	**46**	**102**
Deposits	42	98	46	102
Deposits from banks	1	7	0	7
Deposits from customers	41	91	46	95
Debt securities issued	0	-	-	-
Loan commitments, financial guarantees and other commitments given [notional amount]	134	186	55	184
of which: defaulted	1	7	2	-
Loan commitments, financial guarantees and other commitments received	-	-	0	2
Derivatives [notional amount]	50	-	17	-
Allowances and provisions for impaired debt instruments, defaulted guarantees and defaulted commitments	**10**	**3**	**9**	**3**

Expenses/Income generated by transactions with related parties

	Dec 14		Dec 15	
in EUR million	Investments in subsidaries - not consolidated	Investments in associates and Investments in joint ventures	Investments in subsidaries - not consolidated	Investments in associates and Investments in joint ventures
Interest Income	8	10	6	9
Fee and commission income	-	7	0	1
Dividend income	7	26	3	12
Realised gains on financial assets and liabilities not measured at fair value through profit or loss	-	0	-	-
Gains on derecognition of non-financial assets	-	-	-	-
Interest expenses	-	- 1	-	-
Fee and commission expenses	-	- 0	-	- 1
Realised losses on financial assets and liabilities not measured at fair value through profit or loss	-	- 0	-	-
Losses on derecognition of non-financial assets	-	-	- 1	-
Increase during the period in impairment and provisions for impaired debt instruments, defaulted guarantees and defaulted commitments	- 3	- 3	- 11	- 1
Decrease during the period in impairment and provisions for impaired debt instruments, defaulted guarantees and defaulted commitments	2	0	29	1

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

Remuneration of management and supervisory board members

The remuneration paid to the management board in 2015 is as follows:

Fixed salaries

in EUR thousand	1-12 14	1-12 15
Andreas Treichl	1,334	1,335
Peter Bosek (starting with 1 January 2015)	0	633
Petr Brávek (starting with 1 April 2015)	0	495
Andreas Gottschling	633	633
Gernot Mittendorfer	633	633
Jozef Síkela (starting with 1 January 2015)	0	633
Franz Hochstrasser (until 31 December 2014)	792	0
Hebert Juranek (until 31 December 2014)	667	0
Total	**4,059**	**4,362**

Peter Bosek was in 2015 board member of Holding as well as of Erste Bank Oesterreich, the expenses were attributed to both companies by 50%.

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

In 2015, performance-linked remuneration and share-equivalents were paid out or vested for previous financial years.

Performance-linked remuneration

	1-12 14				1-12 15			
	for 2013		for previous years		for 2014		for previous years	
	cash	share-equivalents	cash	share-equivalents	cash	share-equivalents	cash	share-equivalents
	in EUR thousand	in units	in EUR thousand	in units	in EUR thousand	in units	in EUR thousand	in units
Andreas Treichl	225	10,881	122	5,502	0	0	157	6,953
Peter Bosek (starting with 1 January 2015)	0	0	0	0	0	0	0	0
Petr Brávek (starting with 1 April 2015)	0	0	0	0	0	0	0	0
Andreas Gottschling	30	1,285	0	0	0	0	4	168
Gernot Mittendorfer	69	3,145	17	1,005	0	0	27	1,424
Jozef Síkela (starting with 1 January 2015)	0	0	0	0	0	0	0	0
Franz Hochstrasser (until 31 December 2014)	167	6,918	71	3,083	0	0	0	0
Hebert Juranek (until 31 December 2014)	56	2,365	33	1,498	0	0	0	0
Total	**548**	**24,594**	**243**	**11,088**	**0**	**0**	**188**	**8,545**

Share-equivalents were valued at the average weighted daily share price of Erste Group Bank AG of the year 2015 in the amount of EUR 25.13 per share.

No performance-linked remuneration was awarded to members of the management board for the financial years 2014 and 2011.

Long-Term Incentive-Programme

Currently, one long-term incentive programme (LTI), which is based on changes in the share price of Erste Group Bank AG versus a group of peers and the Dow Jones Euro Stoxx Banks, is still active. It was started on 1 January 2010 but did not result in any payment in 2015.

Other remuneration

in EUR thousand	1-12 14	1-12 15
Andreas Treichl	498	1,454
Peter Bosek (starting with 1 January 2015)	0	84
Petr Brávek (starting with 1 April 2015)	0	64
Andreas Gottschling	76	157
Gernot Mittendorfer	88	86
Jozef Síkela (starting with 1 January 2015)	0	82
Franz Hochstrasser (until 31 December 2014)	260	0
Hebert Juranek (until 31 December 2014)	92	0
Total	**1,015**	**1,928**

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

The remuneration of the members of the management board represented 0.3% (2014: 0.3%) of the total personnel expenses of Erste Group.

In 2015, EUR 3.1 million (2014: EUR 2.1 million) was paid in cash and 8,390 share-equivalents (2014: 2,572) were assigned to former members of the management bodies and their dependents.

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

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

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

Breakdown of supervisory board remuneration

in EUR thousand	1-12 14	1-12 15
Supervisory board compensation	537	580
Meeting fees	233	265
Total	**770**	**845**

In 2015, the members of the supervisory board of Erste Group Bank AG were paid EUR 845 thousand (2014: EUR 770 thousand) for their board function. The following members of the supervisory board received the following remuneration for their board function in fully consolidated subsidiaries of Erste Group Bank AG: Friedrich Rödler EUR 38,750.00, Jan Homan EUR 12,600.00, Gunter Griss EUR 52,000.00, Maximilian Hardegg EUR 39,945.00, Brian D. O'Neill EUR 33,250.00, John James Stack EUR 53,260.00, Georg Winckler EUR 11,750.00.

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

Pursuant to the decision at the annual general meeting of 12 May 2015, the supervisory board adopted in its constituent meeting the following remuneration structure for the financial year 2014:

in EUR	Number	Allowance per person	Total allowance
President	1	100	100,000
Vice Presidents	2	75	150,000
Members	8	50	400,000
Total	**11**		**650,000**

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

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

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

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

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

41. Collaterals

The following assets were pledged as collateral for liabilities:

in EUR million	Dec 14	Dec 15
Loans and advances to credit institutions	199	61
Loans and advances to customers	16,943	18,983
Trading assets	25	93
Financial assets - at fair value through profit or loss	12	0
Financial assets - available for sale	1,713	1,721
Financial assets - held to maturity	2,723	1,237
Total	**21,614**	**22,095**

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

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

The fair value of collaterals received which may be repledged or resold even without default of the owner of the collateral was EUR 3,506 million (2014: EUR 2,993 million). Prior year figure was adjusted. Collaterals with fair value of EUR 114 million (2014: EUR 180 million) were resold. Collaterals with fair value of EUR 130 million (2014: EUR 32) were repledged. The bank is obliged to return the resold and repledged collaterals.

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

in EUR million	Dec 14 Carrying amount of transferred assets	Dec 14 Carrying amount of associated liabilities	Dec 15 Carrying amount of transferred assets	Dec 15 Carrying amount of associated liabilities
Repurchase agreements				
Loans and advances to credit institutions	0	0	0	0
Loans and advances to customers	0	0	0	0
Trading assets	5	5	74	69
Financial assets - at fair value through profit or loss	0	0	0	0
Financial assets - available for sale	1,285	1,025	1,164	995
Financial assets - held to maturity	424	434	397	480
Total - repurchase agreements	**1,714**	**1,464**	**1,636**	**1,544**
Securities lendings				
Loans and advances to credit institutions	0	0	0	0
Loans and advances to customers	0	0	0	0
Trading assets	4	0	0	0
Financial assets - at fair value through profit or loss	0	0	0	0
Financial assets - available for sale	179	0	16	0
Financial assets - held to maturity	0	0	0	0
Total - securities lendings	**182**	**0**	**16**	**0**
Total	**1,896**	**1,464**	**1,652**	**1,544**

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

The total amount of EUR 1,652 Mio (2014: EUR 1,896 Mio) equals the carrying amount of financial assets disclosed in the respective balance sheet positions for which the transferee has a right to sell or repledge.

Liabilities from repo transaction in the amount of EUR 1,544 Mio (2014: 1,464 Mio), which are measured at amortised cost, represent an obligation to repay the borrowed funds.

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

in EUR million	Dec 14 Fair value of transferred assets	Dec 14 Fair value of associated liabilities	Dec 14 Net position	Dec 15 Fair value of transferred assets	Dec 15 Fair value of associated liabilities	Dec 15 Net position
Loans and advances to credit institutions	0	0	0	0	0	0
Loans and advances to customers	0	0	0	0	0	0
Trading assets	5	5	0	74	69	5
Financial assets - at fair value through profit or loss	0	0	0	0	0	0
Financial assets - available for sale	1,305	955	350	1,164	995	170
Financial assets - held to maturity	479	434	45	497	480	17
Total	**1,789**	**1,394**	**394**	**1,735**	**1,544**	**191**

43. Offsetting of financial instruments

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

Financial assets subject to offsetting and potential offsetting agreements

2015				Potential effects of netting agreements not qualifying for balance sheet offsetting			
in EUR million	Financial assets (gross)	Amounts offset (gross)	Financial assets in balance sheet (net)	Financial instruments	Cash collateral received	Non-cash financial collateral received	Net amount after potential offsetting
Derivatives	7,950	-456	7,494	3,057	1,497	35	2,906
Reverse repurchase agreements	1,966	0	1,966	0	0	1,676	291
Total	**9,916**	**-456**	**9,461**	**3,057**	**1,497**	**1,711**	**3,196**

Financial liabilities subject to offsetting and potential offsetting agreements

2015				Potential effects of netting agreements not qualifying for balance sheet offsetting			
in EUR million	Financial liabilities (gross)	Amounts offset (gross)	Financial liabilities in balance sheet (net)	Financial instruments	Cash collateral provided	Non-cash financial collateral provided	Net amount after potential offsetting
Derivatives	6,497	-471	6,026	3,057	300	23	2,647
Repurchase agreements	1,685	0	1,685	0	0	1,645	39
Total	**8,182**	**-471**	**7,711**	**3,057**	**300**	**1,668**	**2,686**

Financial assets subject to offsetting and potential offsetting agreements

2014				Potential effects of netting agreements not qualifying for balance sheet offsetting			
in EUR million	Financial assets (gross)	Amounts offset (gross)	Financial assets in balance sheet (net)	Financial instruments	Cash collateral received	Non-cash financial collateral received	Net amount after potential offsetting
Derivatives	10,045	0	10,045	5,655	2,378	0	2,012
Reverse repurchase agreements	1,435	0	1,435	0	0	1,074	360
Total	**11,480**	**0**	**11,480**	**5,655**	**2,378**	**1,074**	**2,373**

Financial liabilities subject to offsetting and potential offsetting agreements

2014				Potential effects of netting agreements not qualifying for balance sheet offsetting			
in EUR million	Financial liabilities (gross)	Amounts offset (gross)	Financial liabilities in balance sheet (net)	Financial instruments	Cash collateral provided	Non-cash financial collateral provided	Net amount after potential offsetting
Derivatives	7,914	0	7,914	5,655	605	0	1,655
Repurchase agreements	1,464	0	1,464	0	0	1,431	33
Total	**9,379**	**0**	**9,379**	**5,655**	**605**	**1,431**	**1,688**

Since the second quarter of 2015, Erste Group undertakes a part of interest rate derivative transactions via a London Clearing House. Consequently, those derivatives are shown net of the respective cash collaterals in the balance sheet in accordance with the criteria described in chapter 'B. Significant accounting policies'. The impact of offsetting is shown in the column 'Amounts offset'.

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

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

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

44. Risk management

44.1 Risk policy and strategy

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

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

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

In 2015, the management focus was concentrated on critical portfolios, including active management and sales of non-performing exposures, and further strengthening of the risk profile. This has been particularly demonstrated by the continuous increase of the performing portfolio and decrease of non-performing loans and risk costs for several quarters. Management actions resulted in improved profitability, asset quality, lending and capital levels. In addition, like last year, emphasis was put on strengthening risk governance and ensuring compliance with regulatory requirements.

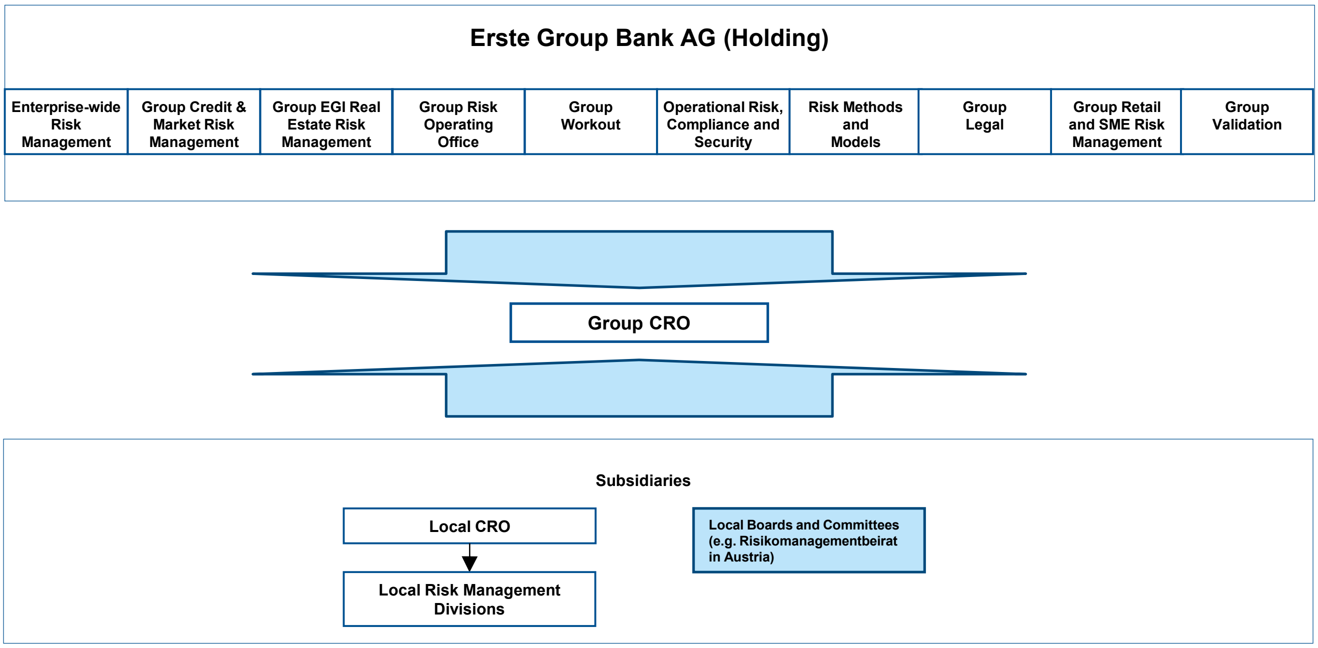
Erste Group Bank AG uses the Internet as the medium for publishing disclosures of Erste Group under Article 434 of the Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation - CRR). Details are available on the website of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

44.2 Risk management organisation

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

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

Risk management organisation



Overview of risk management structure

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

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

At group level, the management board is supported by several divisions established to perform operating risk control functions and exercise strategic risk management responsibilities. The following risk management functions report directly to the Group CRO:

- Enterprise-wide Risk Management
- Group Credit & Market Risk Management
- Group EGI Real Estate Risk Management
- Group Risk Operating Office
- Group Workout
- Operational Risk, Compliance and Security
- Risk Methods and Models
- Group Legal
- Group Retail and SME Risk Management
- Group Validation
- Local Chief Risk Officers

Enterprise-wide Risk Management

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

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

Group Credit & Market Risk Management

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

Group Corporate Analysis performs corporate analyses for Erste Group Bank AG and Erste Group Immorent (EGI) and is responsible for the Group financial analysis tool SABINE. Credit Underwriting Corporates is responsible for the group-wide underwriting of credit risks associated with major corporate customers and for the management of credit applications and training activities. It is the first-line risk management unit for all corporate business booked in Erste Group Bank AG and the second-line risk management unit for corporate business booked in Erste Group's subsidiaries and the "Haftungsverbund". Corporate Portfolio Monitoring & Management is responsible for corporate risk policies and procedures along with the credit process and the operative monitoring of credit risk (counterparty & country limit management, credit monitoring and early warning signal monitoring). Credit Underwriting Financial Institutions & Sovereigns is responsible for ratings, analysis, the operational credit risk management (risk assessment, approval of transactions and limits, policies, watch lists and early warning systems) and the workout activities related to financial institutions (banks, insurance companies and funds), regional governments, sovereigns, and structured products. Market Risk Control & Infrastructure is responsible for the group-wide risk and limit monitoring of all trading book positions, the end-of-day market data process that ensures validated market data for the valuation of all capital market products, independent price verification, the market conformity check of new trades, and the maintenance and support of all tools used by Market Risk Management.

Group EGI Real Estate Risk Management

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

Group Risk Operating Office

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

In detail, the covered business areas comprise the following units: Risk Data and Reporting, including Credit Risk Reporting and Market Risk Reporting, as well as Project Hub, Group Risk Regulatory Management and the Group Risk Administration Office. Risk Data and Reporting provides credit and market risk relevant data and reports for the CRO division, i.e. for internal, external and regulatory reporting purposes. In addition, the focus of the Group Risk Operating Office is on long-term infrastructure enhancements and proper project implementation which is managed by the Risk Project Hub. Group Risk Regulatory Management is a central information hub for regulatory issues within the CRO division; for upcoming legislation as well as existing legislation in the field of credit, operational, liquidity and market risk; for the facilitation of communication towards the supervisor; for providing regulatory interpretations; and for facilitating and supporting regulatory implementation initiatives and the monitoring and tracking of regulatory findings and their closure.

Group Workout

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

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

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

Operational Risk, Compliance and Security

Operational Risk, Compliance and Security is responsible for the management of operational risks, compliance risks and security issues. The business area comprises Group Operational Risk Management, Group Compliance and Group Security Management.

Group Operational Risk Management acts as the central and independent risk department for identification, measurement and steering of operational risk within Erste Group.

Compliance risks are those of legal or regulatory sanctions, material financial loss or loss of reputation that Erste Group might suffer as a result of failure to comply with laws, regulations, rules or standards. Core competencies in the handling of compliance risks are exercised by Group Compliance in the context of the Austrian Securities Supervision Act, the Austrian Stock Exchange Act and the Austrian Banking Act as well as the respective community law.

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

Risk Methods and Models

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

The Credit Risk Methods and Models unit, which is structured on the basis of competence centres, covers the topics of rating models, risk parameters and other credit risk methods.

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

Group Legal

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

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

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

- Group Retail Risk Policy and Collections,
- Group Retail Risk Analytics,
- Retail and SME Risk Control.

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

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

Group Retail and SME Risk Control is a new unit (since 2014) that was established to ensure further strengthening of the existing group-wide operative steering and oversight of the SME loan portfolio. This unit defines, implements and operates a reporting and portfolio quality review mechanism to provide actionable management information of underlying SME loan portfolio dynamics for both business and risk management.

Group Validation
The objective of Group Validation is to comply with regulatory requirements to perform validations (initial and annual) of all models and methodologies (internal or external vendor) for credit ratings, scorecards, and risk parameters as well as models and methodologies for derivatives and securities valuation, asset liability management (ALM), pricing and internal steering in Erste Group.

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

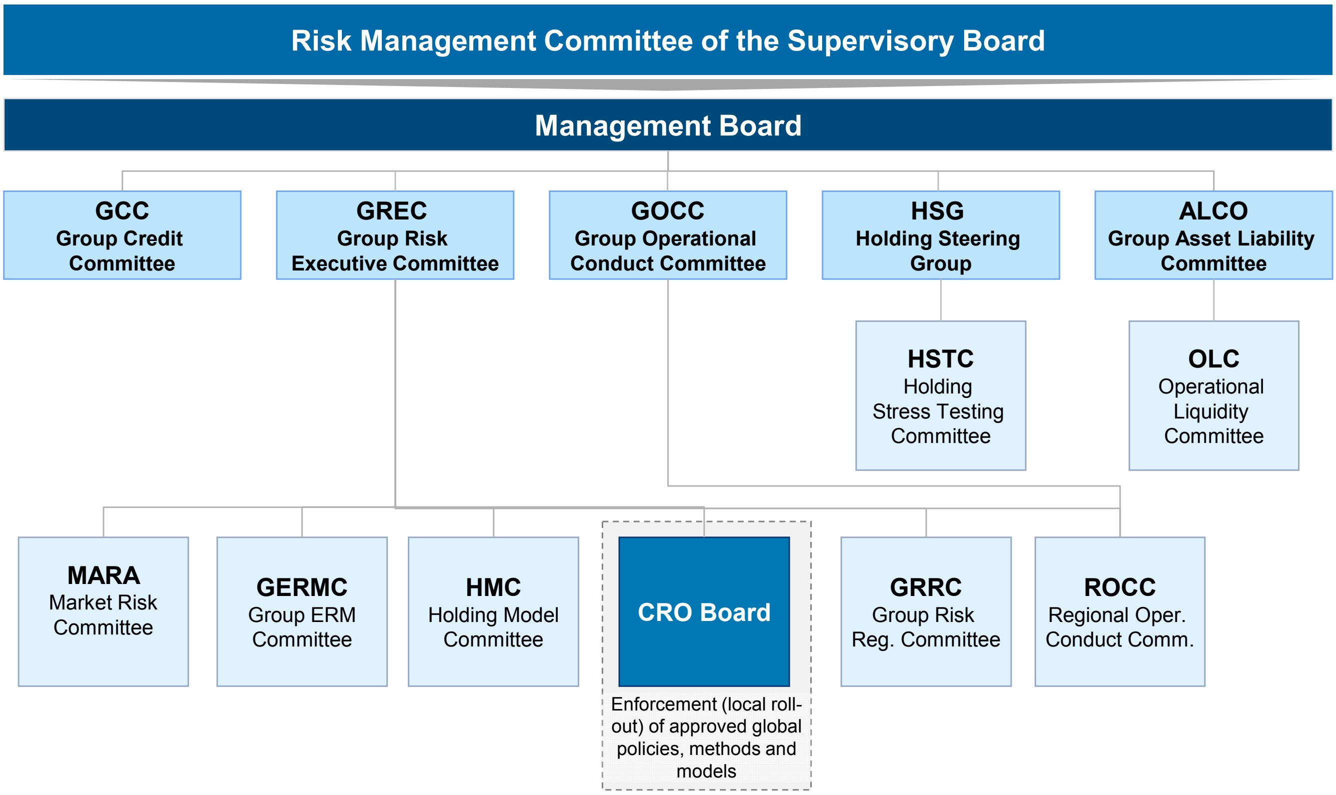
Group Market Risk, ALM and Pricing Model Validation is responsible for the independent review and validation of: (1) VaR-related Market Risk methods and models, (2) internal or external vendor software or models for Derivatives or Securities Valuation and related functionality, (3) ALM related models either internally or externally developed as well as all ALM acquired software and (4) stress testing, back-testing and other methodologies for scenario analysis.

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

Local Chief Risk Officers
In addition to the risk management activities performed by Erste Group Bank AG in its role as the holding company, each subsidiary also has risk control and management units, the responsibilities of which are tailored to the local requirements and which are headed by the respective entity's chief risk officer.

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

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



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

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

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

The **Group Credit Committee** (GCC) is responsible for deciding on transactions according to the current credit risk approval regulations. The GCC decides on credit risk exposures totalling up to EUR 300 million per group of connected clients. Exposures in excess of EUR 300 million must be decided upon by the Risk Management Committee on the basis of a recommendation by the Group Credit Committee. The GCC is headed by the Group CRO. Further members are the board member responsible for Corporates & Markets, the head of Group Credit & Market Risk Management, the head of Group Workout and the head of the requesting business line. Each local bank has its local credit committee established along the same principles.

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

The **Group Operational Conduct Committee** (GOCC) is an executive-level committee responsible for enforcement of the Code of Conduct and regulatory compliance as well as management of the Erste Group's operational and reputational risk profile. Moreover, it serves as an escalation and decision-making committee for the ROCC.

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

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

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

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

The **Market Risk Committee** (MARA) is the main steering body for market risk and trading book related issues of Erste Group. The Market Risk Committee meets quarterly, approves group-wide market risk limits and elaborates on the current market situation. The members of the MARA are the Group CRO, the board member heading the Group Corporates and Markets division and the Group Chief Financial Officer (CFO) as well as the heads of the units Group Capital Markets, Group ALM, Group Credit & Market Risk Management, Risk Methods and Models, Enterprise-wide Risk Management and Group Validation.

The **Group ERM Committee** (GERMC) is the sole forum for all joint decisions and acknowledgements in the Enterprise-wide Risk Management (ERM) area across all Erste Group entities and Erste Group Bank AG. Its purpose is the group-wide coordination of the ERM functions, in particular on ICAAP and economic capital, stress testing, RWA, risk appetite and limit steering, risk strategies and alignment of risk input for capital planning, liquidity and market risk steering as well as pricing/provisioning. Furthermore, the GERMC ensures alignment on key ERM topics and the group-wide implementation of common ERM standards. Group Loan Loss Provisions Backtesting Committee (GLLPBC), as a subcommittee of GERMC, agrees and approves back-testing results and remedial actions.

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

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

The objective of the **Regional Operational Conduct Committee** (ROCC) is to decide on business applications based on the risk return evaluation, the implementation of group-wide corrective measures and risk mitigation actions to manage the Operational, Reputational, Compliance, Legal, Information and Communication Technology (ICT) and Security risks (collectively called non-financial risks). Furthermore, it defines group-wide standards for Non-Financial Risk topics. The ROCC is a forum for joint alignments, decisions, escalations and acknowledgements in the Non-Financial Risk areas across Erste Group entities and Erste Group Bank AG itself.In addition, committees are established at local level, such as the "Risikomanagementbeirat" in Austria. This implements a common risk approach with the Austrian savings banks.

44.3 Group-wide risk and capital management

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

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

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

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

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

Risk appetite

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

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

In 2015, the Group RAS framework was enhanced to (1) streamline core capital (common equity tier 1 ratio, solvency ratio, economic adequacy ratio, leverage ratio), liquidity (survival period analysis, liquidity coverage ratio, net stable funding ratio) and risk/earnings metrics (risk earnings ratio), (2) reinforce key risk principles that form part of guidelines for managing risks, (3) strengthen internal governance responsible for oversight of the risk profile development, (4) embed RAS into strategic planning and budgeting processes as well as day-to-day management, and (5) ensure timely management actions in case of adverse developments.

The Group sets its RAS on a forward-looking basis to foster risk-return steering and ensure proactive management of the risk profile. External constraints such as regulatory requirements form the ultimate boundary for the RAS and the amount of risk the Group is willing to accept. However, in order to avoid any breach of the regulatory requirements, the Group defines triggers (early warnings) and limits, which allow for appropriate lead time to enact effective countermeasures. A trigger (amber in RAS) describes a level or event that if breached requires an escalation to the designated governance and discussion of potential remediation actions. A limit (red in RAS) defines a level or event that if breached, requires an immediate escalation to the designated governance and immediate implementation of remediation actions.

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

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

The Group RAS is also broken down to local entities under consideration of the approved proportionality guidelines. The local RAS is approved by the management board to ensure alignment with Group RAS. The group may also decide to include further compulsory constraints and limits in the local RAS to ensure alignment with the Group RAS and Group Risk Strategy.

In 2015, core capital, liquidity and risk-earnings metrics were developed within the tolerances defined in the Group RAS. Consistent follow-up on the Group RAS and limits with management actions implemented as part of the regular risk management and decision-making processes resulted in an improved group risk profile.

Portfolio and risk analytics

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

Risk materiality assessment

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

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

Risk concentration analysis

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

The risk concentration analysis at Erste Group covers credit risk, market risk, operational risk, liquidity risk and inter-risk concentrations. Identified risk concentrations are considered in the scenario design of the comprehensive stress test and measured under stressed conditions.

The output of the risk concentration analysis additionally contributes to the identification of material risks within the risk materiality assessment as well as to the Risk Appetite Statement and to the setting/calibration of Erste Group's limit system.

Stress testing

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

Erste Group's most complex stress test is a scenario stress test that takes comprehensive account of the impact of various economic scenarios, including second-round effects on all risk types (credit, market, liquidity and operational) and in addition impacts on the associated volumes of assets and liabilities as well as on profit and loss sensitivities. In addition to the standard stress testing exercises, reverse stress tests are used to identify a scenario or a combination of scenarios in which viability of the current business model can be questioned.

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

Results from all of Erste Group's stress tests are assessed with regard to their explanatory power in order to decide on appropriate measures. Taking into account the progressive implementation of the capital requirements according to Basel III (phase-in CET1 ratio), all stress tests performed in the reporting period indicated sufficient capital adequacy.

Risk-bearing capacity calculation

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

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

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

Besides the Pillar 1 risk types (credit, market and operational risks), in the context of Pillar 2, interest rate risks in the banking book, foreign exchange risks arising from equity investments, credit spread risks in the banking book, risks from foreign currency loans as well as business and strategic risks are explicitly considered within the economic capital requirement via internal models. During 2015 the utilisation of the economic capital was between 58% and 64%. The methodologies that are applied for the different risk types are diverse and range from historic simulations and other value at risk approaches to the regulatory approach for residual portfolios. Moreover, calculations for portfolios under the standardised approach for credit risk are extended by risk parameters from the internal ratings-based approach in order to give a better economic view.

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

Credit risk accounts for approximately 70% of the total economic capital requirement. Reflecting Erste Group's conservative risk management policy and strategy, the group does not offset diversification effects between these three risk types. The economic capital requirement for unexpected losses is computed on a one-year time horizon with a 99.95% confidence level, which reflects the implied default risk consistent with a long-term credit rating of AA as well as Erste Group's conservative approach and high risk management standards.

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

Risk planning and forecasting

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

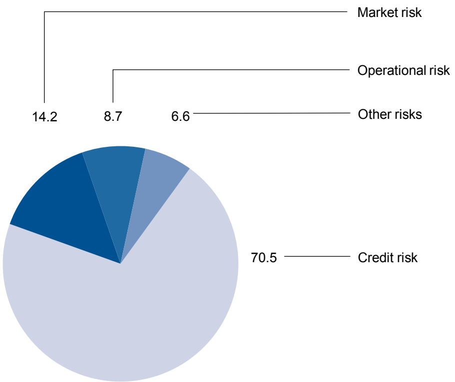
Risk-weighted asset management

As risk-weighted assets (RWA) determine the actual regulatory capital requirement of a bank and influence the capital ratio as a key performance indicator, particular emphasis is devoted to meeting targets and to the planning and forecasting capacity for this parameter. Insights from monthly RWA analyses are used to improve the calculation infrastructure and the quality of input parameters and data as well as the most efficient application of the Basel framework. There is a process in place for tracking compliance with RWA targets, forecasting their future development and thereby defining further targets. Deviations are brought to the attention of the board within a short time frame. In addition to discussions in Group ERM Committee (GERMC), the group's management board is regularly informed about the current status, and findings are taken into account in the context of Erste Group's regular steering process. Furthermore, RWA targets are included in the Risk Appetite Statement.

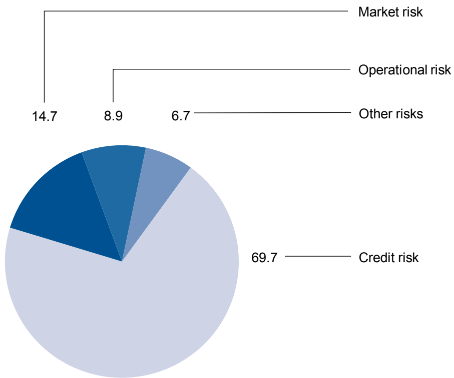
Capital allocation
An important task integral to the risk planning process is the allocation of capital to entities, business lines and segments. This is done with close cooperation between Risk Management and Controlling. All insights from the ICAAP and controlling processes are used to allocate capital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

Erste Group's aggregate capital requirement by risk type
The following diagrams present the composition of the economic capital requirement according to type of risk:

Economic capital allocation in %, 31.12.2014



Economic capital allocation in %, 31.12.2015



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

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

Based on the revised framework for the calculation and disclosure of the leverage ratio published by the Basel Committee on Banking Supervision (BCBS) in January 2014, the European Commission prepared a delegated regulation ((EU) 2015/62 of 10 October 2014), which was published in the Official Journal of the European Union on 17 January 2015. The revised requirements for calculation and disclosure of the leverage ratio within the European Union were implemented in Erste Group during the course of 2015.

Recovery and resolution plans
In compliance with the Austrian Banking Recovery and Resolution Law ("Bundesgesetz über die Sanierung und Abwicklung von Banken – BaSAG") in force since 1 January 2015, Erste Group has submitted an updated Group Recovery Plan to ECB in September 2015. The Group Recovery Plan identifies options for restoring financial strength and viability if Erste Group comes under severe economic stress. The plan specifies potential options for the replenishment of capital and liquidity resources of the bank in order to cope with a range of scenarios including both idiosyncratic and market-wide stress.

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

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

sibilities of Group Credit & Market Risk Management and Group EGI Real Estate Risk Management is covered in the section "Risk management organisation".

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

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

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

Internal rating system

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

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

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

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

Internal ratings take into account all available significant information for the assessment of counterparty default risk. For non-retail borrowers, internal ratings take into account the financial strength of the counterparty, the possibility of external support, flexibility in corporate financing, general company information and external credit history information, where available. For retail clients, internal ratings are based mainly on payment behaviour versus the bank and, where applicable, credit bureau information, supplemented with information provided by the respective client and general demographic information. Rating ceiling rules on credit quality are applied based on membership in a group of economically related entities and the country of main economic activity (applicable to cross-border financing facilities).

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

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

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

Risk grades and categories
The classification of credit assets into risk grades is based on Erste Group's internal ratings. Erste Group uses two internal risk scales for risk classification: for customers that have not defaulted, a risk scale of 8 risk grades (for private clients) and 13 risk grades (for all other segments) is used. Defaulted customers are classified into a separate risk grade.

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

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

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

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

Non-performing. One or more of the default criteria under Article 178 of the CRR are met: among others, full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings. As from 2015, Erste Group applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well. Furthermore, non-performing exposures also comprise non-performing forborne transactions even in cases where the client has not defaulted. Until 2014, the product view was used in the retail segment in some subsidiaries in CEE, so that only the product actually in default is counted as a non-performing exposure whereas the other products of the same customer are considered performing. This amendment had no significant impact for Erste Group.

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

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

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

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

Credit risk exposure

Credit risk exposure relates to the following balance sheet items:

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

The credit risk exposure comprises the gross carrying amount (or nominal value in the case of off-balance-sheet positions) without taking into account loan loss allowances, provisions for guarantees, any collateral held (including risk transfer to guarantors), netting effects, other credit enhancements or credit risk mitigating transactions. The credit risk exposure of Erste Group increased by 0.6% or EUR 1,267 million from EUR 210.9 billion as of 31 December 2014 to EUR 212.2 billion as of 31 December 2015.

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

in EUR million	Gross carrying amount	Allowances	Carrying amount
As of 31 December 2015			
Cash and cash balances – other demand deposits	2,228	0	2,228
Loans and receivables to credit institutions	4,819	14	4,805
Loans and receivables to customers	131,906	6,009	125,897
Financial assets - held to maturity	17,703	2	17,701
Financial assets - held for trading	3,163	0	3,163
Financial assets - at fair value through profit or loss	176	0	176
Financial assets - available for sale	19,307	0	19,307
Positive fair value of derivatives	7,494	0	7,494
Contingent liabilities	25,415	297	-
Total	**212,211**	**6,322**	**180,771**
As of 31 December 2014			
Cash and cash balances – other demand deposits	859	0	859
Loans and receivables to credit institutions	7,461	18	7,442
Loans and receivables to customers	128,325	7,491	120,834
Financial assets - held to maturity	16,879	2	16,877
Financial assets - held for trading	3,173	0	3,173
Financial assets - at fair value through profit or loss	139	0	139
Financial assets - available for sale	21,102	0	21,102
Positive fair value of derivatives	10,045	0	10,045
Contingent liabilities	22,963	241	-
Total	**210,944**	**7,752**	**180,471**

Concerning contingent liabilities the gross carrying amount refers to the nominal value, and allowances refer to provisions for guarantees. A carrying amount is not presented in the case of contingent liabilities.

Breakdown of credit risk exposure

The credit risk exposure is presented below divided into the following classes:

_ by Basel 3 exposure class and financial instrument,
_ by industry and financial instrument,
_ by risk category,
_ by industry and risk category,
_ by region and risk category,
_ by business segment and risk category, and
_ by geographical segment and risk category

Thereafter, a breakdown is presented of
_ contingent liabilities by region and risk category,
_ contingent liabilities by product,
_ credit risk exposure to sovereigns by region and financial instrument, and
_ credit risk exposure to institutions by region and financial instrument

This is followed by presentation of
_ non-performing credit risk exposure by business segment and credit risk provisions,
_ non-performing credit risk exposure by geographical segment and credit risk provisions,
_ the composition of allowances,
_ credit risk exposure, forbearance exposure and credit risk provisions,
_ the types of forbearance exposure, the development of forbearance exposure and credit risk provisions,
_ credit quality of forbearance exposure by geographical segments,
_ credit risk exposure by business segment and collateral,
_ credit risk exposure by geographical segment and collateral,
_ credit risk exposure by financial instrument and collateral, and
_ credit risk exposure past due and not covered by specific allowances by financial instruments and collateralisation

and a breakdown of
_ loans and receivables to customers by business segment and risk category,
_ loans and receivables to customers by geographical segment and risk category,
_ non-performing loans and receivables to customers by business segment and coverage by loan loss allowances and collateral,
_ non-performing loans and receivables to customers by geographical segment and coverage by loan loss allowances and collateral,
_ loans and receivables to customers by business segment and currency, and
_ loans and receivables to customers by geographical segment and currency.

Credit risk exposure by Basel 3 exposure class and financial instrument

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

				Debt securities						
	Cash and cash balances – other demand deposits	Loans and receivables to credit institutions	Loans and receivables to customers	Financial assets - held to maturity	Financial assets - held for trading	Financial assets - at fair value through profit or loss	Financial assets - available for sale	Positive fair value of derivatives	Contingent liabilities	Gross exposure
in EUR million		at amortised cost			at fair value					
As of 31 Dec 2015										
Sovereigns	11	1,271	7,414	16,479	2,393	13	14,998	338	1,231	44,147
Institutions	2,211	3,008	197	820	398	73	2,151	6,647	333	15,836
Corporates	6	540	58,727	405	373	91	2,158	508	17,738	80,546
Retail	0	0	65,569	0	0	0	0	1	6,113	71,682
Total	**2,228**	**4,819**	**131,906**	**17,703**	**3,163**	**176**	**19,307**	**7,494**	**25,415**	**212,211**
As of 31 Dec 2014										
Sovereigns	0	2,277	6,676	15,302	2,471	12	15,674	352	1,230	43,994
Institutions	848	5,164	78	1,041	391	79	2,983	9,040	366	19,989
Corporates	11	20	57,752	536	311	47	2,445	650	15,938	77,710
Retail	0	0	63,819	0	0	0	0	4	5,428	69,251
Total	**859**	**7,461**	**128,325**	**16,879**	**3,173**	**139**	**21,102**	**10,045**	**22,963**	**210,944**

Credit risk exposure by industry and financial instrument

in EUR million	Cash and cash balances – other demand deposits	Loans and receivables to credit institutions	Loans and receivables to customers	Financial assets - held to maturity	Financial assets - held for trading	Financial assets - at fair value through profit or loss	Financial assets - available for sale	Positive fair value of derivatives	Contingent liabilities	Gross exposure
				Debt securities						
		at amortised cost			at fair value					
As of 31 December 2015										
Agriculture and forestry	0	0	2,384	0	0	0	0	4	217	2,606
Mining	0	0	409	0	52	0	26	1	333	821
Manufacturing	0	0	9,607	30	6	0	218	78	4,179	14,120
Energy and water supply	0	0	3,339	0	13	0	87	90	782	4,311
Construction	0	0	6,329	153	14	0	308	10	3,148	9,961
Development of building projects	0	0	3,557	0	1	0	32	6	938	4,534
Trade	0	0	7,860	0	1	0	23	12	2,777	10,673
Transport and communication	0	0	3,621	206	98	0	1,066	43	1,751	6,785
Hotels and restaurants	0	0	3,678	7	0	0	2	6	452	4,144
Financial and insurance services	2,228	4,819	5,165	1,540	511	172	4,372	6,872	2,232	27,912
Holding companies	0	0	3,288	45	21	0	208	44	1,641	5,247
Real estate and housing	0	0	21,082	6	13	0	161	129	2,258	23,649
Services	0	0	5,728	40	29	0	163	35	1,438	7,433
Public administration	0	0	6,765	15,714	2,382	5	12,513	201	995	38,574
Education, health and art	0	0	2,635	0	0	0	2	11	377	3,026
Private households	0	0	53,251	0	0	0	0	1	4,184	57,436
Other	0	0	54	8	42	0	366	2	291	763
Total	**2,228**	**4,819**	**131,906**	**17,703**	**3,163**	**176**	**19,307**	**7,494**	**25,415**	**212,211**
As of 31 December 2014										
Agriculture and forestry	0	0	2,121	0	0	0	1	5	207	2,333
Mining	0	0	362	0	0	0	21	3	155	541
Manufacturing	0	0	9,322	31	55	0	156	97	4,086	13,747
Energy and water supply	0	0	3,148	37	19	0	54	112	781	4,152
Construction	0	0	6,208	242	8	0	373	8	2,933	9,772
Development of building projects	0	0	3,305	87	2	0	81	7	555	4,038
Trade	0	0	7,903	0	4	0	14	17	2,405	10,343
Transport and communication	0	0	3,539	222	121	0	733	30	943	5,587
Hotels and restaurants	0	0	3,642	8	0	0	2	11	469	4,131
Financial and insurance services	859	7,461	5,888	1,517	539	132	5,598	9,392	2,434	33,820
Holding companies	0	0	3,511	45	64	0	239	47	1,828	5,735
Real estate and housing	0	0	20,558	5	14	0	176	133	2,087	22,974
Services	0	0	4,895	37	56	0	146	34	1,293	6,461
Public administration	0	0	6,127	14,772	2,352	5	13,385	177	858	37,676
Education, health and art	0	0	2,623	0	0	0	1	15	310	2,948
Private households	0	0	51,807	0	0	0	0	4	3,377	55,187
Other	0	0	181	8	5	1	444	6	626	1,270
Total	**859**	**7,461**	**128,325**	**16,879**	**3,173**	**139**	**21,102**	**10,045**	**22,963**	**210,944**

Credit risk exposure by risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
Total exposure as of 31 Dec 2015	**181,644**	**18,091**	**2,663**	**9,813**	**212,211**
Share of credit risk exposure	85.6%	8.5%	1.3%	4.6%	
Total exposure as of 31 Dec 2014	**177,474**	**18,284**	**3,825**	**11,362**	**210,944**
Share of credit risk exposure	84.1%	8.7%	1.8%	5.4%	
Change in credit risk exposure in 2015	4,170	-193	-1,162	-1,549	1,267
Change	2.4%	-1.1%	-30.4%	-13.6%	0.6%

From 31 December 2014 to 31 December 2015, only the share of credit risk exposure in the best category increased, while it decreased in the remaining three categories. Non-performing claims as a percentage of total credit risk exposure (i.e. the non-performing exposure ratio, NPE ratio) fell from 5.4% to 4.6%. Of Erste Group's total credit risk exposure as of year-end 2015, 85.6% fell into the best risk category and approximately 8.5% was in the management attention category. The combined proportion of the two weakest risk categories declined by 1.4 percentage points from 7.2% to 5.8% of total credit risk exposure between 31 December 2013 and 31 December 2014.

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 31 December 2015					
Agriculture and forestry	1,870	506	44	186	2,606
Mining	601	88	10	121	821
Manufacturing	11,193	1,584	213	1,129	14,120
Energy and water supply	3,616	477	40	178	4,311
Construction	7,537	1,090	195	1,138	9,961
Development of building projects	3,609	411	84	429	4,534
Trade	7,809	1,662	177	1,024	10,673
Transport and communication	6,021	505	56	203	6,785
Hotels and restaurants	2,370	994	213	567	4,144
Financial and insurance services	26,787	710	99	316	27,912
Holding companies	4,853	100	42	253	5,247
Real estate and housing	19,244	2,771	322	1,311	23,649
Services	5,652	1,022	260	499	7,433
Public administration	37,929	602	21	22	38,574
Education, health and art	2,242	414	38	332	3,026
Private households	48,356	5,658	648	2,773	57,436
Other	417	7	325	14	763
Total	**181,644**	**18,091**	**2,663**	**9,813**	**212,211**
As of 31 December 2014					
Agriculture and forestry	1,596	429	46	262	2,333
Mining	435	63	5	38	541
Manufacturing	10,283	1,559	282	1,623	13,747
Energy and water supply	3,442	435	79	196	4,152
Construction	6,856	1,367	133	1,416	9,772
Development of building projects	3,003	472	35	527	4,038
Trade	7,340	1,605	174	1,224	10,343
Transport and communication	4,785	450	69	283	5,587
Hotels and restaurants	2,230	967	208	726	4,131
Financial and insurance services	32,370	855	107	488	33,820
Holding companies	5,226	126	50	333	5,735
Real estate and housing	18,422	2,778	510	1,264	22,974
Services	4,933	976	133	420	6,461
Public administration	37,148	487	14	27	37,676
Education, health and art	2,129	453	43	323	2,948
Private households	45,024	5,849	1,265	3,049	55,187
Other	482	10	755	24	1,270
Total	**177,474**	**18,284**	**3,825**	**11,362**	**210,944**

Credit risk exposure by region and risk category

The geographic analysis of credit exposure is based on the country of risk of borrowers and counterparties and also includes obligors domiciled in other countries if the economic risk exists in the respective country of risk. Accordingly, the distribution by regions differs from the composition of the credit risk exposure by geographical segments of Erste Group.

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 31 December 2015					
Core markets	**151,849**	**16,353**	**2,441**	**8,767**	**179,409**
Austria	81,288	8,499	1,440	2,865	94,091
Croatia	7,104	1,125	205	1,237	9,671
Romania	11,430	2,022	219	1,927	15,599
Serbia	749	366	5	180	1,300
Slovakia	15,898	782	131	684	17,495
Czech Republic	29,622	2,802	284	1,017	33,725
Hungary	5,758	757	157	856	7,528
Other EU	**23,255**	**1,080**	**110**	**632**	**25,077**
Other industrialised countries	**3,629**	**144**	**12**	**79**	**3,864**
Emerging markets	**2,912**	**513**	**100**	**335**	**3,860**
South-Eastern Europe/CIS	1,328	357	98	321	2,104
Asia	1,054	97	1	1	1,153
Latin America	68	30	0	3	102
Middle East/Africa	461	29	1	10	501
Total	**181,644**	**18,091**	**2,663**	**9,813**	**212,211**
As of 31 December 2014					
Core markets	**145,678**	**16,445**	**3,358**	**10,148**	**175,629**
Austria	78,523	8,542	1,554	3,121	91,741
Croatia	6,889	1,234	339	1,584	10,045
Romania	11,234	1,960	465	2,309	15,967
Serbia	706	313	81	175	1,275
Slovakia	14,838	775	242	581	16,436
Czech Republic	28,309	2,562	426	1,025	32,322
Hungary	5,180	1,059	252	1,352	7,843
Other EU	**24,954**	**1,262**	**376**	**695**	**27,287**
Other industrialised countries	**3,928**	**92**	**17**	**80**	**4,117**
Emerging markets	**2,914**	**485**	**74**	**439**	**3,911**
South-Eastern Europe/CIS	1,340	394	73	407	2,214
Asia	1,068	32	1	14	1,115
Latin America	102	21	0	4	127
Middle East/Africa	404	38	0	13	455
Total	**177,474**	**18,284**	**3,825**	**11,362**	**210,944**

Between 31 December 2014 and 31 December 2015, the credit risk exposure increased by EUR1,267 million to approximately EUR 212.2 billion. While a growth of almost EUR 2,350 million, or 2.6%, was experienced in Austria, it increased by EUR 1,430 million, or almost 1.7% in the CEE core markets. In the other EU member states (EU 28 excluding core markets), the credit risk exposure declined by EUR 2,210 million, or 8.1%, from EUR 27.3 billion to EUR 25.1 billion between the two balance sheet dates. A decrease could be observed as well in other industrialised countries (- EUR 253 million) and in emerging markets (- EUR 51 million). In total, the countries of Erste Group's core market and the EU accounted for 96.4% of credit risk exposure as of 31 December 2015. At 1.8%, the share of emerging markets remained of minor importance. Russia and Ukraine do not belong to the core markets of Erste Group and, as part of emerging markets, are included in the region "South-Eastern Europe/CIS". Due to the continuing difficult economic situation the credit risk exposure was reduced further in both markets during the year 2015. In Ukraine the credit risk volume decreased from EUR 404 million in December 2014 to EUR 274 million in December 2015. Corporate and Commercial Real Estate customers accounted for the bulk of the exposure. At the end of 2015, the provisions for credit risks amounted to EUR 97 million (2014: EUR 151 million). Of the total credit risk exposure as of year-end 2015, borrowers resident in Ukraine accounted for EUR 98 million (2014: EUR 150 million) and Ukrainian debtors domiciled outside of Ukraine accounted for EUR 178 million (2014: EUR 254 million). In Russia, the credit risk exposure declined from EUR 178 million as of 31 December 2014 to EUR 149 million as of 31 December 2015. The majority of the credit risks consisted of claims on big commercial banks and corporate customers. As of year-end 2015, the provisions for credit risks amounted to EUR 4 million (2014: EUR 16 million). Of the total credit risk exposure, Russian borrowers domiciled outside Russia accounted for EUR 10 million (2014: EUR 15 million), and receivables of EUR 55 million (2014: EUR 64 million) were covered by guarantees issued by foreign guarantors. As of year-end 2015, the credit risk exposure to Greek borrowers, including the Greek government, amounted to EUR 32 million (2014: EUR 21 million). The Greek government only accounted for EUR 106 thousand (2014: EUR 126 thousand).

Credit risk exposure by reporting segment and risk category

The segment reporting of Erste Group is based on the matrix organisation by business segment as well as by geographical segment. The geographical segmentation follows the country markets in which Erste Group operates and the locations of the banking and other financial institutions participations.

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 31 December 2015					
Retail	46,280	4,810	588	2,622	54,300
Small and Medium Enterprises	19,996	3,055	321	1,860	25,233
Asset/Liability Management and Local Corporate Center	24,281	346	131	15	24,773
Savings Banks	44,880	6,837	986	2,381	55,084
Large Corporates	18,842	1,293	95	1,124	21,354
Commercial Real Estate	6,022	1,120	427	1,675	9,245
Other Corporate	2,543	191	7	106	2,847
Group Markets	16,998	399	7	8	17,412
Group Corporate Center	1,802	40	100	22	1,964
Total	**181,644**	**18,091**	**2,663**	**9,813**	**212,211**
As of 31 December 2014					
Retail	42,679	4,853	1,178	2,963	51,674
Small and Medium Enterprises	20,176	2,908	402	2,341	25,826
Asset/Liability Management and Local Corporate Center	29,072	226	219	67	29,585
Savings Banks	43,570	6,806	974	2,530	53,879
Large Corporates	14,860	1,253	108	1,352	17,573
Commercial Real Estate	5,861	1,546	464	2,001	9,872
Other Corporate	2,947	283	37	87	3,355
Group Markets	16,935	320	25	3	17,282
Group Corporate Center	1,375	88	417	18	1,899
Total	**177,474**	**18,284**	**3,825**	**11,362**	**210,944**

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 31 December 2015					
Austria	**105,975**	**11,020**	**1,706**	**4,700**	**123,401**
Erste Bank Oesterreich & Subsidiaries	33,805	2,839	401	913	37,959
Savings Banks	44,880	6,837	986	2,381	55,084
Other Austria	27,289	1,344	319	1,405	30,359
Central and Eastern Europe	**66,143**	**7,024**	**857**	**5,054**	**79,078**
Czech Republic	30,146	2,687	222	856	33,911
Romania	10,019	1,911	176	1,825	13,931
Slovakia	13,341	604	124	565	14,635
Hungary	4,817	530	116	685	6,148
Croatia	7,149	1,013	215	1,046	9,423
Serbia	671	280	3	77	1,031
Other	**9,527**	**46**	**100**	**59**	**9,732**
Total	**181,644**	**18,091**	**2,663**	**9,813**	**212,211**
As of 31 December 2014					
Austria	**105,421**	**11,355**	**1,893**	**5,238**	**123,908**
Erste Bank Oesterreich & Subsidiaries	32,588	2,817	449	1,115	36,970
Savings Banks	43,570	6,806	974	2,530	53,879
Other Austria	29,264	1,732	469	1,593	33,059
Central and Eastern Europe	**62,702**	**6,757**	**1,515**	**6,064**	**77,037**
Czech Republic	28,811	2,173	393	843	32,220
Romania	9,833	1,837	408	2,210	14,288
Slovakia	12,403	577	218	489	13,687
Hungary	4,171	784	194	1,161	6,310
Croatia	6,926	1,156	294	1,279	9,653
Serbia	559	230	7	83	879
Other	**9,350**	**172**	**417**	**60**	**9,999**
Total	**177,474**	**18,284**	**3,825**	**11,362**	**210,944**

Contingent liabilities by region and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 31 December 2015					
Core markets	**19,676**	**1,792**	**502**	**382**	**22,351**
Austria	12,285	921	421	161	13,787
Croatia	744	92	20	17	873
Romania	1,184	287	11	113	1,594
Serbia	117	18	0	19	155
Slovakia	1,163	74	31	24	1,292
Czech Republic	3,404	356	18	18	3,796
Hungary	779	44	0	31	855
Other EU	**2,167**	**92**	**18**	**77**	**2,353**
Other industrialised countries	**267**	**11**	**0**	**3**	**281**
Emerging markets	**345**	**74**	**8**	**1**	**428**
South-Eastern Europe/CIS	220	38	8	1	267
Asia	86	24	0	0	110
Latin America	0	12	0	0	13
Middle East/Africa	38	1	0	0	39
Total	**22,454**	**1,970**	**527**	**464**	**25,415**
As of 31 December 2014					
Core markets	**17,710**	**1,733**	**617**	**354**	**20,414**
Austria	11,462	903	518	187	13,070
Croatia	652	98	15	23	788
Romania	926	270	41	56	1,292
Serbia	121	15	1	0	137
Slovakia	1,291	35	15	67	1,408
Czech Republic	2,860	314	26	14	3,213
Hungary	397	99	2	7	505
Other EU	**1,580**	**88**	**152**	**29**	**1,849**
Other industrialised countries	**270**	**8**	**0**	**0**	**278**
Emerging markets	**295**	**85**	**12**	**30**	**421**
South-Eastern Europe/CIS	174	61	12	30	276
Asia	84	4	0	0	88
Latin America	1	18	0	0	19
Middle East/Africa	36	2	0	0	38
Total	**19,855**	**1,914**	**781**	**413**	**22,963**

Contingent liabilities by product

in EUR million	Dec 2014	Dec 2015
Financial guarantees	6,862	6,288
Irrevocable commitments	16,101	19,127
Total	**22,963**	**25,415**

Credit risk exposure to sovereigns by region and financial instrument

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

				Debt securities						
	Cash and cash balances – other demand deposits	Loans and receivables to credit institutions	Loans and receivables to customers	Financial assets - held to maturity	Financial assets - held for trading	Financial assets - at fair value through profit or loss	Financial assets - available for sale	Positive fair value of derivatives	Contingent liabilities	Gross exposure
in EUR million		at amortised cost			at fair value					
As of 31 December 2015										
Core markets	**0**	**1,267**	**7,007**	**14,871**	**2,056**	**13**	**11,152**	**210**	**1,195**	**37,771**
Austria	0	2	3,767	3,143	54	1	4,710	74	824	12,576
Croatia	0	518	1,284	137	266	0	560	0	59	2,824
Romania	0	1	985	2,269	777	0	1,504	0	3	5,539
Serbia	0	4	11	67	137	0	31	0	4	254
Slovakia	0	0	235	3,437	182	0	1,969	0	4	5,828
Czech Republic	0	0	654	4,900	224	12	2,192	124	10	8,118
Hungary	0	742	70	918	416	0	185	11	290	2,632
Other EU	**11**	**0**	**66**	**1,136**	**308**	**0**	**3,121**	**128**	**2**	**4,773**
Other industrialised countries	**0**	**0**	**0**	**413**	**0**	**0**	**578**	**0**	**0**	**991**
Emerging markets	**0**	**5**	**341**	**59**	**28**	**0**	**147**	**0**	**34**	**613**
South-Eastern Europe/CIS	0	0	188	59	17	0	142	0	29	435
Asia	0	0	148	0	0	0	1	0	4	153
Latin America	0	0	0	0	0	0	2	0	0	2
Middle East/Africa	0	5	5	0	11	0	4	0	0	24
Total	**11**	**1,271**	**7,414**	**16,479**	**2,393**	**13**	**14,998**	**338**	**1,231**	**44,147**
As of 31 December 2014										
Core markets	**0**	**1,501**	**6,291**	**14,361**	**2,289**	**12**	**12,412**	**261**	**1,187**	**38,315**
Austria	0	0	3,748	3,313	187	1	4,986	27	857	13,119
Croatia	0	597	1,279	183	266	0	571	0	15	2,910
Romania	0	1	25	1,941	852	0	1,412	0	126	4,358
Serbia	0	0	17	64	88	0	23	0	6	197
Slovakia	0	0	254	3,524	203	0	2,016	17	8	6,022
Czech Republic	0	0	637	4,627	312	12	3,340	193	172	9,292
Hungary	0	904	332	709	382	0	64	24	2	2,417
Other EU	**0**	**28**	**58**	**914**	**135**	**0**	**2,715**	**90**	**3**	**3,945**
Other industrialised countries	**0**	**740**	**0**	**0**	**9**	**0**	**392**	**0**	**0**	**1,141**
Emerging markets	**0**	**8**	**327**	**27**	**37**	**0**	**154**	**0**	**40**	**594**
South-Eastern Europe/CIS	0	0	193	24	23	0	149	0	40	430
Asia	0	0	127	3	0	0	0	0	0	130
Latin America	0	3	0	0	0	0	2	0	0	5
Middle East/Africa	0	5	7	0	14	0	3	0	0	29
Total	**0**	**2,277**	**6,676**	**15,302**	**2,471**	**12**	**15,674**	**352**	**1,230**	**43,994**

Credit risk exposure to institutions by region and financial instrument

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

in EUR million	Cash and cash balances – other demand deposits	Loans and receivables to credit institutions (At amortised cost)	Loans and receivables to customers (At amortised cost)	Debt securities: Financial assets - held to maturity (At amortised cost)	Debt securities: Financial assets - held for trading (At fair value)	Debt securities: Financial assets - at fair value through profit or loss (At fair value)	Debt securities: Financial assets - available for sale (At fair value)	Positive fair value of derivatives (At fair value)	Contingent credit risk liabilities	Gross exposure
As of 31 December 2015										
Core markets	**502**	**849**	**180**	**432**	**268**	**23**	**808**	**663**	**236**	**3,961**
Austria	415	370	106	45	251	19	400	511	88	2,205
Croatia	4	43	7	0	0	0	0	0	13	67
Romania	43	55	2	0	0	4	52	1	25	182
Serbia	0	1	0	0	0	0	0	0	0	1
Slovakia	1	96	0	19	0	0	25	6	26	174
Czech Republic	35	269	0	353	4	0	248	133	84	1,125
Hungary	4	16	65	14	12	0	82	12	0	206
Other EU	**1,578**	**1,708**	**16**	**325**	**120**	**7**	**1,108**	**5,815**	**81**	**10,758**
Other industrialised countries	**66**	**71**	**0**	**44**	**10**	**9**	**223**	**167**	**6**	**596**
Emerging markets	**64**	**379**	**0**	**18**	**0**	**34**	**12**	**2**	**11**	**521**
South-Eastern Europe/CIS	1	17	0	0	0	0	0	0	0	18
Asia	62	346	0	18	0	34	9	2	8	479
Latin America	2	4	0	0	0	0	3	0	0	9
Middle East/Africa	0	13	0	0	0	0	0	0	3	16
Total	**2,211**	**3,008**	**197**	**820**	**398**	**73**	**2,151**	**6,647**	**333**	**15,836**
As of 31 December 2014										
Core markets	**320**	**1,173**	**58**	**503**	**238**	**31**	**789**	**636**	**177**	**3,927**
Austria	237	611	28	130	222	29	486	473	134	2,351
Croatia	2	79	4	0	0	0	0	0	0	86
Romania	37	67	0	240	0	0	223	1	0	569
Serbia	4	1	0	0	0	0	0	0	0	5
Slovakia	0	109	0	19	0	0	43	8	26	206
Czech Republic	40	234	0	114	12	1	37	123	15	576
Hungary	0	72	26	0	4	0	0	32	2	135
Other EU	**235**	**2,856**	**0**	**454**	**141**	**42**	**1,997**	**8,149**	**95**	**13,968**
Other industrialised countries	**261**	**105**	**15**	**84**	**11**	**7**	**196**	**253**	**6**	**938**
Emerging markets	**32**	**1,031**	**4**	**0**	**0**	**0**	**1**	**1**	**88**	**1,156**
South-Eastern Europe/CIS	1	45	4	0	0	0	0	0	25	75
Asia	29	716	0	0	0	0	0	1	27	773
Latin America	2	50	0	0	0	0	1	0	0	52
Middle East/Africa	1	220	0	0	0	0	1	0	36	257
Total	**848**	**5,164**	**78**	**1,041**	**391**	**79**	**2,983**	**9,040**	**366**	**19,989**

Non-performing credit risk exposure and credit risk provisions

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

Credit risk allowances (specific and collective allowances) and provisions for guarantees covered 64.4% (2014: 68.2%) of the reported non-performing credit risk exposure as of 31 December 2015. For the portion of the non-performing credit risk exposure that is not covered by allowances, Erste Group assumes there are sufficient levels of collateral and expected other recoveries.

During the 12 months ended 31 December 2015, the non-performing credit risk exposure decreased by EUR 1,549 million, or more than 13.6%, from EUR 11,362 million as of 31 December 2014 to EUR 9,813 million as of 31 December 2015. The credit risk allowances and provisions for guarantees decreased by EUR 1,430 million, or 18.4%, from EUR 7,752 million as of 31 December 2014 to EUR 6,322 million as of 31 December 2015. These movements resulted in a decrease, from 68.2% to 64.4%, in the coverage of the non-performing credit risk exposure by credit risk provisions.

The following tables show the coverage of the non-performing credit risk exposure across the reporting segments by credit risk provisions (without taking into consideration collateral) as of 31 December 2015 and 31 December 2014 respectively. The differences in provisioning levels for the segments result from the risk situation in the respective markets, different levels of collateralisation, as well as the local legal environment and regulatory requirements.

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

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

	Gross exposure				
in EUR million	Non-performing	Gross exposure	Total credit risk provisions	NPE ratio	NPE coverage (excl. collateral)
As of 31 December 2015					
Retail	2,622	54,300	1,785	4.8%	68.1%
Small and Medium Enterprises	1,860	25,233	1,352	7.4%	72.7%
Asset/Liability Management and Local Corporate Center	15	24,773	32	0.1%	215.6%
Savings Banks	2,381	55,084	1,366	4.3%	57.4%
Large Corporates	1,124	21,354	783	5.3%	69.6%
Commercial Real Estate	1,675	9,245	898	18.1%	53.6%
Other Corporate	106	2,847	64	3.7%	60.5%
Group Markets	8	17,412	2	0.0%	21.5%
Group Corporate Center	22	1,964	41	1.1%	185.9%
Total	**9,813**	**212,211**	**6,322**	**4.6%**	**64.4%**
As of 31 December 2014					
Retail	2,963	51,674	2,378	5.7%	80.3%
Small and Medium Enterprises	2,341	25,826	1,508	9.1%	64.4%
Asset/Liability Management and Local Corporate Center	67	29,585	26	0.2%	38.3%
Savings Banks	2,530	53,879	1,644	4.7%	65.0%
Large Corporates	1,352	17,573	970	7.7%	71.8%
Commercial Real Estate	2,001	9,872	1,156	20.3%	57.8%
Other Corporate	87	3,355	46	2.6%	52.6%
Group Markets	3	17,282	1	0.0%	35.2%
Group Corporate Center	18	1,899	23	1.0%	125.5%
Total	**11,362**	**210,944**	**7,752**	**5.4%**	**68.2%**

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

in EUR million	Gross exposure		Total credit risk provisions	NPE ratio	NPE coverage (excl. collateral)
	Non-performing	Gross exposure			
As of 31 December 2015					
Austria	**4,700**	**123,401**	**2,682**	**3.8%**	**57.1%**
Erste Bank Oesterreich & Subsidiaries	913	37,959	588	2.4%	64.4%
Savings Banks	2,381	55,084	1,366	4.3%	57.4%
Other Austria	1,405	30,359	728	4.6%	51.8%
Central and Eastern Europe	**5,054**	**79,078**	**3,557**	**6.4%**	**70.4%**
Czech Republic	856	33,911	619	2.5%	72.4%
Romania	1,825	13,931	1,379	13.1%	75.5%
Slovakia	565	14,635	371	3.9%	65.6%
Hungary	685	6,148	409	11.1%	59.8%
Croatia	1,046	9,423	710	11.1%	67.9%
Serbia	77	1,031	68	7.5%	88.4%
Other	**59**	**9,732**	83	**0.6%**	**140.2%**
Total	**9,813**	**212,211**	**6,322**	**4.6%**	**64.4%**
As of 31 December 2014					
Austria	**5,238**	**123,908**	**3,276**	**4.2%**	**62.5%**
Erste Bank Oesterreich & Subsidiaries	1,115	36,970	736	3.0%	66.0%
Savings Banks	2,530	53,879	1,644	4.7%	65.0%
Other Austria	1,593	33,059	896	4.8%	56.2%
Central and Eastern Europe	**6,064**	**77,037**	**4,415**	**7.9%**	**72.8%**
Czech Republic	843	32,220	664	2.6%	78.8%
Romania	2,210	14,288	1,803	15.5%	81.6%
Slovakia	489	13,687	367	3.6%	75.0%
Hungary	1,161	6,310	744	18.4%	64.1%
Croatia	1,279	9,653	773	13.2%	60.4%
Serbia	83	879	64	9.4%	77.9%
Other	**60**	**9,999**	**61**	**0.6%**	**102.8%**
Total	**11,362**	**210,944**	**7,752**	**5.4%**	**68.2%**

The general principles and standards for credit risk provisions within Erste Group are described in internal policies. Credit risk provisions are calculated
_ for financial assets carried at amortised cost (loans and receivables, financial assets held to maturity) in accordance with IAS 39, and
_ for contingent liabilities (financial guarantees, loan commitments) in accordance with IAS 37.

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

The bank distinguishes between
_ specific allowances calculated for exposures to defaulted customers that are deemed to be impaired, and
_ collective allowances (allowances for incurred but not reported losses) calculated for exposures to non-defaulted customers or defaulted customers that are not deemed to be impaired.

For the calculation of specific allowances, the discounted cash flow method is applied. This means that a difference between gross carrying amount and net present value (NPV) of the expected cash flows leads to an impairment and defines the amount of any allowance requirement. All estimated interest and redemption payments as well as estimated collateral recoveries and costs for selling and obtaining collateral are considered as expected cash flows. The effective interest rate is used as the discount rate in the calculation of the NPV of the expected cash flows.

The calculation of specific allowances is performed either on an individual basis or as a collective assessment (rule-based approach). In the case of significant customers, expected cash flows are estimated individually by workout or risk managers. A customer is considered as significant if the total exposure defined as the sum of all on- and off-balance-sheet exposures exceeds a defined materiality limit. Otherwise, the customer is considered as insignificant and a rule-based approach is used for the calculation of the specific allowance. Under this approach, specific allowances are calculated as the product of carrying amount and loss given default (LGD), where LGD depends on relevant characteristics such as time in default or the stage of the workout process.

Collective allowances are calculated on on- and off-balance-sheet exposures to non-defaulted customers for which a default has not been detected or reported. The level of collective allowances depends on the gross carrying amount, the probability of default (PD), the loss given default (LGD), the credit conversion factors (CCF) in case of off-balance-sheet exposures, and the loss identification period (LIP). The LIP corresponds to the average period between the occurrence and the detection of the loss and ranges from four months to one year. The result of discounting future cash flows to their present values is taken into consideration in the LGD calculation.

Generally, risk parameters used in the calculation of collective allowances may be different to the Basel III Pillar 1 or Pillar 2 risk parameters if the properties of the respective portfolio in combination with IAS/IFRS standards necessitate this.

Collective allowances are also calculated in case of exposures to defaulted customers that are not identified as impaired. For these customers, no specific allowances are allocated. Collective allowances are calculated based on the historical loss experience for the relevant customer segment.

Erste Group regularly reviews its specific and collective allowances. These exercises comprise the parameters and methodologies used in its provision calculation. Adjustments can take place in the context of specific reviews (in view of specific allowances), routine maintenance of parameters (such as regular calibration) or in the case of specific events (e.g. improved knowledge about recovery behaviour, back-testing results). In 2015, no material adjustments were made due to validation results.

Credit risk provisions divided into specific and collective allowances and provisions for guarantees

in EUR million	Dec 2014	Dec 2015
Specific allowances	6,737	5,284
Collective allowances	774	741
Provisions for guarantees	241	297
Total	**7,752**	**6,322**

Restructuring, renegotiation and forbearance

Restructuring means contractual modification of any of the customer's loan repayment conditions including tenor, interest rate, fees, principal amount due or a combination thereof. Restructuring can be business restructuring (in retail) and commercial renegotiation (in corporate) or forbearance in line with EBA requirements in both segments.

Business restructuring and renegotiation

Restructuring as business restructuring in the retail segment or as commercial renegotiation in the corporate segment is a potential and effective customer retention tool involving re-pricing or the offering of an additional loan or both in order to maintain the bank's valuable, good clientele.

Forbearance

The definition of "forbearance" is included in Regulation (EU) 2015/227. A restructuring is considered "forbearance" if it entails a concession towards a customer facing or about to face financial difficulties in meeting their contractual financial commitments. A borrower is in financial difficulties if any of the following conditions are met:

- the customer was more than 30 days past due in the past 3 months or
- the customer would be 30 days past due or more without receiving forbearance or
- the customer is in default or
- the modified contract was classified as non-performing or would be non-performing without forbearance or
- the contract modification involves total or partial cancellation by write-off of the debt on any of the customer's credit obligations while at customer level open credit exposure still remains.

Forborne exposure is assessed at loan contract level and means only the exposure to which forbearance measures have been extended and excludes any other exposure the customer may have, as long as no forbearance was extended to these.

Concession means that any of the following conditions are met:

- modification/refinancing of the contract would not have been granted, had the customer not been in financial difficulty;
- there is a difference in favour of the customer between the modified/refinanced terms of the contract and the previous terms of the contract;
- the modified/refinanced contract includes more favourable terms than other customers with a similar risk profile would have obtained from the same institution.

Forbearance can be initiated by the bank or by the customer (on account of loss of employment, illness etc.). Components of forbearance can be instalment reduction, tenor extension, interest reduction or forgiveness, principal reduction or forgiveness, revolving exposure change to instalment and/or others.

Forbearance measures are divided and reported as:
_ performing forbearance (incl. performing forbearance under probation that was upgraded from non-performing forbearance) and
_ non-performing forbearance (incl. non-performing forbearance and defaulted/impaired forbearance)

Forborne exposures are considered performing when
_ the exposure did not have non-performing status at the time the extension of or application for forbearance was approved and
_ granting the forbearance has not led to classifying the exposure as non-performing or default

Performing forborne exposures become non-performing when during the monitoring period of a minimum of 2 years following forbearance classification
_ an additional forbearance measure is extended and in the past the customer was in the non-performing forbearance category or
_ the customer becomes more than 30 days past due on forborne exposure and in the past the customer was in the non-performing forbearance category or
_ the customer meets any of the default event criteria defined in the default definition

The performing forbearance classification can be discontinued and the account can become a non-forborne account when all of the following conditions are met:
_ a minimum of 2 years have passed from the date of classifying the exposure as performing forbearance (probation period);
_ under the forborne payment plan, at least 50% of the original (pre-forbearance) instalment has been regularly repaid at least during half of the probation period (in the case of retail customers) or
_ regular repayments in a significant amount during at least half of the probation period have been made (in the case of corporate customers);
_ none of the exposure of the customer is more than 30 days past due at the end of the probation period.

The non-performing forbearance classification can be discontinued and reclassified as performing under probation when all of the following conditions are met:
_ one year has passed from the date of classifying the exposure as non-performing forbearance
_ the forbearance has not led the exposure to be classified as non-performing
_ retail customers: the customer has demonstrated the ability to comply with the post-forbearance conditions by either of the following
  _ the customer has never been more than 30 days past due during the last 6 months and there is no delinquent amount or
  _ the customer has repaid the full past due amount or the written-off amount (if there was any);
_ corporate customers: analysis of the financial development, which leaves no concern about future compliance with post-forbearance terms and conditions. Furthermore, the customer has never been more than 30 days past due during the monitoring period and there is no delinquent amount.

In the corporate segment, recognition of forbearance measures typically leads to the involvement of the responsible local workout unit. The largest part of the forbearance measures are set within the responsibility of the local workout units and the affected clients are managed and monitored according to the internal regulations and standards for the workout involvement. Forbearance measures are defined as trigger events for carrying out impairment tests according to the internal regulations and standards based on the IFRS requirements.

The above rules and definitions were defined in Erste Group in Q3 2014 and the related IT-implementation was completed throughout Erste Group in 2015.

Credit risk exposure, forbearance exposure and credit risk provisions

in EUR million	Loans and receivables	Financial assets	Other balance-sheet positions	Contingent liabilities	Total
As of 31 December 2015					
Gross exposure	**136,725**	**40,349**	**9,722**	**25,415**	**212,211**
thereof gross forborne exposure	3,705	0	0	105	**3,810**
Performing exposure	127,392	40,342	9,713	24,951	**202,398**
thereof performing forborne exposure	1,221	0	0	54	**1,276**
Credit risk provisions for performing exposure	700	2	0	118	**820**
thereof credit risk provisions for performing forborne exposure	57	0	0	3	**61**
Non-performing exposure	9,333	7	9	464	**9,813**
thereof non-performing forborne exposure	2,484	0	0	51	**2,535**
Credit risk provisions for non-performing exposure	5,323	0	0	179	**5,502**
thereof credit risk provisions for non-performing forborne exposure	1,203	0	0	15	**1,218**
As of 31 December 2014					
Gross exposure	**135,785**	**41,292**	**10,904**	**22,963**	**210,944**
thereof gross forborne exposure	3,632	1	0	67	**3,699**
Performing exposure	124,882	41,289	10,861	22,550	**199,582**
thereof performing forborne exposure	1,034	1	0	29	**1,063**
Credit risk provisions for performing exposure	947	2	0	100	**1,048**
thereof credit risk provisions for performing forborne exposure	43	0	0	1	**44**
Non-performing exposure	10,903	3	43	413	**11,362**
thereof non-performing forborne exposure	2,598	0	0	38	**2,636**
Credit risk provisions for non-performing exposure	6,562	0	0	141	**6,704**
thereof credit risk provisions for non-performing forborne exposure	1,442	0	0	1	**1,443**

Types of forbearance exposure

in EUR million	Gross forborne exposure	Modification in terms and conditions	Refinancing
As of 31 December 2015			
Loans and receivables	3,705	3,493	212
Financial assets	0	0	0
Contingent liabilities	105	89	15
Total	**3,810**	**3,583**	**227**
As of 31 December 2014			
Loans and receivables	3,632	3,598	33
Financial assets	1	1	0
Contingent liabilities	67	67	0
Total	**3,699**	**3,665**	**34**

Credit quality of forbearance exposure by geographical segments

in EUR million	Gross forborne exposure	Neither past due nor impaired	Past due but not impaired	Impaired	Collateral	Credit risk provisions
As of 31 December 2015						
Austria	**2,021**	**897**	**123**	**1,000**	**950**	**552**
Erste Bank Oesterreich & Subsidiaries	376	181	27	167	203	95
Savings Banks	986	497	48	441	558	228
Other Austria	659	219	48	392	189	230
Central and Eastern Europe	**1,785**	**563**	**82**	**1,139**	**609**	**723**
Czech Republic	255	64	6	184	104	84
Romania	790	217	25	548	209	420
Slovakia	239	107	16	117	141	66
Hungary	190	83	9	98	34	62
Croatia	293	91	25	177	111	80
Serbia	19	2	2	16	9	12
Other	**4**	**0**	**0**	**4**	**0**	**4**
Total	**3,810**	**1,461**	**206**	**2,144**	**1,558**	**1,279**
As of 31 December 2014						
Austria	**2,015**	**928**	**31**	**1,056**	**633**	**746**
Erste Bank Oesterreich & Subsidiaries	465	157	6	302	140	221
Savings Banks	808	160	24	623	320	413
Other Austria	742	611	0	131	174	112
Central and Eastern Europe	**1,669**	**402**	**88**	**1,179**	**385**	**741**
Czech Republic	226	90	4	133	77	65
Romania	858	131	20	707	230	533
Slovakia	176	79	28	69	0	37
Hungary	119	9	7	102	56	42
Croatia	273	88	28	157	17	57
Serbia	19	6	1	12	5	8
Other	**15**	**14**	**0**	**1**	**0**	**0**
Total	**3,699**	**1,343**	**119**	**2,237**	**1,018**	**1,487**

Collateral

Recognition of collateral

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

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

Main types of collateral

The following types of collateral are the most frequently accepted:

- Real estate: this includes both private and commercial real estate.
- Financial collateral: this category primarily includes securities portfolios and cash deposits as well as life insurance policies.
- Guarantees: guarantees are provided mainly by governments, banks and corporates; all guarantors must have a minimum credit rating, which is reviewed annually.

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

Collateral valuation and management

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

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

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

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

Collateral obtained in foreclosure proceedings is made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding claim. Generally, Erste Group does not occupy repossessed properties for its own business use. The main part of assets taken onto its own books is commercial land and buildings. In addition, residential real estate properties and transport vehicles are taken into Erste Group's possession. As of 31 December 2015, the carrying value of these assets amounted to EUR 148 million (2014: EUR 86 million).

The following tables compare the credit risk exposure broken down by business and geographical segments to the collateral received.

Credit risk exposure by business segment and collateral

			Collateralised by			
in EUR million	Gross exposure	Collateral total	Guarantees	Real estate	Other	Credit risk exposure net of collateral
As of 31 December 2015						
Retail	54,300	31,271	618	27,829	2,825	23,029
Small and Medium Enterprises	25,233	10,184	1,342	6,473	2,369	15,049
Asset/Liability Management and Local Corporate Center	24,773	1,127	682	7	438	23,646
Savings Banks	55,084	24,818	1,515	19,893	3,410	30,266
Large Corporates	21,354	4,146	2,541	950	656	17,208
Commercial Real Estate	9,245	5,580	739	4,683	158	3,665
Other Corporate	2,847	1,123	225	3	895	1,724
Group Markets	17,412	3,755	71	2	3,682	13,657
Group Corporate Center	1,964	76	51	11	14	1,888
Total	**212,211**	**82,081**	**7,784**	**59,850**	**14,446**	**130,131**
As of 31 December 2014						
Retail	51,674	30,547	1,138	26,843	2,566	21,126
Small and Medium Enterprises	25,826	11,411	2,142	6,855	2,414	14,415
Asset/Liability Management and Local Corporate Center	29,585	1,201	720	5	475	28,384
Savings Banks	53,879	24,397	1,569	19,070	3,758	29,482
Large Corporates	17,573	3,543	1,973	779	791	14,031
Commercial Real Estate	9,872	5,696	345	4,566	786	4,176
Other Corporate	3,355	430	336	4	90	2,924
Group Markets	17,282	3,458	189	0	3,270	13,824
Group Corporate Center	1,899	108	80	15	13	1,791
Total	**210,944**	**80,791**	**8,491**	**58,137**	**14,163**	**130,153**

Credit risk exposure by geographical segment and collateral

in EUR million	Gross exposure	Collateral total	Collateralised by Guarantees	Collateralised by Real estate	Collateralised by Other	Credit risk exposure net of collateral
As of 31 December 2015						
Austria	**123,401**	**56,512**	**5,448**	**40,445**	**10,619**	**66,889**
Erste Bank Oesterreich & Subsidiaries	37,959	21,331	2,011	16,870	2,450	16,628
Savings Banks	55,084	24,818	1,515	19,893	3,410	30,266
Other Austria	30,359	10,363	1,923	3,682	4,759	19,996
Central and Eastern Europe	**79,078**	**24,691**	**1,921**	**19,394**	**3,376**	**54,387**
Czech Republic	33,911	8,693	642	7,339	713	25,218
Romania	13,931	4,421	178	2,660	1,582	9,510
Slovakia	14,635	5,923	63	5,651	208	8,712
Hungary	6,148	2,092	251	1,637	203	4,056
Croatia	9,423	3,270	758	1,922	591	6,153
Serbia	1,031	293	30	184	79	738
Other	**9,732**	**877**	**415**	**11**	**452**	**8,855**
Total	**212,211**	**82,081**	**7,784**	**59,850**	**14,446**	**130,131**
As of 31 December 2014						
Austria	**123,908**	**54,592**	**5,211**	**38,784**	**10,597**	**69,316**
Erste Bank Oesterreich & Subsidiaries	36,970	21,033	1,970	16,423	2,641	15,936
Savings Banks	53,879	24,397	1,569	19,070	3,758	29,482
Other Austria	33,059	9,161	1,673	3,291	4,198	23,898
Central and Eastern Europe	**77,037**	**25,254**	**2,837**	**19,339**	**3,079**	**51,783**
Czech Republic	32,220	9,526	943	7,636	947	22,694
Romania	14,288	4,861	1,015	2,602	1,244	9,427
Slovakia	13,687	5,169	71	4,907	191	8,518
Hungary	6,310	2,166	33	1,834	298	4,144
Croatia	9,653	3,292	739	2,221	333	6,361
Serbia	879	241	36	139	66	638
Other	**9,999**	**945**	**443**	**15**	**487**	**9,054**
Total	**210,944**	**80,791**	**8,491**	**58,137**	**14,163**	**130,153**

Credit risk exposure by financial instrument and collateral

in EUR million	Credit risk exposure	Collateral total	Collateralised by: Guarantees	Collateralised by: Real estate	Collateralised by: Other	Credit risk exposure net of collateral	Neither past due nor impaired	Past due but not impaired	Impaired
As of 31 December 2015									
Cash and cash balances – other demand deposits	2,228	764	0	0	764	1,464	2,224	4	0
Loans and receivables to credit institutions	4,819	1,394	143	0	1,251	3,425	4,797	4	18
Loans and receivables to customers	131,906	72,829	5,495	57,974	9,360	59,078	119,982	3,126	8,798
Financial assets - held to maturity	17,703	286	283	3	0	17,417	17,703	1	0
Financial assets - held for trading	3,163	45	45	0	0	3,117	3,163	0	0
Financial assets - at fair value through profit or loss	176	0	0	0	0	176	176	0	0
Financial assets - available for sale	19,307	883	873	0	10	18,425	19,300	0	7
Positive fair value of derivatives	7,494	2,052	0	0	2,052	5,442	7,489	0	5
Contingent liabilities	25,415	3,829	945	1,873	1,010	21,586	25,015	72	327
Total	**212,211**	**82,081**	**7,784**	**59,850**	**14,446**	**130,131**	**199,849**	**3,207**	**9,155**
As of 31 December 2014									
Cash and cash balances – other demand deposits	859	0	0	0	0	859	859	0	0
Loans and receivables to credit institutions	7,461	1,405	131	0	1,273	6,056	7,435	3	23
Loans and receivables to customers	128,325	71,814	6,227	56,104	9,483	56,510	113,056	4,302	10,967
Financial assets - held to maturity	16,879	363	359	4	0	16,516	16,878	1	0
Financial assets - held for trading	3,173	170	159	0	12	3,002	3,173	0	0
Financial assets - at fair value through profit or loss	139	0	0	0	0	139	139	0	0
Financial assets - available for sale	21,102	962	952	0	10	20,139	21,089	2	12
Positive fair value of derivatives	10,045	2,548	0	0	2,548	7,497	10,045	0	0
Contingent liabilities	22,963	3,528	663	2,029	836	19,435	22,963	49	201
Total	**210,944**	**80,791**	**8,491**	**58,137**	**14,163**	**130,153**	**195,636**	**4,355**	**11,203**

In the case of contingent liabilities, the impaired credit risk exposure corresponds to positions for which provisions for credit risks were created. No values were shown for contingent liabilities in the consolidated financial statements 2014.

Credit risk exposure past due and not covered by specific allowances by financial instrument and collateralisation

in EUR million	Gross exposure						Thereof collateralised					
	Total	thereof 1-30 days past due	thereof 31-60 days past due	thereof 61-90 days past due	thereof 91-180 days past due	thereof more than 180 days past due	Total	thereof 1-30 days past due	thereof 31-60 days past due	thereof 61-90 days past due	thereof 91-180 days past due	thereof more than 180 days past due
As of 31 December 2015												
Cash and cash balances – other demand deposits	4	4	0	0	0	0	0	0	0	0	0	0
Loans and receivables to credit institutions	4	3	0	0	0	1	0	0	0	0	0	0
Loans and receivables to customers	3,126	2,145	581	226	40	134	1,678	1,033	383	160	24	78
Financial assets - held to maturity	1	0	0	0	0	1	0	0	0	0	0	0
Financial assets - held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets - at fair value through profit or loss	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets - available for sale	0	0	0	0	0	0	0	0	0	0	0	0
Positive fair value of derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Contingent liabilities	72	55	14	2	0	1	35	31	3	0	0	0
Total	**3,207**	**2,207**	**596**	**228**	**41**	**136**	**1,713**	**1,065**	**386**	**160**	**24**	79
As of 31 December 2014												
Cash and cash balances – other demand deposits	0	0	0	0	0	0	0	0	0	0	0	0
Loans and receivables to credit institutions	3	2	0	0	0	0	0	0	0	0	0	0
Loans and receivables to customers	4,302	2,772	739	376	168	246	2,124	1,234	436	228	128	99
Financial assets - held to maturity	1	0	0	0	0	1	0	0	0	0	0	0
Financial assets - held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets - at fair value through profit or loss	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets - available for sale	2	0	0	0	0	2	0	0	0	0	0	0
Positive fair value of derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Contingent liabilities	49	49	0	0	0	0	0	0	0	0	0	0
Total	**4,355**	**2,823**	**739**	**376**	**169**	**249**	**2,124**	**1,234**	**436**	**228**	**128**	**99**

In the case of contingent liabilities, the impaired credit risk exposure corresponds to positions for which provisions for credit risks were created. No values were shown for contingent liabilities in the consolidated financial statements 2014.

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

Loans and receivables to customers

The following tables present the customer loan book excluding loans to financial institutions and commitments, broken down by reporting segment and risk category.

Loans and receivables to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross customer loans
As of 31 December 2015					
Retail	41,143	4,460	567	2,598	48,769
Small and Medium Enterprises	15,811	2,668	277	1,806	20,562
Asset/Liability Management and Local Corporate Center	147	26	3	9	186
Savings Banks	30,451	5,825	830	2,219	39,326
Large Corporates	10,317	868	45	953	12,183
Commercial Real Estate	5,513	1,048	370	1,615	8,545
Other Corporate	1,595	116	7	98	1,816
Group Markets	202	47	0	0	250
Group Corporate Center	229	1	23	17	270
Total	**105,409**	**15,060**	**2,123**	**9,314**	**131,906**
As of 31 December 2014					
Retail	38,417	4,537	1,152	2,938	47,044
Small and Medium Enterprises	16,123	2,457	358	2,275	21,213
Asset/Liability Management and Local Corporate Center	68	16	56	21	162
Savings Banks	29,325	5,986	816	2,441	38,568
Large Corporates	7,835	889	57	1,170	9,952
Commercial Real Estate	5,499	1,409	422	1,942	9,271
Other Corporate	1,417	201	31	72	1,721
Group Markets	85	19	0	0	104
Group Corporate Center	159	39	74	18	290
Total	**98,928**	**15,552**	**2,967**	**10,878**	**128,325**

Loans and receivables to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross customer loans
As of 31 December 2015					
Austria	**67,075**	**9,316**	**1,339**	**4,414**	**82,144**
Erste Bank Oesterreich & Subsidiaries	26,500	2,468	254	861	30,082
Savings Banks	30,451	5,825	830	2,219	39,326
Other Austria	10,124	1,023	255	1,334	12,736
Central and Eastern Europe	**38,052**	**5,744**	**761**	**4,848**	**49,404**
Czech Republic	17,153	2,118	198	834	20,303
Romania	5,031	1,574	163	1,712	8,481
Slovakia	8,478	560	93	540	9,671
Hungary	2,236	490	116	655	3,498
Croatia	4,609	904	187	1,032	6,732
Serbia	544	97	3	75	719
Other	**281**	**1**	**23**	**53**	**358**
Total	**105,409**	**15,060**	**2,123**	**9,314**	**131,906**
As of 31 December 2014					
Austria	**63,779**	**9,895**	**1,507**	**4,936**	**80,117**
Erste Bank Oesterreich & Subsidiaries	25,219	2,442	291	1,012	28,963
Savings Banks	29,325	5,986	816	2,441	38,568
Other Austria	9,235	1,468	400	1,483	12,585
Central and Eastern Europe	**34,966**	**5,581**	**1,385**	**5,883**	**47,815**
Czech Republic	15,798	1,693	365	821	18,676
Romania	4,982	1,544	343	2,138	9,007
Slovakia	7,212	545	203	422	8,383
Hungary	2,278	681	194	1,157	4,308
Croatia	4,286	1,032	273	1,262	6,853
Serbia	412	87	7	83	588
Other	**184**	**75**	**74**	**60**	**392**
Total	**98,928**	**15,552**	**2,967**	**10,878**	**128,325**

In the tables below, the non-performing loans and receivables to customers subdivided by reporting segment are contrasted with allowances for customer loans (specific and collective allowances) and the collateral for non-performing loans (NPL). The NPL ratio, the NPL coverage ratio and the NPL total coverage ratio are also included. The NPL total coverage ratio specifies the coverage of non-performing loans by specific and collective allowances as well as by collateral for non-performing loans.

Non-performing loans and receivables to customers by business segment and coverage by loan loss allowances and collateral

in EUR million	Non-performing	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (excl. collateral)	Collateral for NPL	NPL total coverage
As of 31 December 2015							
Retail	2,598	48,769	1,760	5.3%	67.7%	1,081	109.3%
Small and Medium Enterprises	1,806	20,562	1,301	8.8%	72.0%	682	109.8%
Asset/Liability Management and Local Corporate Center	9	186	4	4.6%	46.4%	0	46.4%
Savings Banks	2,219	39,326	1,281	5.6%	57.7%	984	102.1%
Large Corporates	953	12,183	673	7.8%	70.7%	197	91.3%
Commercial Real Estate	1,615	8,545	884	18.9%	54.7%	811	105.0%
Other Corporate	98	1,816	55	5.4%	56.1%	36	92.9%
Group Markets	0	250	1	0.0%	3,546.7%	0	3546.7%
Group Corporate Center	17	270	51	6.3%	299.3%	4	322.8%
Total	**9,314**	**131,906**	**6,009**	**7.1%**	**64.5%**	**3,795**	**105.3%**
As of 31 December 2014							
Retail	2,938	47,044	2,360	6.2%	80.3%	995	114.2%
Small and Medium Enterprises	2,275	21,213	1,462	10.7%	64.3%	772	98.2%
Asset/Liability Management and Local Corporate Center	21	162	24	13.1%	113.2%	0	115.2%
Savings Banks	2,441	38,568	1,561	6.3%	64.0%	1,056	107.2%
Large Corporates	1,170	9,952	898	11.8%	76.7%	296	102.0%
Commercial Real Estate	1,942	9,271	1,135	20.9%	58.4%	805	99.9%
Other Corporate	72	1,721	43	4.2%	59.4%	29	100.3%
Group Markets	0	104	1	0.1%	814.7%	0	814.7%
Group Corporate Center	18	290	7	6.2%	38.2%	0	38.2%
Total	**10,878**	**128,325**	**7,491**	**8.5%**	**68.9%**	**3,954**	**105.2%**

Non-performing loans and receivables to customers by geographical segment and coverage by loan loss allowances and collateral

in EUR million	Non-performing	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (excl. collateral)	Collateral for NPL	NPL total coverage
As of 31 December 2015							
Austria	**4,414**	**82,144**	**2,492**	**5.4%**	**56.5%**	**1,950**	**100.7%**
Erste Bank Oesterreich & Subsidiaries	861	30,082	539	2.9%	62.6%	328	100.7%
Savings Banks	2,219	39,326	1,281	5.6%	57.7%	984	102.1%
Other Austria	1,334	12,736	672	10.5%	50.4%	639	98.3%
Central and Eastern Europe	**4,848**	**49,404**	**3,433**	**9.8%**	**70.8%**	**1,805**	**108.0%**
Czech Republic	834	20,303	604	4.1%	72.4%	156	91.1%
Romania	1,712	8,481	1,326	20.2%	77.4%	559	110.1%
Slovakia	540	9,671	355	5.6%	65.7%	279	117.3%
Hungary	655	3,498	386	18.7%	59.0%	344	111.5%
Croatia	1,032	6,732	695	15.3%	67.4%	444	110.5%
Serbia	75	719	66	10.5%	88.4%	24	119.6%
Other	**53**	**358**	**84**	**14.7%**	**160.6%**	**40**	**236.6%**
Total	**9,314**	**131,906**	**6,009**	**7.1%**	**64.5%**	**3,795**	**105.3%**
As of 31 December 2014							
Austria	**4,936**	**80,117**	**3,120**	**6.2%**	**63.2%**	**2,011**	**104.0%**
Erste Bank Oesterreich & Subsidiaries	1,012	28,963	697	3.5%	68.9%	340	102.5%
Savings Banks	2,441	38,568	1,561	6.3%	64.0%	1,056	107.2%
Other Austria	1,483	12,585	862	11.8%	58.1%	614	99.5%
Central and Eastern Europe	**5,883**	**47,815**	**4,325**	**12.3%**	**73.5%**	**1,925**	**106.2%**
Czech Republic	821	18,676	654	4.4%	79.7%	316	118.2%
Romania	2,138	9,007	1,758	23.7%	82.2%	386	100.3%
Slovakia	422	8,383	348	5.0%	82.4%	203	130.4%
Hungary	1,157	4,308	740	26.8%	64.0%	454	103.2%
Croatia	1,262	6,853	762	18.4%	60.4%	542	103.3%
Serbia	83	588	63	14.1%	75.8%	25	106.0%
Other	**60**	**392**	**45**	**15.2%**	**75.6%**	**18**	**106.6%**
Total	**10,878**	**128,325**	**7,491**	**8.5%**	**68.9%**	**3,954**	**105.2%**

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

The loan loss allowances that are shown in the tables above in the amount of EUR 6,009 million as of 31 December 2015 (2014: EUR 7,491 million) are composed of specific provisions amounting to EUR 5,276 million (2014: EUR 6,723 million) and portfolio provisions amounting to EUR 733 million (2014: EUR 768 million). Collateral for non-performing loans mainly consists of real estate.

Loans and receivables to customers by business segment and currency

in EUR million	EUR	CEE-local currencies	CHF	USD	Other	Gross customer loans
As of 31 December 2015						
Retail	27,956	18,135	2,524	23	132	48,769
Small and Medium Enterprises	13,666	6,275	425	177	19	20,562
Asset/Liability Management and Local Corporate Center	119	65	0	2	0	186
Savings Banks	34,918	0	3,531	84	792	39,326
Large Corporates	9,684	1,551	21	619	307	12,183
Commercial Real Estate	7,403	428	256	88	370	8,545
Other Corporate	105	16	0	1,667	27	1,816
Group Markets	125	117	0	8	0	250
Group Corporate Center	237	18	4	10	0	270
Total	**94,214**	**26,606**	**6,762**	**2,678**	**1,647**	**131,906**
As of 31 December 2014						
Retail	27,149	15,377	4,357	24	137	47,044
Small and Medium Enterprises	14,239	6,300	472	156	46	21,213
Asset/Liability Management and Local Corporate Center	128	32	0	1	1	162
Savings Banks	33,819	0	3,929	99	721	38,568
Large Corporates	7,722	1,552	32	307	338	9,952
Commercial Real Estate	8,033	443	322	93	379	9,271
Other Corporate	245	0	3	1,403	69	1,721
Group Markets	12	54	0	37	0	104
Group Corporate Center	218	15	4	54	0	290
Total	**91,566**	**23,774**	**9,119**	**2,174**	**1,692**	**128,325**

Loans and receivables to customers by geographical segment and currency

in EUR million	EUR	CEE-local currencies	CHF	USD	Other	Gross customer loans
As of 31 December 2015						
Austria	**72,267**	**0**	**6,071**	**2,243**	**1,562**	**82,144**
Erste Bank Oesterreich & Subsidiaries	27,497	0	2,387	56	143	30,082
Savings Banks	34,918	0	3,531	84	792	39,326
Other Austria	9,852	0	154	2,102	627	12,736
Central and Eastern Europe	**21,638**	**26,571**	**686**	**425**	**84**	**49,404**
Czech Republic	2,095	18,063	1	85	59	20,303
Romania	4,436	3,832	0	213	0	8,481
Slovakia	9,634	0	0	18	19	9,671
Hungary	509	2,807	157	25	0	3,498
Croatia	4,419	1,716	513	79	5	6,732
Serbia	545	152	16	6	0	719
Other	**309**	**35**	**4**	**10**	**0**	**358**
Total	**94,214**	**26,606**	**6,762**	**2,678**	**1,647**	**131,906**
As of 31 December 2014						
Austria	**70,136**	**0**	**6,565**	**1,788**	**1,628**	**80,117**
Erste Bank Oesterreich & Subsidiaries	26,309	0	2,421	63	170	28,963
Savings Banks	33,819	0	3,929	99	721	38,568
Other Austria	10,007	0	216	1,626	736	12,585
Central and Eastern Europe	**21,110**	**23,759**	**2,549**	**332**	**64**	**47,815**
Czech Republic	1,584	16,996	4	65	27	18,676
Romania	5,263	3,578	0	158	7	9,007
Slovakia	8,334	0	0	22	26	8,383
Hungary	894	1,425	1,972	17	0	4,308
Croatia	4,615	1,612	557	64	4	6,853
Serbia	419	148	16	5	0	588
Other	**320**	**15**	**4**	**54**	**0**	**392**
Total	**91,566**	**23,774**	**9,119**	**2,174**	**1,692**	**128,325**

In the geographical segment Croatia, loans and receivables denominated in Swiss francs amounting to approximately EUR 480 million as of 31 December 2015 are subject to a government-decreed currency conversion into euros or Croatian kunas. The settlement of this conversion at favourable rates for the borrowers takes place in 2016.

Securitisations

As of 31 December 2015, Erste Group held a conservative portfolio of securitisations; there were no new investments undertaken and all repayments were made as scheduled in 2015.

As at year-end 2015, the carrying amount of Erste Group's securitisation portfolio totalled EUR 513 billion, which was EUR 581 million lower than at the year-end 2014. Changes in the carrying amount were due to repayments, currency effects, changes in prices and predominantly disposals of assets. More than 99% of the securitisation portfolio was rated investment grade at the year-end 2015.

As of 31 December 2015 and 31 December 2014 respectively, the composition of the total portfolio of securitisations according to products and balance sheet line items was as follows:

Composition of the total portfolio of securitisations

	Loans and receivables to credit institutions		Financial assets - held to maturity		Financial assets - at fair value through profit or loss	Financial assets - available for sale	Financial assets - held for trading	Total	
in EUR million	Carrying amount	Fair value	Carrying amount	Fair value	Fair value	Fair value	Fair value	Carrying amount	Fair value
As of 31 December 2015									
Prime RMBS	0	0	18	17	0	9	0	27	26
CMBS	0	0	0	0	0	0	0	0	0
SME ABS	0	0	0	0	0	0	0	0	0
Leasing ABS	0	0	0	0	0	0	0	0	0
Other ABS	0	0	0	0	0	0	0	0	0
CLOs	0	0	0	0	0	389	0	389	389
Other RMBS	0	0	0	0	0	0	0	0	0
Total ABS / CDO	**0**	**0**	**18**	**17**	**0**	**398**	**0**	**416**	**406**
Student Loans	0	0	0	0	0	97	0	97	97
Total securitisations	**0**	**0**	**18**	**17**	**0**	**495**	**0**	**513**	**503**
As of 31 December 2014									
Prime RMBS	0	0	146	142	2	78	20	245	241
CMBS	0	0	24	23	1	28	0	53	52
SME ABS	0	0	5	5	0	19	2	26	26
Leasing ABS	0	0	2	2	0	1	0	3	3
Other ABS	0	0	0	0	1	3	0	4	4
CLOs	0	0	0	0	32	602	6	640	640
Other RMBS	0	0	0	0	2	17	5	24	24
Total ABS / CDO	**0**	**0**	**176**	**172**	**37**	**748**	**33**	**995**	**990**
Student Loans	0	0	0	0	1	98	0	99	99
Total securitisations	**0**	**0**	**176**	**172**	**38**	**846**	**33**	**1,094**	**1,089**

If not mentioned explicitly the carrying amount corresponds to the fair value.

Collateralised loan obligations (CLOs)

CLOs are securitisations backed by pools of corporate loans. Erste Group is invested in US CLOs.

Other securitisations

Erste Group holds securitisations of lease receivables (Leasing ABS) and Prime RMBSs, which are backed by mortgages on residential real estate.

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

44.5 Market risk

Definition and overview

Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived from them. These market value changes might appear in the profit and loss account, in the statement of comprehensive income or in hidden reserves. At Erste Group, market risk is divided into interest rate risk, credit spread risk, currency risk, equity risk, commodity risk and volatility risk. This concerns both trading and banking book positions.

Methods and instruments employed

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

Back-testing is used to constantly monitor the validity of the statistical methods. This process is conducted with a one-day delay to monitor if the model projections regarding losses have actually materialised. At a confidence level of 99%, the actual loss on a single day should exceed the VaR statistically only two to three times a year (1% of around 250 workdays). This shows one of the limits of the VaR approach: on the one hand, the confidence level is limited to 99%, and on the other hand, the model takes into account only those market scenarios observed in each case within the simulation period of two years, and calculates the VaR for the current position of the bank on this basis. In order to investigate any extreme market situations beyond this, stress tests are conducted at Erste Group. These events include mainly market movements of low probability.

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

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

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

Erste Group is upgrading the Internal Market Risk Model with respect to infrastructure and methodology. The application of the changes in calculation of own funds requirement for market risk is subject to a regulatory approval process.

Methods and instruments of risk mitigation

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

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

Limit compliance is verified at two levels: by the appropriate local decentralised risk management unit and by the Market Risk Control & Infrastructure unit. The monitoring of sensitivity limits is performed on both intraday and end of day basis. On demand, limit reports can also be triggered by individual traders or chief traders on an ad hoc basis. The VaR is calculated every day at group level and made available to the individual trading units as well as to the superior management levels all the way up to the management board.

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

Analysis of market risk

The following tables show the VaR amounts at the 99% confidence level using equally weighted market data and with a holding period of one day.

Value at Risk of banking book and trading book

in EUR thousand	Total	Interest	Currency	Shares	Commodity	Volatility
As of 31 December 2015						
Erste Group	42,507	43,132	614	1,101	128	466
Core Group	50,297	50,893	614	1,101	128	466
Banking book	51,729	51,671	204	3	0	32
Trading book	2,873	2,142	572	1,101	128	466
As of 31 December 2014						
Erste Group	17,574	15,582	733	2,439	217	302
Core Group	20,639	19,038	733	2,439	217	302
Banking book	17,579	17,708	265	2	0	1
Trading book	4,035	1,881	887	2,440	217	302

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

Interest rate risk in the banking book

Interest rate risk is the risk of an adverse change in the fair value of financial instruments caused by a movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities, including derivatives, in respect of their maturities or of the timing of interest rate adjustments. In order to identify interest rate risk, all financial instruments, including transactions not recognised on the balance sheet, are grouped into maturity bands based on their remaining terms to maturity or terms to an interest rate adjustment. Positions without a fixed maturity (e.g. demand deposits) are included on the basis of modelled deposit rates that are determined by means of statistical methods.

The current low or in certain countries even negative interest rate environment poses a challenge for the interest rate risk measurement of banks. Until 2015, a floor at 0% was applied in interest rate risk calculations; nevertheless, this approach was revised during the year. Consequently, from the first quarter of 2016 the floor will be abandoned in the internal risk calculations, while according to the "Guidelines on the management of interest rate risk arising from non-trading activities" issued by the European Banking Authority for the calculation of the regulatory interest rate risk measure it has to be kept.

The following tables list the open fixed-income positions held by Erste Group in the four currencies that carry a significant interest rate risk: EUR, CZK, HUF and RON. Only the open fixed-income positions that are not allocated to the trading book are presented. Positive values indicate fixed-income risks on the asset side, i.e. a surplus of asset items; negative values represent a surplus on the liability side.

Open fixed-income positions not assigned to the trading book

in EUR million	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
As of 31 December 2015					
Fixed-interest gap in EUR positions	-3,474.3	3,008.5	-509.3	582.3	2,781.5
Fixed-interest gap in CZK positions	1,837.0	915.6	-1,157.0	-2,784.2	86.4
Fixed-interest gap in HUF positions	83.7	109.1	-247.1	-275.5	0.0
Fixed-interest gap in RON positions	636.4	263.4	26.1	-228.5	0.9
As of 31 December 2014					
Fixed-interest gap in EUR positions	-2,841.1	869.2	1,638.5	1,648.0	1,791.9
Fixed-interest gap in CZK positions	666.5	1,539.7	-1,703.5	-1,758.9	242.8
Fixed-interest gap in HUF positions	196.5	4.7	-173.9	-225.8	0.0
Fixed-interest gap in RON positions	1,000.8	288.0	50.2	-273.7	0.9

Credit spread risk

Credit spread risk is the risk of an adverse movement in the fair value of financial instruments caused by a change in the creditworthiness of an issuer perceived by the market. Erste Group is exposed to credit spread risk with respect to its securities portfolio, both in the trading as well as in the banking book.

In order to identify credit spread risk, all securities are grouped into maturity bands based on their remaining terms to maturity or terms to an expected call date on the one hand, and assigned to risk factors reflecting the riskiness of their issuer on the other hand.

Exchange rate risk

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

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

Erste Group separately measures and manages other types of risks relating to the group's balance sheet and earnings structure. The translation risk related to the valuation of the balance sheet items, earnings, dividends and participations/net investments in local currency or foreign exchange has an impact on consolidated earnings and consolidated capital. Erste Group is also reducing the negative impact related to volatility of foreign exchange rates on asset performance (for example as a result of foreign exchange lending in the CEE countries that was stopped for clients not having sufficient regular income in the respective loan currency).

In order to manage its multi-currency earnings structure, Erste Group regularly discusses hedging opportunities and takes decisions in the Group Asset Liability Committee (ALCO). Asset Liability Management (ALM) uses as the usual source of information the current financial results and the financial budget prepared for the upcoming period to obtain as much information as possible on the future foreign currency cash flows. The proposal, which mainly includes the volume, hedging level, hedge ratio and timeline of the hedging, is submitted by ALM to ALCO. The impact of translation on consolidated capital is monitored and reported to ALCO. The ALCO decisions are then implemented by ALM and the implementation status is reported on a monthly basis to ALCO.

The following table shows the largest open exchange rate positions of Erste Group as of 31 December 2015 and the corresponding open positions of these currencies as of 31 December 2014 respectively (excluding foreign exchange positions arising from equity participation).

Open exchange rate positions

in EUR thousand	Dec 2014	Dec 2015
Czech koruna (CZK)	-19,314	-141,134
US dollar (USD)	-7,349	-14,157
Hungarian forint (HUF)	-8,979	-12,865
British Pound (GBP)	5,081	10,746
Romanian Lei (RON)	22,126	9,753
Swiss franc (CHF)	-54,188	-7,874
Croatian Kuna (HRK)	23,327	-5,694
Japanese yen (JPY)	-4,108	-3,961

Hedging

Banking book market risk management consists of optimising Erste Group's risk position by finding the proper trade-off between the economic value of the balance sheet and forecasted earnings. Decisions are based on the balance sheet development, economic environment, competitive landscape, fair value of risk, effect on net interest income and appropriate liquidity position. The steering body responsible for interest rate risk management is ALCO. ALM submits proposals for actions to steer the interest rate risk to ALCO and implements ALCO's decisions.

In order to achieve the goals of risk management, hedging activities focus on the two main control variables: net interest income and market value of equity risk. In a broader sense, hedging refers to an economic activity that mitigates risk but does not necessarily qualify for hedge accounting under IFRS rules. IFRS hedge accounting is applied, if possible, to avoid accounting mismatches due to hedging activity. Within the scope of IFRS-compliant hedge accounting, cash flow hedges and fair value hedges are used. If IFRS-compliant hedge accounting is not possible, the fair value option is applied, where appropriate, for the hedging of market values. Most of the hedging within Erste Group concerns hedging of interest rate risk. The remainder is hedging of foreign exchange rate risk.

44.6 Liquidity risk

Definition and overview

The liquidity risk is defined in Erste Group in line with the principles set out by the Basel Committee on Banking Supervision and the Austrian regulators (“Kreditinstitute-Risikomanagement-Verordnung – KI-RMV”). Accordingly, a distinction is made between market liquidity risk, which is the risk that the group entities cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the group members.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Group’s own refinancing cost or spread.

Liquidity strategy

In 2015, client deposits remained the primary source of funding for Erste Group: the volume of client deposits increased to EUR 127.9 billion as of year-end 2015, amounting to 64% of the balance sheet total. The loan-to-deposit ratio stands at 98%, which is in line with the targeted level.

With regards to own issuance, Erste Group issued EUR 2.36 billion in bonds in 2015 which was in accordance with the size of the budgeted figure. EUR 1 billion was collected via two mortgage covered bonds in benchmark size. EUR 731 million was collected by issuing senior unsecured bonds via private placements or the retail network. Subordinated debt (Tier 2) issuance was in the size of EUR 600 million. The average tenor of all new issues in 2015 is approximately 7.4 years.

Since 2014, the ECB supports bank lending to the non-financial sector through a series of targeted longer-term refinancing operations (TLTROs) with a maturity of up to four years and an early repayment option. At group level, Erste Group’s total TLTRO participation increased slightly in 2015 to EUR 1,96 billion (2014: EUR 1,78 billion).

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period for each currency on both entity and group levels. This analysis determines the maximum period during which the entity can survive a severe combined market and idiosyncratic crisis while relying on its pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflows. Furthermore, the simulation assumes increased drawdown on guarantees and loan commitments dependent on the type of customer, as well as the potential outflows from collateralised derivative transactions estimating the effect of collateral outflows in the case of adverse market movements. To reflect the reputational risk from callable own issues, the principal outflows from these liabilities are modelled to the next call date in all stress scenarios.

Additional to QIS monitoring according to BCBS guidelines and reporting of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) according to CRR, Erste Group is reporting LCR internally according to the Delegated Act (Regulation (EU) 2015/61) since October 2015. The ratios are monitored at both entity and group level, and since 2014 LCR is part of the internal Risk Appetite Statement, targeting to be above 100% at group level ahead of the regulatory requirement.

Legal lending limits exist in all CEE countries where Erste Group is represented. As they restrict liquidity flows between Erste Group’s subsidiaries in different countries they are taken into account for the assessment of liquidity risk in the survival period model as well as in the calculation of the Liquidity Coverage Ratio at group level.

Additionally, the traditional liquidity gaps (depicting the going concern maturity mismatches) of the subsidiaries and the group as a whole are reported and monitored regularly. Funding concentration risk is continuously analysed with respect to counterparties. Erste Group’s funds transfer pricing (FTP) system has also proven to be an efficient tool for structural liquidity risk management.

Last year’s improvements of the internal stress testing methodology have been successfully completed. At the same time Erste Group is continuing its ongoing project activities to improve the framework for group-wide liquidity risk reporting and liquidity risk measurement. Aside from the adoption of changed and additional regulatory reporting requirements, current projects focus on improving data quality and granularity used in the internal and regulatory risk measurement as well as increasing flexibility in reporting.

Methods and instruments of risk mitigation

Short-term liquidity risk is managed by limits resulting from the survival period model, internal stress testing and by internal LCR targets at both entity and group level. Limit breaches are reported to the Group Asset Liability Committee (ALCO). Another important instrument for managing the liquidity risk within Erste Group Bank AG and in relation to its subsidiaries is the FTP system. As the process of planning funding needs provides important information for liquidity management, a detailed overview of funding needs is prepared on a quarterly basis for the planning horizon across Erste Group.

The Comprehensive Contingency Plan of the Erste Group ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis. The contingency plans of the subsidiaries are coordinated as part of the plan for Erste Group Bank AG.

Analysis of liquidity risk

Liquidity gap

The long-term liquidity position is managed using liquidity gaps on the basis of expected cash flows. This liquidity position is calculated for each material currency and based on the assumption of ordinary business activity. Fulfilment of the internal and regulatory liquidity risk requirements as well as the current and expected market environment are also taken into account.

Expected cash flows are broken down by contractual maturities in accordance with the amortisation schedule and arranged in maturity ranges. All products without contractual maturities (such as demand deposits and overdrafts) are shown in the first time bucket, irrespective of the statistically observed client behaviour.

The following table shows the liquidity gaps as of 31 December 2015 and 31 December 2014:

	< 1 month		1-12 months		1-5 years		> 5 years	
in EUR million	Dec 2014	Dec 2015	Dec 2014	Dec 2015	Dec 2014	Dec 2015	Dec 2014	Dec 2015
Liquidity GAP	-7,590	-19,075	-21,032	-15,177	-2,486	6,092	31,109	28,160

An excess of assets over liabilities is indicated by a positive value, while an excess of liabilities over assets is indicated by a negative value. The callable own issues are modelled to their next call dates. The cash inflows from liquid securities amounting to EUR 36.6 billion (2014: EUR 33.5 billion), which are accepted as collateral by the central banks to which Erste Group has access, are taken into account in the first time bucket rather than considering them at their contractual maturity.

Counterbalancing capacity

Erste Group regularly monitors its counterbalancing capacity, which consists of cash, excess minimum reserves at the central banks as well as unencumbered central bank eligible assets and other liquid securities, including impacts from repos, reverse repos and securities lending transactions. These assets can be mobilised in the short term to offset potential cash outflows in a crisis situation. The term structure of the group's counterbalancing capacity as of year-end 2015 and year-end 2014 are shown in the tables below:

Term structure of counterbalancing capacity

in EUR million	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
As of 31 December 2015					
Cash, excess reserve	6,908	843	0	0	0
Liquid assets	32,743	180	530	89	344
Other central bank eligible assets	5,820	0	0	0	350
Thereof retained covered bonds	3,546	0	0	0	0
Thereof credit claims	2,274	0	0	0	350
Counterbalancing capacity	**45,471**	**1,023**	**530**	**89**	**694**
As of 31 December 2014					
Cash, excess reserve	3,998	-156	0	0	0
Liquid assets	31,730	439	73	136	1,092
Other central bank eligible assets	7,090	98	247	-5	-9
Thereof retained covered bonds	4,353	0	0	0	0
Thereof credit claims	2,737	98	247	-5	-9
Counterbalancing capacity	**42,819**	**382**	**320**	**131**	**1,082**

The figures above show the total amount of potential liquidity available for the group in a going concern situation, taking into account the applicable central bank haircuts. In a crisis situation adverse market movements and legal transfer restrictions among group members can decrease this amount. Taking into account these effects, the initial counterbalancing capacity available at group level is reduced by additional haircuts and liquidity transfer constraints (e.g. legal lending limits). Negative figures are maturing positions of the counterbalancing capacity. Positive figures after 1 week are positions not immediately available as counterbalancing capacity.

Financial liabilities

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2015 and 31 December 2014 respectively, were as follows:

in EUR million	Carrying amounts	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years
As of 31 December 2015						
Non-derivative liabilities	**171,714**	**175,495**	**82,046**	**37,374**	**36,419**	**19,656**
Deposits by banks	14,212	14,322	6,826	1,942	4,176	1,378
Customer deposits	127,797	128,449	74,623	29,694	19,115	5,016
Debt securities in issue	23,947	25,832	568	4,911	10,584	9,768
Subordinated liabilities	5,758	6,892	28	827	2,544	3,494
Derivative liabilities	**6,027**	**6,126**	**424**	**1,597**	**3,018**	**1,087**
Contingent liabilities	**0**	**25,415**	**25,415**	**0**	**0**	**0**
Financial guarantees	0	19,126	19,126	0	0	0
Irrevocable commitments	0	6,288	6,288	0	0	0
Total	**177,741**	**207,036**	**107,884**	**38,971**	**39,438**	**20,743**
As of 31 December 2014						
Non-derivative liabilities	**168,225**	**173,996**	**65,122**	**42,372**	**40,467**	**26,035**
Deposits by banks	14,803	15,127	5,929	2,720	3,825	2,654
Customer deposits	122,263	123,803	58,793	33,755	21,915	9,340
Debt securities in issue	25,402	28,027	388	5,614	12,923	9,102
Subordinated liabilities	5,758	7,038	12	283	1,804	4,939
Derivative liabilities	**7,914**	**7,964**	**484**	**1,724**	**3,982**	**1,775**
Contingent liabilities	**0**	**22,963**	**22,963**	**0**	**0**	**0**
Financial guarantees	0	6,862	6,862	0	0	0
Irrevocable commitments	0	16,101	16,101	0	0	0
Total	**176,140**	**204,923**	**88,569**	**44,096**	**44,449**	**27,809**

As of year-end 2015, the currency composition of the non-derivative liabilities consisted of approximately 73% EUR, 15% CZK, 4% RON, 4% USD and the rest 4% in other currencies.

Besides the contingent liabilities from unused credit lines and guarantees, material potential cash outflow is estimated from the collateralised derivative transactions for the stress testing, which amounted to EUR 667.4 million in the worst-case scenario as of 31 December 2014 (2014: EUR 338.6 million).

As of 31 December 2015, the volume of customer deposits due on demand amounted to EUR 64.6 billion (2014: EUR 50.6 billion). Observation of customer behaviour has shown that 95% of this volume is stable during the ordinary course of business. This means that only a minor part of the on-demand portfolio is withdrawn by the customer, whereas the major part generally remains in the bank.

According to customer segments, the customer deposits are composed as follows: 70% private individuals, 13% large corporates, 9% small and medium-sized enterprises, 4% non-banking financial institutions and 4% public sector The deposits by banks include the top five providers of funds.

Liquidity ratios

With the implementation of the CRR at the beginning of 2014, new liquidity ratios, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) have been introduced as ratios relevant for reporting purposes. For the LCR, the European Commission released a delegated regulation (EU) 2015/61 of 10 October 2014, published in the Official Journal of the European Union on 17 January 2015, specifying details on the ratio and setting a binding minimum requirement for the ratio as of 1 October 2015. The LCR represents a ratio of highly liquid assets vis-à-vis net cash outflows over a 30 day time horizon. The minimum ratio has been set at 60% for 2015 (from 1 October), 70% for 2016, 80% for 2017 and 100% from 2018. The NSFR remains for the time being a reporting requirement only, with a binding minimum requirement potentially introduced from 2018.The NSFR represents a ratio of available stable funding vis-à-vis required stable funding within a 12 month time horizon. Both ratios have been implemented within Erste Group.

44.7 Operational risk

Definition and overview

In line with Article 4 Section 52 of regulation (EU) 575/2013 (CRR), Erste Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks. Both quantitative and qualitative methods are used to identify operational risks. Consistent with international practice, the responsibility for managing operational risk rests with the line management.

Methods and instruments employed

The quantitative measurement methods are based on internal loss experience data, which is collected across Erste Group using a standard methodology and entered into a central data pool. Additionally, in order to be able to model losses that have not occurred in the past but are nonetheless possible, scenarios and external data are also used. Erste Group sources external data from a leading non-profit risk-loss data consortium.

Erste Group received regulatory approval for the Advanced Measurement Approach (AMA) in 2009. AMA is a sophisticated approach to measuring operational risk. Pursuant to AMA, the required capital is calculated using an internal VaR model, taking into account internal data, external data, scenario analysis, business environment and internal risk control factors. In 2011, Erste Group received approval to use insurance contracts for mitigation within the AMA pursuant to Article 323 CRR.

Methods and instruments of risk mitigation

In addition to quantitative methods, qualitative methods are also used to determine operational risk, such as risk assessment surveys. The results of and suggestions for risk control in these surveys, which are conducted by experts, are reported to the line management and thus help to reduce operational risks. Erste Group also reviews certain key indicators periodically to ensure early detection of changes in risk potential that may lead to losses.

Erste Group uses a group-wide insurance programme, which, since its establishment in 2004, has reduced the cost of meeting Erste Group's traditional property insurance needs and made it possible to buy additional insurance for previously uninsured bank-specific risks. This programme uses a captive reinsurance entity as a vehicle to share losses within the group and access the external market.

The quantitative and qualitative methods used, together with the insurance strategy and the modelling approaches described above, form the operational risk framework of Erste Group. Information on operational risk is periodically communicated to the management board via various reports, including the quarterly top management reports, which describe the recent loss history, loss development, qualitative information from risk assessments and key risk indicators as well as the operational VaR for Erste Group.

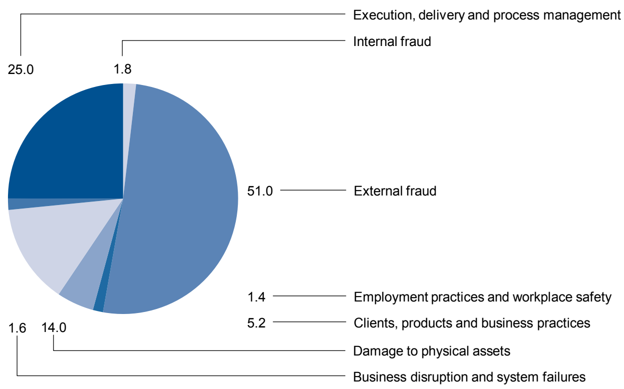
Distribution of operational risk events

Detailed below is the percentage composition by type of event of operational risk sources as defined by Article 324 CRR. The observation period is from 1 January 2011 to 31 December 2015.

The event type categories

- **Internal fraud**: losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity or discrimination events that involve at least one internal party.
- **External fraud**: losses due to acts by a third party of a type intended to defraud, misappropriate property or circumvent the law.
- **Employment practices and workplace safety**: losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity or discrimination events.
- **Clients, products and business practices**: losses arising from unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements) or from the nature or design of a product.
- **Damage to physical assets**: losses arising from loss of or damage to physical assets caused by natural disaster or other events.
- **Business disruption and system failures**: losses arising from disruption of business or system failures.
- **Execution, delivery and process management**: losses from failed transaction processing or process management. Losses pertaining to relationships with trading counterparties and vendors or suppliers.

Event type categories (in %)



45. Hedge accounting

The interest rate risk of the banking book is managed by Group ALM. Preference in managing interest rate risk is given to using bonds, loans or derivatives, with hedge accounting for derivatives usually applied in accordance with IFRS. The main guideline for interest rate risk positioning is the Group Interest Rate Risk Strategy that is approved by the Group ALCO for the relevant time period.

Fair value hedges are employed to reduce interest rate risk of issued bonds, purchased securities, loans or deposits on the Erste Group balance sheet. In general, Erste Group policy is to swap all substantial fixed or structured issued bonds to floating items and as such to manage the targeted interest rate risk profile by other balance sheet items. Interest rate swaps are the most common instruments used for fair value hedges. Concerning loans, purchased securities and securities in issuance, fair value is also hedged by means of cross-currency swaps, swaptions, caps, floors and other types of derivative instruments.

A minor part of the cash flow hedge relationship have been terminated in 2015 because of inneficiencies caused by the zero procent floors in the client loan contracts.

Cash flow hedges are used to eliminate uncertainty in future cash flows in order to stabilise net interest income. The most common such hedge in Erste Group consists of interest rate swaps hedging variable cash flows of floating assets into fixed cash flows. Floors or caps are used to secure the targeted level of interest income in a changing interest rate environment.

In the reporting period, EUR 38.8 million (2014: EUR 51.5 million) was taken from the cash flow hedge reserve and recognised as income in the consolidated income statement; while EUR 11.4 million (2014: EUR 224.3 million) was recognised directly in other comprehensive income. The majority of the hedged cash flows are likely to occur within the next five years and will then be recognised in the consolidated income statement. Ineffectiveness from cash flow hedges amounting to EUR 0.1 million (2014: EUR -0.2 million) is reported in the net trading result.

Fair value hedges in 2015 resulted in losses of EUR 366.1 million (2014: gain of EUR 497.4 million) on hedging instruments and gains of EUR 359.6 million on hedged items (2014: loss of EUR 466.4 million).

Fair values of hedging instruments are disclosed in the following table:

	Dec 14		Dec 15	
in EUR million	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Hedging instrument - fair value hedge	2,689	724	2,031	581
Hedging instrument - cash flow hedge	183	2	161	12

46. Fair value of financial instruments

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

Financial instruments carried at fair value

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

Description of valuation models and parameters

Erste Group uses valuation models that have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently. In 2015, as a consequence of the negative interest environment, valuation models of interest rate options for the respective currencies were adjusted. Log-normal valuation models were replaced by standard market models which are based on a shifted log-normal distribution or a standard distribution. For such models negative interest rates are no restriction.

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

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

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

Credit value adjustments (CVA) for counterparty risk and debit value adjustments (DVA) for own default credit risk are applied to OTC derivatives. For the CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and Erste Group's credit quality. Erste Group has implemented an approach, where the modeling of the expected exposure is based on option replication strategies. For products where an option replication is not feasible the exposure is computed with Monte-Carlo simulation techniques. One of the two modeling approaches is considered for the most relevant portfolios and products. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default by counterparties that are not traded in an active market is determined from internal PDs mapped to a basket of liquid titles present in the central European market. Market based valuation concepts are incorporated for this. Counterparties with liquid bond or CDS markets are valued by the respective single-name market based PD derived from the prices. Erste Group's probability of default has been derived from the buy-back levels of Erste Group's issuances. Netting has only been considered for a few counterparties where the impact was material. In these cases, netting has been applied for both CVA and DVA. For 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 accumulated CVA-adjustments amounts to EUR 43.9 million (2014: EUR -52.8 million) and the total DVA-adjustment amounts to EUR 12.0 million (2014: EUR 12.7 million).

Validation and control

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

Fair value hierarchy

Financial assets and financial liabilities measured at fair value are categorized under the three levels of the IFRS fair value hierarchy.

Level 1 of the fair value hierarchy

The fair value of financial instruments assigned to level 1 of the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets and liabilities. More particular, the evaluated fair value can qualify as level 1 if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis.

These include exchange traded derivatives (futures, options), shares, government bonds as well as other bonds and funds, which are traded in highly liquid and active markets.

Level 2 of the fair value hierarchy

In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as level 2. If no market prices are available the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the 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.

These include OTC derivatives, less liquid shares, bonds and funds as well as asset backed securities (ABS), collateralized debt obligations (CDO) and own issues.

Level 3 of the fair value hierarchy

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

These include shares and funds not quoted, illiquid bonds as well as illiquid asset backed securities (ABS) and collateralized debt obligations (CDO).

A reclassification from level 1 into level 2 or level 3 as well as vice versa will be performed if the financial instrument does no longer meet the criteria described above for the respective level.

The following table shows the classification of financial instruments carried at fair value with respect to levels of the fair value hierarchy.

in EUR million	Dec 14 Quoted market prices in active markets (Level 1)	Marked to model based on observable market data (Level 2)	Marked to model based on non-observable inputs (Level 3)	Total	Dec 15 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
Assets								
Financial assets - held for trading	2,363	8,038	130	10,531	2,801	5,768	150	8,719
Derivatives	1	7,048	124	7,173	2	5,158	143	5,303
Other trading assets	2,361	990	6	3,357	2,798	611	7	3,416
Financial assets - at fair value through profit or loss	52	258	39	350	221	88	50	359
Financial assets - available for sale	16,915	4,963	428	22,306	17,759	2,306	627	20,692
Derivatives - hedge accounting	0	2,866	6	2,872	0	2,191	0	2,191
Assets held for sale	0	53	0	53	0	0	0	0
Total assets	**19,330**	**16,178**	**603**	**36,111**	**20,780**	**10,353**	**827**	**31,961**
Liabilities								
Financial liabilities - held for trading	339	7,407	0	7,746	363	5,503	1	5,867
Derivatives	4	7,184	0	7,188	14	5,418	1	5,434
Other trading liabilities	336	222	0	558	349	85	0	434
Financial liabilities - at fair value through profit or loss	0	2,073	0	2,073	0	1,907	0	1,907
Deposits from customers	0	320	0	320	0	149	0	149
Debt securities issued	0	1,753	0	1,753	0	1,758	0	1,758
Other financial liabilities	0	0	0	0	0	0	0	0
Derivatives - hedge accounting	0	726	0	726	0	593	0	593
Total liabilities	**339**	**10,206**	**0**	**10,545**	**363**	**8,002**	**1**	**8,367**

The chosen method for the allocation of positions to levels is the following: all the levels and level changes are reflected at the end of the reporting period.

Valuation process for financial instruments categorisied as level 3

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

Changes in volumes of level 1 and level 2

This paragraph describes the changes in volumes of level 1 and level 2 of financial instruments carried at fair value in the balance sheet.

Movements on asset side between level 1 and level 2

in EUR million	Dec 14 Level 1	Dec 14 Level 2	Dec 15 Level 1	Dec 15 Level 2
Securities				
Net transfer from level 1	0	-416	0	-839
Net transfer from level 2	416	0	839	0
Net transfer from level 3	64	-152	-6	-58
Purchases/Sales/Expiries/Changes in Fair Value	2,049	-3,015	617	-2,363
Changes in derivatives	-14	1,740	1	-2,565
Total year-to-date change	**2,515**	**-1,843**	**1,451**	**-5,825**

Movements in 2015. In 2015 the total amount of level 1 financial assets increased by EUR 1,451 million. The change in volume of level 1 securities (increase by EUR 1,450 million) was determined on the one hand by matured or sold assets in the amount of EUR 2,693 million and on the other hand by new investments in the amount of EUR 2,869 million. The increase in volume for securities that were allocated to level 1 at both reporting dates (2015 and 2014) amounted to EUR 542 million (due to partial purchases and sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 1,039 million could be reclassified from level 2 to level 1. This applied mainly to securities issued by financial institutions (2015: EUR 703 million), but also to securities issued by governments (2015: EUR 63 million) and other corporates (2015: EUR 273 million). Due to lower market activity and change to modelled fair value, securities in total of EUR 200 million have been moved from level 1 to level 2. This applies mainly to securities issued by financial institutions (2015: EUR 74 million) and other corporates (2015: EUR 65 million) as well as securities issued by governments (2015: EUR 61 million). Level 1 instruments in the amount of EUR 6 million were reclassified to level 3. The remaining decrease in the amount of EUR 101 million was due to partial sales and fair value changes of reclassified instruments.

As of 31 December 2015, no significant liabilities measured at fair value are reported in level 3.

Movements in 2014. In comparison to 2013, in 2014, the total amount of level 1 financial assets increased by EUR 2,515 million. The change in volume of level 1 securities (increase by EUR 2,529 million) was determined on the one hand by matured or sold assets in the amount of EUR 1.9 billion and on the other hand by new investments in the amount of EUR 2.4 billion. The increase in volume for securities that were allocated to level 1 at both reporting dates (2014 and 2013) amounted to EUR 2.2 billion (due to partial purchases and sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 1.1 billion could be reclassified from level 2 to level 1. This applied mainly to securities issued by governments (2014: EUR 525 million), but also to securities issued by financial institutions (2014: EUR 470 million) and other corporates (2014: EUR 127 million). Due to lower market activity and change to modelled fair value, securities in total of EUR 0.7 billion have been moved from level 1 to level 2. This applies mainly to securities issued by financial institutions (EUR 496 million) and other corporates (2014: EUR 167 million) as well as securities issued by governments (EUR 43 million). The remaining decrease in the amount of EUR 0.6 billion was due to partial sales and fair value changes of reclassified instruments.

The reclassifications between level 1 and level 2, broken down to measurement categories and instruments, are shown below:

in EUR million	From level 1 to level 2 in 2014	From level 1 to level 2 in 2015
Financial assets - available for sale	**588**	**176**
Bonds	71	175
Funds	481	0
Other	10	0
Stocks	26	1
Financial assets - at fair value through profit or loss	**82**	**1**
Funds	82	0
Bonds	**0**	**1**
Financial assets - held for trading	**36**	**23**
Bonds	8	23
Funds	18	0
Other	2	0
Stocks	8	0
Total	**706**	**200**

in EUR million	From level 2 to level 1 in 2014	From level 2 to level 1 in 2015
Financial assets - available for sale	**962**	**782**
Bonds	945	361
Funds	0	342
Other	**17**	**12**
Shares	0	65
Financial assets designated at fair value through profit or loss	**30**	**78**
Bonds	30	0
Funds	0	78
Financial assets - held for trading	**130**	**179**
Bonds	125	35
Funds	0	1
Other	4	0
Shares	0	143
Total	**1,122**	**1,039**

Movements in 2015. The total value of level 2 financial assets decreased between 2015 and 2014 by EUR 5,825 million. The level 2 securities fair value change (down by EUR 3,260 million) can be explained for the most part by matured or sold positions in the amount of EUR 2,838 million and new investments in the amount of EUR 925 million. The reduction in volume for securities that have been allocated to level 2 at both reporting dates 2015 and 2014 amounted to EUR 204 million (due to partial sales and purchases and fair value changes caused by market movements).

Due to reduced market depth a total volume of EUR 200 million was reclassified from level 1 to level 2 in 2015. As previously outlined, this applies mainly to bonds issued by financial institutions and other corporates. Securities in the amount of EUR 1,039 million were reclassified from level 2 to level 1 for the reporting date. Due to the use of significant non-observable valuation parameters a total volume of EUR 151 million was reclassified from level 2 to level 3. Participations as well as securities issues by financial institutions are affected by this reclassification. Due to a change to valuation models with significant observable parameters a total volume of EUR 94 million was reclassified from level 3 to level 2. As a consequence of the sale of assets which were held for sale the level 2 position decreased by EUR 53 million. The remaining decrease in the amount of EUR 193 million was due to partial sales and fair value changes of reclassified instruments. The decrease on the asset side derivatives in level 2 by EUR 2,565 million are caused by changes in market values and by netting effects.

On the liability side, as far as securities are concerned, there were no significant movements between the levels. Changes in the amounts were caused either by purchases, sales or changes in market value. The changes of derivatives were mainly caused by changes in the market value and netting effects.

Movements in 2014. The total value of level 2 financial assets decreased between 2014 and 2013 by EUR 1,843 million. The level 2 securities fair value change (down by EUR 3,631 million) can be explained for the most part by matured or sold positions in the amount of EUR 5.2 billion and new investments in the amount of EUR 2.3 billion. The reduction in volume for securities that have been allocated to level 2 at both reporting dates 2014 and 2013 amounted to EUR 70 million (due to partial sales and purchases and fair value changes caused by market movements).

Due to reduced market depth a total volume of EUR 0.7 billion was reclassified from level 1 to level 2 in 2014. As previously outlined, this applies mainly to bonds issued by financial institutions and other corporates. Securities in the amount of EUR 1.1 billion were reclassified from level 2 to level 1 for the reporting date. Due to the use of significant non-observable valuation parameters a total volume of EUR 0.2 billion was reclassified from level 2 to level 3. This applies mainly to securitizations and securities issued by financial institutions. Due to a change to valuation models with significant observable parameters a total volume of EUR 0.1 billion was reclassified from level 3 to level 2. The remaining decrease in the amount of EUR 0.2 billion was due to partial sales and fair value changes of reclassified instruments. The decrease on the asset side in derivatives in level 1 by EUR 14 million represented only a very small contribution to the overall changes.

On the liability side, as far as securities are concerned, there were no movements between the levels. Changes in the amounts were caused either by purchases, sales or changes in market value. The changes of derivatives were mainly caused by changes in the market value.

Movements in level 3 of financial instruments carried at fair value

The following tables show the development of fair value of financial instruments in level 3 categorie:

in EUR million	As of Dec 14	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 15
Assets												
Financial assets - held for trading	130	20	0	7	-1	-3	0	0	15	-19	1	150
Derivatives	124	21	0	4	0	-2	0	0	14	-19	1	143
Other trading assets	6	-1	0	2	-1	0	0	0	1	0	0	7
Financial assets - at fair value through profit or loss	39	-2	0	0	-10	0	0	0	22	0	0	50
Financial assets - available-for-sale	428	-5	114	58	-5	-100	0	-1	337	-199	0	627
Derivatives - hedge accounting	6	-3	0	0	0	0	0	0	0	-3	0	0
Total assets	**603**	**11**	**114**	**65**	**-16**	**-102**	**0**	**-1**	**374**	**-222**	**1**	**827**

	Dec 13											Dec 14
Assets												
Financial assets - held for trading	96	15	0	8	-5	0	0	0	57	-41	0	130
Derivatives	96	17	0	0	-1	0	0	0	52	-41	0	124
Other trading assets	0	-2	0	8	-5	0	0	0	5	0	0	6
Financial assets - at fair value through profit or loss	56	-3	0	1	-6	0	0	0	10	-19	0	39
Financial assets - available-for-sale	248	3	3	13	-49	0	0	0	297	-88	1	428
Derivatives - hedge accounting	0	0	0	0	0	0	0	0	6	0	0	6
Total assets	**401**	**14**	**3**	**22**	**-60**	**0**	**0**	**0**	**369**	**-148**	**1**	**603**

The profit or loss of level 3 financial instruments classified as 'Financial assets – held for trading', 'Financial assets – at fair value through profit or loss' and 'Derivatives – hedge accounting' is disclosed in the income statement line item 'Net trading and fair value result'. Profit or loss from derecognition of 'Financial assets – available for sale' is shown in the income statement line item 'Gains/Losses from financial assets and liabilities not measured at fair value through profit or loss, net'. Impairments of 'Financial assets – available for sale' is disclosed in the line item 'Net impairment loss on financial assets not measured at fair value through profit or loss'. Gains or losses in other comprehensive income of level 3 financial instruments disclosed in the balance sheet line item 'Financial assets – available for sale' are reported directly in equity under 'Available for sale reserve'.

Movements in 2015. The reclassification of securities to level 3 was caused by a decrease in market liquidity and was based on an in-depth analysis of broker quotes. In addition to the assessment of the parameters used for the fair value determination, the external market values of securitizations were subject to an internal validation process, which is based on observable market inputs. Based on the described analysis securities in the amount of EUR 151 million were reclassified from level 2 to level 3. The change is coming from securities issued by corporates (EUR 68 million), securities from financial institutions (EUR 58 million) and securities from sovereigns in the amount of EUR 25 million. On the other hand securities in the amount of EUR 94 million were reclassified from level 3 to level 2. Thereof EUR 46 million are securities issued by corporates, EUR 35 million from financial institutions and EUR 13 million are securities issued by sovereigns. Out of level 1 EUR 6 million were reclassified to level 3. The additional increase in level 3 positions was on the one hand caused by an increase in derivative exposure of EUR 20 million and on the other hand caused by the purchase, sale and market value change of securities in the amount of EUR 140 million.
The increase of level 3 market values in the category Financial Assets – Available for Sale is based on the fair value valuation of the VISA Europe participation as of 31st December 2015. The revaluation of the participation was necessary due to a purchase offer posted by VISA Inc. The proposed offer is a combination of an initial cash payment combined with preferred shares of VISA Inc. and a potential earn out payment in 2020. All these elements have been considered in the determination of the fair value. As significant input parameters for the fair value determination could not be derived from external observable parameters it was necessary to include assumptions and estimations in the determination of the fair value. In total this revaluation led to an increase within the category 'Financial Assets – Available for Sale' amounting to EUR 127 million.
The cash payment was accounted for with its present value as of 31st December 2015. The preferred shares, which are issued as part of the initial purchase price can only be sold after a minimum holding period of 12 years. In addition to that the preferred shares are subject to conditions for which a non-fulfilment would affect the conversation into market tradable VISA Inc. shares. Based on these restrictive conditions the preferred shares were subject to a discount compared to tradable VISA Inc. shares. Moreover the amount of the potential earn out payment is influenced by external specification for which the probability of fulfilment cannot be derived from external observable parameters. As a consequence the potential earn out payment was derived from estimated assumptions.

Movements in 2014. The reclassification of securities to level 3 was caused by a decrease in market liquidity and was based on an in-depth analysis of broker quotes. In addition to the assessment of the parameters used for the fair value determination, securitisations were subject to a market liquidity analysis based on market data provider scoring. The issues with insufficient score were moved from level 2 to level 3. The move to level 3 mainly affects securitizations (EUR 146 million), where significant valuation parameters were no longer observable, as well as issues from financial institutions (EUR 42 million). In contrast, the reclassification of securities from level 3 to level 2 in 2014 was mainly due to a change to modelled prices with observable input parameters.
An amount of EUR 117 million shown within 'Transfers into level 3' is related to investments in equity instruments which have been measured at cost according to IAS 39.46 (c) in the past. In 2014 these investments have been measured at fair value for the first time and have therefore been added to the category 'Available for Sale'.

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

in EUR million	Dec 14	Dec 15
Assets		
Financial assets - held for trading	-14.5	22.2
Derivatives	-13.8	22.5
Other trading assets	-0.7	-0.3
Financial assets designated at fair value through profit or loss	0.9	-1.6
Derivatives hedge accounting	0.0	-2.7
Total	**-13.6**	**17.9**

The volume of level 3 financial assets can be allocated to the following two categories:

_ Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).
_ Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to level 1 or level 2.

Unobservable inputs and sensitivity analysis for level 3 measurements

In case the fair value of a financial asset is retrieved from input parameters which are not observable in the market, those parameters can be retrieved from a range of alternative parameters. For the preparation of the balance sheet the parameters where chosen to reflect the market situation at the reporting date.

The range of unobservable valuation parameters used in level 3 measurements is shown in the following table.

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
As of 31 December 2015					
Positive fair value of derivatives	Forwards, swaps, options	142.9	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.96% -100% (11.7%)
				LGD	60%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	10.9	Discounted cash flow	Credit spread	0.1% -1.5% (0.4%)
Financial assets - available for sale	Fixed and variable coupon bonds	270.9	Discounted cash flow	Credit spread	0.1% -9.9% (2.2%)
As of 31 December 2014					
Positive fair value of derivatives	Forwards, swaps, options	129.5	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	1.21% -100% (15.5%)
				LGD	60%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	11.9	Discounted cash flow	Credit spread	0.1% -7.5% (0,7%)
Financial assets - available for sale	Fixed and variable coupon bonds	291.3	Discounted cash flow	Credit spread	0.1% -9.9% (1.5%)

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 14	Dec 15	Dec 14	Dec 15
Derivatives	10.2	10.5	-11.5	-8.8
Income statement	10.2	10.5	-11.5	-8.8
Other comprehensive income	0.0	0.0	0.0	0.0
Debt securities	23.3	13.5	-31.1	-18.0
Income statement	0.9	0.6	-1.2	-0.8
Other comprehensive income	22.4	12.9	-29.9	-17.2
Equity instruments	1.3	9.9	-2.7	-19.7
Income statement	0.4	1.1	-0.8	-2.3
Other comprehensive income	0.9	8.7	-1.9	-17.4
Total	**34.8**	**33.8**	**-45.3**	**-46.5**
Income statement	**11.5**	**12.2**	**-13.5**	**-11.9**
Other comprehensive income	**23.3**	**21.6**	**-31.8**	**-34.7**

In estimating these impacts, mainly changes in credit spreads (for bonds), PDs, LGDs (for CVA of derivatives) and market values of comparable equities were considered. An increase (decrease) of spreads, PDs and LGDs result in a decrease (increase) of the corresponding market values. Positive correlation effects between PDs and LGDs were not taken into account in the sensitivity analysis.

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

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

Financial instruments not carried at fair value with fair value disclosed in the notes

The following table shows fair values and the fair value hierarchy of financial instruments for which fair value is disclosed in the notes.

2015

in EUR million	Carrying amount	Fair value	Quoted market prices in active markets level 1	Marked to model based on observable market data level 2	Marked to model based on non-observable inputs level 3
Assets					
Cash and cash balances	12,350	12,350	0	0	0
Financial assets - held to maturity	17,701	19,514	18,539	920	56
Loans and receivables to credit institutions	4,805	4,881	0	173	4,708
Loans and receivables to customers	125,897	129,000	0	154	128,846
Liabilities	**0**	**0**	**0**	**0**	**0**
Financial liabilities measured at amortised costs	170,787	173,274	9,326	19,338	144,610
Deposits from banks	14,212	14,493	0	0	14,493
Deposits from customers	127,797	128,719	0	0	128,719
Debt securities issued	27,896	29,238	9,326	19,338	573
Other financial liabilities	882	825	0	0	825
Financial guarantees and commitments					
Financial guarantees	n/a	-14	0	0	-14
Irrevocable commitments	n/a	-25	0	0	-25

2014

in EUR million	Carrying amount	Fair value	Quoted market prices in active markets level 1	Marked to model based on observable market data level 2	Marked to model based on non-observable inputs level 3
Assets					
Cash and cash balances	7,835	7,835	6,976	0	859
Financial assets - held to maturity	16,877	18,876	17,542	1,255	79
Loans and receivables to credit institutions	7,442	7,974	0	266	7,707
Loans and receivables to customers	120,834	124,560	0	199	124,361
Liabilities					
Financial liabilities measured at amortised costs	166,921	166,976	6,461	17,989	142,526
Deposits from banks	14,803	15,035	0	0	15,035
Deposits from customers	122,263	122,087	0	0	122,087
Debt securities issued	29,387	29,372	6,461	17,989	4,922
Other financial liabilities	469	482	0	0	482
Financial guarantees and commitments					
Financial guarantees	n/a	-346	0	0	-346
Irrevocable commitments	n/a	-155	0	0	-155

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PDs and LGDs used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.

The fair values of financial assets held to maturity are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

For liabilities without contractual maturities (e.g. demand deposits), the carrying amount represents the minimum of their fair value.

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available. For issued securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows. The applied discount rate is based on the interest rates at which instruments with comparable characteristics could have been issued at the balance sheet date. Moreover optionality is taken into account when calculating the fair value. The fair value of other liabilities, measured at amortised cost, is estimated by taking into account the current interest rate environment, as well as the own credit spreads. This positions are assigned to the level 3 category.

The fair value of off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) is estimated with the help of regulatory credit conversion factors. The resulting loan equivalents are treated like other on-balance sheet assets. The difference between the calculated market value and the notional amount of the hypothetical loan equivalents represents the fair value of these contingent liabilities. In case of the total market value being higher than the notional amount of the hypothetical loan equivalents the fair value of these contingent liabilities is presented with a negative sign.

47. Fair values of non-financial assets

The following table shows fair values and fair value hierarchy of non-financial instruments.

2015 in EUR million	Carrying amount	Fair value	Quoted market prices in active markets level 1	Marked to model based on observable market data level 2	Marked to model based on non-observable inputs level 3
Assets whose fair value is disclosed in the notes					
Investment property	539	607	1	326	280
Assets whose fair value is presented in the balance sheet					
Assets held for sale (IFRS 5)	194	218	0	57	161

2014 in EUR million	Carrying amount	Fair value	Quoted market prices in active markets level 1	Marked to model based on observable market data level 2	Marked to model based on non-observable inputs level 3
Assets whose fair value is disclosed in the notes					
Investment property	950	988	0	461	528
Assets whose fair value is presented in the balance sheet					
Assets held for sale (IFRS 5)	1	1	0	0	1

Investment property is measured at fair value on recurring basis. Assets held for sale are measured at fair value on non-recurring basis when their carrying amount is impaired down to fair value less costs to sell.

The fair values of non-financial assets are determined by experts with recognised and relevant professional qualification.

Fair values of non-financial assets owned by Erste Group through Austrian companies which are located in developed and active real estate markets such as Austria, Czech Republic and Slovakia are based on valuation reports relying essentially on observable market inputs (such as selling price per square meter charged in recent market observable transactions for similar assets). Such measurements are disclosed as level 2 of the fair value hierarchy. If fair values of non-financial assets result from valuation models using expected future rental income method they are presented in level 3 of the fair value hierarchy.

For non-financial assets owned by Erste Group through subsidiaries located in CEE countries the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenant and other material factors. Such measurements are presented in level 3 of the fair value hierarchy.

The book value related to investment property for which no disclosure according to IFRS 13 is required amounts to EUR 214 million. as at 31 December 2015. The corresponding fair value amounts to EUR 217 million.

The book value related to assets held for sale for which no disclosure according to IFRS 13 is required amounts to EUR 333 million as at 31 December 2015. The corresponding fair value amounts to EUR 376 million.

48. Financial instruments per category according to IAS 39

Dec 2015 in EUR million	Category of financial instruments Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial liabilities at amortised cost	Other financial assets	Derivatives designated as hedging instruments	Finance lease according to IAS 17	Total
ASSETS										
Cash and cash balances	9,556	0	0	0	0	0	2,794	0	0	12,350
Loans and receivables to credit institutions	4,805	0	0	0	0	0	0	0	0	4,805
Loans and receivables to customers	122,146	0	0	0	0	0	0	0	3,751	125,897
Derivatives - hedge accounting	0	0	0	0	0	0	0	2,191	0	2,191
Financial assets - held for trading	4	0	8,716	0	0	0	0	0	0	8,719
Financial assets - at fair value through profit or loss	0	0	0	359	0	0	0	0	0	359
Financial assets - available for sale	0	0	0	0	20,763	0	0	0	0	20,763
Financial assets - held to maturity	0	17,701	0	0	0	0	0	0	0	17,701
Total financial assets	**136,511**	**17,701**	**8,716**	**359**	**20,763**	**0**	**2,794**	**2,191**	**3,751**	**192,785**
Net gains / losses recognized through profit or loss	-668	1	37	0	22	0	0	-6	0	-615
Net gains / losses recognized through OCI	0	0	0	0	-32	0	0	0	0	-32
LIABILITIES										
Financial liabilities - held for trading	0	0	-5,867	0	0	0	0	0	0	-5,867
Financial liabilities - at fair value through profit or loss	0	0	0	-1,907	0	0	0	0	0	-1,907
Financial liabilities measured at amortised cost	0	0	0	0	0	-170,787	0	0	0	-170,787
Derivatives - hedge accounting	0	0	0	0	0	0	0	-593	0	-593
Total financial liabilities	**0**	**0**	**-5,867**	**-1,907**	**0**	**-170,787**	**0**	**-593**	**0**	**-179,154**
Net gains / losses recognized through profit or loss	0	0	37	32	0	17	0	0	0	-86

Net gains/losses recognised through profit or loss include impairments.

Dec 2014	Category of financial instruments									
in EUR million	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial liabilities at amortised cost	Other financial assets	Derivatives designated as hedging instruments	Finance lease according to IAS 17	Total
ASSETS										
Cash and cash balances	5,368	0	0	0	0	0	2,467	0	0	7,835
Loans and receivables to credit institutions	7,442	0	0	0	0	0	0	0	0	7,442
Loans and receivables to customers	117,185	0	0	0	0	0	0	0	3,649	120,834
Derivatives - hedge accounting	0	0	0	0	0	0	0	2,872	0	2,872
Financial assets - held for trading	0	0	10,531	0	0	0	0	0	0	10,531
Financial assets - at fair value through profit or loss	0	0	0	350	0	0	0	0	0	350
Financial assets - available for sale	0	0	0	0	22,373	0	0	0	0	22,373
Financial assets - held to maturity	0	16,877	0	0	0	0	0	0	0	16,877
Total financial assets	**129,996**	**16,877**	**10,531**	**350**	**22,373**	**0**	**2,467**	**2,872**	**3,649**	**189,115**
Net gains / losses recognized through profit or loss	-2,120	4	182	9	7	0	0	31		-1,888
Net gains / losses recognized through OCI	0	0	0	0	581	0	0	0		581
LIABILITIES										
Financial liabilities - held for trading	0	0	-7,746	0	0	0	0	0	0	-7,746
Financial liabilities - at fair value through profit or loss	0	0	0	-2,073	0	0	0	0	0	-2,073
Financial liabilities measured at amortised cost	0	0	0	0	0	-166,921	0	0	0	-166,921
Derivatives - hedge accounting	0	0	0	0	0	0	0	-726	0	-726
Total financial liabilities	**0**	**0**	**-7,746**	**-2,073**	**0**	**-166,921**	**0**	**-726**	**0**	**-177,466**
Net gains / losses recognized through profit or loss	0	0	-32	-81	0	-17	0	0	0	-130

Net gains/losses recognised through profit or loss include impairments.

49. Audit fees and tax consultancy fees

The following table contains fundamental audit fees and tax fees charged by the auditors (of Erste Group Bank AG and subsidiaries; the auditors primarily being Sparkassen-Prüfungsverband, Ernst & Young and Deloitte) in the financial years 2015 and 2014:

in EUR million	Dec 14	Dec 15
Audit fees	13.8	15.7
Other services involving the issuance of a report	4.5	3.3
Tax consultancy fees	3.7	3.9
Other services	5.8	5.3
Total	**27.7**	**28.1**

For auditing services provided by the Group's auditors EUR 9.1 million (2014: EUR 8.9 million) was paid by Erste Group. The Group's auditors also performed tax consultancy for Erste Group with a value of EUR 1.0 million (2014: EUR 0 million).

50. Contingent liabilities

To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do involve credit risk and are therefore part of the overall risk of the Bank (see Note 44.5 Credit risk).

Legal proceedings

Erste Group Bank and some of its subsidiaries are involved in legal disputes, most of which have arisen in the course of ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of Erste Group or Erste Group Bank**.** Erste Group is also subject to the following ongoing proceedings, some of which, if adversely adjudicated, may have a significant impact on the financial position or profitability of Erste Group or Erste Group Bank:

Consumer protection claims

Several banking subsidiaries of Erste Group in CEE have been named in their respective jurisdictions as defendants in a number of lawsuits and in regulatory proceedings, filed by individual customers, regulatory authorities or consumer protection agencies and associations. Some of the lawsuits are class actions. The lawsuits mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and regulations and that certain fees charged to customers in the past must be repaid. The allegations relate to the enforceability of certain fees as well as of contractual provisions for the adjustment of interest rates and currencies. In some jurisdictions the legal risks in connection with loans granted in the past to consumers are also increased by the enactment of politically motivated laws impacting existing lending relationships, which may result in repayment obligations towards customers, and a level of unpredictability of judicial decisions beyond the level of uncertainty generally imminent in court proceedings. The following consumer protection issues are deemed particularly noteworthy: In Romania, BCR is, besides being a defendant in a substantial number of individual law suits by consumers, among several local banks pursued by the consumer protection authority for alleged abusive clauses pertaining to pre-2010 lending practices. In connection therewith, BCR is currently a defendant in eight individual litigation claims filed by the local consumer protection authority, in each case on behalf of a single or several borrowers. So far the court of first instance took a decision only in one of these eight cases, and decided in favour of BCR, against which an appeal was filed. In most of these cases the proceeding have been suspended until the Constitutional Court rules on whether the legal provisions on which the actions were grounded are compliant with the Romanian Constitution. If one of these cases on the validity of certain clauses becomes adversely adjudicated, this may have the impact of invalidating such clauses also in agreements of BCR with several other consumers. In Hungary, foreign currency loan related invalidity lawsuits by consumers against banks, including EBH, have been suspended by the regulations of the 2014 consumer loan law until the completion of the settlement and refund process towards the customers concerned. While some plaintiffs may not pursue further their claims, it is expected that EBH will remain a defendant in a number of these litigations and that consumers will continue and initiate further court cases even upon the completion of the refund process set out in the 2014 consumer loan law, creating a level of legal uncertainty which makes it impossible to quantify the potential financial impact in the case of adverse adjudications. In Croatia, in a case instituted by a consumer protection organization against several local banks, among them EBC, the Supreme Court in the second quarter 2015, while rejecting some other requests by plaintiffs, declared null and void contractual provisions used over a certain period in the past which allowed banks to change unilaterally the variable interest rates in CHF denominated consumer loans approved in the period from 2004 - 2008. EBC submitted a constitutional complaint before the Constitutional Court of the Republic of Croatia contesting the part of the decision referring to the illegality of unilateral change of the variable interest. In addition, in spite of the long term practice of foreign currency denominated lending, recognized and confirmed by courts of all instances in Croatia, laws have been enacted in the fourth quarter of 2015 that forced banks to accept requests from clients that are consumers or individual professionals to convert their CHF denominated loans into EUR with retroactive effect. Legal steps have been taken to challenge such forced retroactive conversion.

Corporate Bond investors`s prospectus claims

Since 2014 a number of investors in corporate bonds, issued by a large Austrian construction group in the years 2010, 2011 and 2012, have filed claims with the courts of Vienna against Austrian banks, among them Erste Group Bank, requesting compensation for their losses as bond-holders following the bankruptcy of the issuer in 2013. The plaintiffs argue in essence that the defendant banks, who acted as joint-lead managers in the issuing of the respective bond, already knew of the insolvency status of the issuer at such time and should be liable for the issuing prospectus failing to state this. Erste Group Bank, together with a second Austrian bank, acted as joint-lead manager of the bond issuance in 2011. Erste Group Bank rejects the claims.

Claim by an Austrian sub-sovereign

In Austria, Land Salzburg, a sub-sovereign, which had engaged in derivatives transactions with international and Austrian banks, among them EBOe, for several years until 2012, when its government made public having suffered losses in the region of EUR 350 million from such transactions, announced that it would hold the respective counterparties liable for the losses it had allegedly suffered from such transactions, arguing among others miss-counselling on the part of the banks and a lack of authority on the level of the sub-sovereign to enter into speculative financial transactions. Following a review of its own transactions, EBOe refused to enter into an out-of-court settlement with the sub-sovereign and rejected the request to grant a temporary waiver of statute of limitations. In July 2015 Land Salzburg filed a legal action against EBOe with a claims amount of EUR 88.6 million. EBOe rejects the claim.

BCR Banca pentru Locuinte dispute

In 2015, the Romanian Court of Accounts (‘CoA’) conducted an audit review in BCR Banca Pentru Locuinte (‘BpL’) in order to assess whether the Bank has allocated the state subsidies to its clients in accordance with the applicable legal provisions. Following the review, the CoA claims that several deficiencies were identified and that conditions for state subsidies have not been met. BpL did not accept the position taken by the CoA and initiated a contestation process which is currently ongoing. An obligation of repayment of subsidies will, if any, be determined pursuant to an irrevocable court decision, which has not been issued yet.

51. Analysis of remaining maturities

	Dec 14		Dec 15	
in EUR million	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Cash and cash balances	7,835	0	12,350	0
Financial assets - held for trading	2,491	8,039	2,217	6,502
Derivatives	1,240	5,933	1,035	4,268
Other trading assets	1,251	2,107	1,182	2,234
Financial assets - designated at fair value through profit or loss	178	172	53	306
Financial assets - available-for-sale	4,500	17,873	2,487	18,275
Financial assets - held to maturity	2,103	14,774	1,769	15,932
Loans and receivables to credit institutions	7,052	391	4,196	609
Loans and receivables to customers	29,249	91,585	21,416	104,480
Derivatives - hedge accounting	363	2,509	280	1,911
Property and equipment	0	2,264	0	2,402
Investment properties	0	950	0	753
Intangible assets	0	1,441	0	1,465
Investments in associates and joint ventures	0	305	0	167
Current tax assets	107	0	119	0
Deferred tax assets	0	301	0	310
Assets held for sale	291	0	526	0
Other assets	1,294	219	989	228
TOTAL ASSETS	**55,465**	**140,823**	**46,403**	**153,340**
Finanacial liabilities - held for trading	1,446	6,300	1,203	4,665
Derivatives	1,315	5,874	1,193	4,241
Other trading liabilities	131	427	10	423
Financial liabilities designated at fair value through profit or loss	242	1,831	239	1,668
Deposits from banks	0	0	0	0
Deposits from customers	197	123	134	15
Debt securities issued	44	1,708	105	1,653
Other financial liabilities	0	0	0	0
Financial liabilities measured at amortised cost	91,363	75,558	99,750	71,036
Deposits from banks	11,001	3,862	9,910	4,302
Deposits from customers	75,459	46,499	84,511	43,286
Debt securities issued	4,440	25,173	4,464	23,432
Other financial liabilities	463	25	866	16
Derivatives - hedge accounting	33	693	48	545
Changes in fair value of portfolio hedged items	138	1,088	98	868
Provisions	210	1,336	245	1,491
Current tax liabilities	91	0	90	0
Deferred tax liabilities	0	99	0	96
Liabilities associated with assets held for sale	0	0	578	0
Other liabilities	2,000	417	1,939	378
TOTAL LIABILITIES	**95,522**	**87,322**	**104,189**	**80,747**

52. Own funds and capital requirements

Own funds according to CRR consist of common equity tier 1 (CET1), additional tier 1 (AT1) and tier 2 (T2). In order to determine the capital ratios, each respective capital component - after application of all regulatory deductions and filters - is considered in relation to the total risk.

The minimum capital ratios amount to 4.5% for CET1, 6% for tier 1 capital (sum from CET1 and AT1) and 8% for total own funds. In addition to minimum capital ratios, institutions also have to fulfil additional capital requirements determined in the Supervisory Review and Evaluation Process (SREP) and capital buffer requirements.

Capital buffer requirements are set out in sections 23 (capital conservation buffer), 23a (countercyclical buffer), 23b (G-SII buffer), 23c (O-SII buffer) and 23d (systemic risk buffer) of the ABA and further specified in the regulation of the Financial Market Authority (FMA) on the establishment and recognition of the countercyclical buffer rate in accordance with section 23a para 3 ABA, on the establishment of the systemic risk buffer in accordance with section 23d para 3 ABA as well as on the detailed definition of the bases of calculation in accordance with section 23a para 3 clause 1 ABA and section 24 para 2 ABA (capital buffers regulation). All capital buffers, accept the countercyclical buffer, have to be met entirely with CET1 capital, and relate to total risk.

Sections 23, 23a, 23b and 23c of the ABA as well as the capital buffers regulation enter into force on 1 January 2016. As of the reporting date 31 December 2015, Erste Group was not subject to any capital buffer requirements.

According to section 23 para 1 ABA, Erste Group has to establish a capital conservation buffer in the amount of 2.5%.
The transitional provisions for capital conservation buffers are regulated in section 103q para 11 of the ABA as follows:

_ For the period from 1 January 2016 until 31 December 2016 by way of derogation from the requirements under section 23 ABA the capital buffer requirement for the capital conservation buffer amounts to 0.625%;
_ For the period from 1 January 2017 until 31 December 2017 by way of derogation from the requirements under section 23 ABA, the capital buffer requirement for the capital conservation buffer amounts to 1.25%;
_ For the period from 1 January 2018 until 31 December 2018 by way of derogation from the requirements under section 23 ABA, the capital buffer requirement for the capital conservation buffer amounts to 1.875%.

According to section 23a ABA the capital buffer requirement for the countercyclical capital buffer is regulated in section 4 capital buffers regulation as follows:

_ The institution specific requirement for the countercyclical buffer in accordance with section 23a para 1 ABA results from the weighted average of the rates of the countercyclical capital buffer that apply in the jurisdictions where significant credit risk positions are situated in accordance with section 5 of the credit institution, multiplied by the total amount of risk in accordance with Art. 92 (3), of the Regulation (EU) no. 575/2013
_ For the calculation of the weighted average according to para 1, the countercyclical buffer quota for the national area as defined by the respective authority is multiplied with the result out of the comparison of the capital requirement related to significant credit risk positions within the national area and the total capital requirement as defined within Part 3, Title II and IV of Regulation (EU) no. 575/2013.
_ Starting from 1 January 2016 is for the purposes of section 23a para 3 clause 2 ABA the capital buffer rate for the home country allocated, significant credit risk positions 0%.
_ If the competent authority of another member state or a third country for the national legal area determines a rate of over 2.5% for the purposes of para 1 for significant credit risk positions in this legal area, a rate of 2.5% has to be applied.
_ If the responsible third country authority establishes a national buffer rate, this rate is valid twelve months after the date on which the relevant third country authority has announced a change in the buffer rate.

The transitional provisions for the countercyclical are regulated in section 103q para 11 of the ABA as follows:

_ For the period from 1 January 2016 until 31 December 2016 by way of derogation from the requirements under section 23a ABA the capital buffer requirement for the countercyclical buffer requirement amounts to a maximum of 0.625%;
_ For the period from 1 January 2017 until 31 December 2017 by way of derogation from the requirements under section 23a ABA, the capital buffer requirement for the countercyclical buffer requirement amounts to a maximum of 1.25%;
_ For the period from 1 January 2018 until 31 December 2018 by way of derogation from the requirements under section 23a ABA, the capital buffer requirement for the countercyclical buffer requirement amounts to a maximum of 1.875%.

Erste Group is not subject to a G-SII or O-SII buffer in line with sections 23b and 23c ABA.

With respect to the systemic risk buffer under section 23d ABA, the capital buffers regulation specifies:

_ According to section 7 para 1 b capital buffers regulation, Erste Group has to establish a capital buffer for systemic vulnerability in the amount of 1%.
_ According to section 7 para 2 a capital buffers regulation, Erste Group has to establish a capital buffer for the systemic concentration risk in the amount of 1%.

In accordance with section 10 capital buffers regulation the buffer rates for systemic vulnerability and for systemic concentration risk respectively are phased in according to the schedule below:
_ from 1 January to 31 December 2016 with 0.25%,
_ from 1 January to 31 December 2017 with 0.5%,
_ from 1 January to 31 December 2018 with 1%.

As a result of the 2015 SREP performed by the European Central Bank (ECB), Erste Group on a consolidated level is required to meet a transitional Common Equity Tier 1 (CET1) ratio of 9.5% as of 1 January 2016. This minimum CET1 ratio of 9,5% includes Pillar 1, Pillar 2 and capital conservation buffer requirements. In addition, the systemic risk buffer required by the Austrian Financial Markets Authority (FMA) to be applied on top of the SREP ratio is equal to 0.25% for the Group from 1 January 2016, resulting in a prudential capital requirement of 9.75% relating to total risk, for Erste Group as of 1 January 2016. The systemic risk buffer will increase in the following years to 0.5% (2017), 1% (2018) and 2% (2019).

The Austrian savings banks are included as subsidiaries in Erste Group's regulatory scope of consolidation based on the cross-guarantee contract of the 'Haftungsverbund'. Furthermore, Erste Group Bank AG together with the savings banks forms an institutional protection scheme (IPS) according to Article 113 (7) CRR. Disclosure requirements for the institutional protection scheme according to Article 113 (7) e CRR are met by the publication of the consolidated financial statements, which cover all entities included in the institutional protection scheme.

Erste Group determines the not eligible, unrealized gains (according to instrument-by-instrument approach) per AFS instrument with a positive market value. An offsetting with a negative market value (portfolio approach) is not conducted. For Basel 3 Final, a haircut of 25% is considered.

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

in EUR million	Article pursuant to CRR	Dec 14 Phased-in	Dec 14 Final	Dec 15 Phased-in	Dec 15 Final
Common equity tier 1 capital (CET1)					
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	2,336	2,336	2,336	2,336
Own CET1 instruments	36 (1) (f), 42	-82	-82	-72	-72
Retained earnings	26 (1) (c), 26 (2)	8,130	8,130	8,811	8,811
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	-325	-325	-190	-190
Minority interest recognised in CET1	4 (1) (120) 84	3,078	3,078	3,395	3,395
Transitional adjustments due to additional minority interests	479, 480	102	0	57	0
Prudential filter: cash flow hedge reserve	33 (1) (a)	-118	-118	-97	-97
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	-54	-54	-38	-38
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	-16	-16	-9	-9
Value adjustments due to the requirements for prudent valuation	34, 105	-113	-113	-112	-112
Regulatory adjustments relating to unrealised gains and losses (60%)	467, 468	-992	-248	-571	-238
Goodwill	4 (1) (113), 36 (1) (b), 37	-771	-771	-771	-771
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	-654	-654	-657	-657
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	36 (1) (c), 38	-103	-103	-93	-93
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-249	-249	-220	-220
Other transitional adjustments CET1	469 to 472, 478, 481	1,398	0	1,030	0
Goodwill (60%)		617	0	462	0
Other intangible assets (60%)		523	0	394	0
IRB shortfall of provisions to expected losses (60%)		199	0	132	0
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (90%)		58	0	42	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	-944	0	-663	0
Common equity tier 1 capital (CET1)	**50**	**10,623**	**10,811**	**12,136**	**12,045**

The table will be continued on the next page.

Retained earnings include EUR 718 million of total comprehensive income attributable to owners of the parent.
Minority interest recognized in CET1 include EUR 199 million of total comprehensive income attributable to non-controlling interests.

Continuation of the table:

in EUR million	Article pursuant to CRR	Dec 14 Phased-in	Dec 14 Final	Dec 15 Phased-in	Dec 15 Final
Additional tier 1 capital (AT1)					
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	0	0	0	0
Own AT1 instruments	52 (1) (b), 56 (a), 57	-4	0	-4	0
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	0	0	1	1
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484-487, 489, 491	300	0	263	0
AT1 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 56 (d), 59, 79	0	0	0	0
Other transitional adjustments AT1	474, 475, 478, 481	-1,240	0	-923	0
Goodwill (60%)		-617	0	-462	0
Other intangibles (60%)		-523	0	-394	0
IRB shortfall of provisions to expected losses (30%)		-100	0	-66	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	944	0	663	0
Additional tier 1 capital (AT1)	**61**	**0**	**0**	**0**	**1**
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**10,623**	**10,811**	**12,136**	**12,046**
Tier 2 capital (T2)					
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	4,197	4,197	4,649	4,649
Own T2 instruments	63 (b) (i), 66 (a), 67	-71	-71	-50	-50
Instruments issued by subsidiaries recognised in T2	87, 88	332	332	233	233
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	227	0	191	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	47	0	67	0
IRB excess of provisions over expected losses eligible	62 (d)	410	410	408	408
Standardised approach general credit risk adjustments	62 (c)	175	175	0	0
Other transitional adjustments to T2	476, 477, 478, 481	-99	0	-66	0
IRB shortfall of provisions to expected losses (30%)		-100	0	-66	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	-0.4	0	-0.4	0
Tier 2 capital (T2)	**71**	**5,216**	**5,042**	**5,431**	**5,239**
Total own funds	**4 (1) (118) and 72**	**15,839**	**15,853**	**17,566**	**17,284**
Capital requirement	**92 (3), 95, 96, 98**	**8,047**	**8,150**	**7,864**	**8,023**
CET1 capital ratio	**92 (2) (a)**	**10.6%**	**10.6%**	**12.3%**	**12.0%**
Tier 1 capital ratio	**92 (2) (b)**	**10.6%**	**10.6%**	**12.3%**	**12.0%**
Total capital ratio	**92 (2) (c)**	**15.7%**	**15.6%**	**17.9%**	**17.2%**

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

		Dec 2014		Dec 2015	
in EUR million	Article pursuant to CRR	Calculation base / total risk (phased-in)	Capital requirement (phased-in)	Calculation base / total risk (phased-in)	Capital requirement (phased-in)
Total Risk Exposure Amount	**92 (3), 95, 96, 98**	**100,590**	**8,047**	**98,300**	**7,864**
Risk weighted assets (credit risk)	92 (3) (a) (f)	85,556	6,845	83,445	6,676
Standardised approach		17,244	1,379	15,528	1,242
IRB approach		68,313	5,465	67,917	5,433
Settlement Risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (c) (i) and (iii), 92 (4) (b)	3,209	257	2,847	228
Operational Risk	92 (3) (e), 92 (4) (b)	10,277	822	10,755	860
Exposure for CVA	92 (3) (d)	1,548	124	1,252	100
Other exposure amounts incl. Basel 1 floor	3, 458, 459, 500	0	0	0	0

		Dec 2014		Dec 2015	
in EUR million	Article pursuant to CRR	Calculation base / total risk (final)	Capital requirement (final)	Calculation base / total risk (final)	Capital requirement (final)
Total Risk Exposure Amount	**92 (3), 95, 96, 98**	**101,870**	**8,150**	**100,281**	**8,023**
Risk weighted assets (credit risk)	92 (3) (a) (f)	86,836	6,947	85,427	6,834
Standardised approach		17,244	1,379	15,528	1,242
IRB approach		69,593	5,567	69,899	5,592
Settlement Risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (c) (i) and (iii), 92 (4) (b)	3,209	257	2,847	228
Operational Risk	92 (3) (e), 92 (4) (b)	10,277	822	10,755	860
Exposure for CVA	92 (3) (d)	1,548	124	1,252	100
Other exposure amounts incl. Basel 1 floor	3, 458, 459, 500	0	0	0	0

The capital structure table above shows only those positions which are relevant for Erste Group. Basel 3 final figures (fully loaded) are calculated based on the current requirements according to the CRR. Changes are possible due to final Regulatory Technical Standards (RTS) that are not available yet.

The consolidated financial statements have not been reviewed and noticed by the Supervisory Board and the financial statements of Erste Group Bank AG have not been reviewed by the Supervisory Board yet.

Likewise financial statements of single entities within the group have not been noticed by the Supervisory Board yet. In addition, no resolution on the appropriation of the profit has yet been made by the general meeting of the single entity.

53. Events after the balance sheet date

There are no significant events after the balance sheet date.

54. Country by country reporting

Starting with 2015 Erste Group publishes information about Group's country by country activities as required by Article 89 of the EU Capital Requirements Directive IV, as follows:

2015 in EUR million	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
Austria	2,838	406	-146	-89
Croatia	466	-29	21	-21
Czech Republic	1,409	660	-136	-135
Hungary	365	-27	-13	-11
Romania	755	311	-21	-12
Serbia	71	17	0	0
Slovakia	611	241	-64	-84
Other locations	257	59	-4	-3
Total	**6,772**	**1,639**	**-364**	**-355**

2014 in EUR million	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
Austria	2,662	-125	-414	-33
Croatia	467	28	-11	-14
Czech Republic	1,440	643	-139	-156
Hungary	482	-279	-14	-19
Romania	830	-1,422	134	-3
Serbia	66	7	1	0
Slovakia	703	327	-64	-42
Other locations	227	17	-2	-1
Total	**6,878**	**-803**	**-509**	**-267**

Further details about the content of each country category could be found in Note 54 Details of the companies wholly or partly owned by Erste Group as of 31 December 2015, where the information about the relevant country of residence of each fully consolidated entity is presented.

For the reported periods above, Erste Group hasn't been subject to any kind of public or state subsidies.

Information about the geographical split of the average number of headcounts employed in Erste Group throughout 2015 is disclosed in the Note 6 General administrative expenses.

55. Details of the companies wholly or partly owned by Erste Group as of 31 December 2015

The table below presents material, fully consolidated subsidiaries, investments in associates accounted for at equity and other investments.

		Interest of Erste Group in %	
Company name, registered office		**Dec 14**	**Dec 15**
Fully consolidated subsidiaries			
Credit institutions			
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft	Linz	39.8	39.8
Banca Comerciala Romana Chisinau S.A.	Chişinău	93.6	93.6
Banca Comerciala Romana SA	Bucharest	93.6	93.6
Banka Sparkasse d.d.	Ljubljana	28.0	28.0
Bankhaus Krentschker & Co. Aktiengesellschaft	Graz	25.0	25.0
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft	Vienna	95.0	95.0
BCR Banca pentru Locuinte SA	Bucharest	93.9	93.9
Ceska sporitelna, a.s.	Prague	99.0	99.0
Die Zweite Wiener Vereins-Sparcasse	Vienna	0.0	0.0
Dornbirner Sparkasse Bank AG	Dornbirn	0.0	0.0
Erste & Steiermärkische Bank d.d.	Rijeka	69.3	69.3
ERSTE BANK AD NOVI SAD	Novi Sad	80.5	80.5
ERSTE BANK AD PODGORICA	Podgorica	69.3	69.3
Erste Bank der oesterreichischen Sparkassen AG	Vienna	100.0	100.0
Erste Bank Hungary Zrt	Budapest	100.0	100.0
Erste Group Bank AG	Vienna	0.0	0.0
Erste Lakas-Takarekpenztar Zartkoruen Mukodo Reszvenytarsasag	Budapest	100.0	99.8
Kärntner Sparkasse Aktiengesellschaft	Klagenfurt	25.0	25.0
KREMSER BANK UND SPARKASSEN AKTIENGESELLSCHAFT	Krems an der Donau	0.0	0.0
Lienzer Sparkasse AG	Lienz	0.0	0.0
s Wohnbaubank AG	Vienna	90.8	90.8
Salzburger Sparkasse Bank Aktiengesellschaft	Salzburg	98.7	98.7
Slovenska sporitelna, a. s.	Bratislava	100.0	100.0
Sparkasse Baden	Baden	0.0	0.0
Sparkasse Bank dd Bosna i Hercegovina	Sarajevo	24.3	24.3
SPARKASSE BANK MAKEDONIJA AD SKOPJE	Skopje	24.9	24.9
Sparkasse Bank Malta Public Limited Company	Sliema	0.0	0.0
Sparkasse Bludenz Bank AG	Bludenz	0.0	0.0
Sparkasse Bregenz Bank Aktiengesellschaft	Bregenz	0.0	0.0
Sparkasse der Gemeinde Egg	Egg	0.0	0.0
Sparkasse der Stadt Amstetten AG	Amstetten	0.0	0.0
Sparkasse der Stadt Feldkirch	Feldkirch	0.0	0.0
Sparkasse der Stadt Kitzbühel	Kitzbühel	0.0	0.0
Sparkasse Eferding-Peuerbach-Waizenkirchen	Eferding	0.0	0.0
Sparkasse Feldkirchen/Kärnten	Feldkirchen in Kärnten	0.0	0.0
SPARKASSE FRANKENMARKT AKTIENGESELLSCHAFT	Frankenmarkt	0.0	0.0
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft	Hainburg an der Donau	75.0	75.0
Sparkasse Haugsdorf	Haugsdorf	0.0	0.0
Sparkasse Herzogenburg-Neulengbach Bank Aktiengesellschaft	Herzogenburg	0.0	0.0
Sparkasse Horn-Ravelsbach-Kirchberg Aktiengesellschaft	Horn	0.0	0.0
Sparkasse Imst AG	Imst	0.0	0.0
Sparkasse Korneuburg AG	Korneuburg	0.0	0.0
Sparkasse Kufstein, Tiroler Sparkasse von 1877	Kufstein	0.0	0.0
Sparkasse Lambach Bank Aktiengesellschaft	Lambach	0.0	0.0
Sparkasse Langenlois	Langenlois	0.0	0.0
Sparkasse Mittersill Bank AG	Mittersill	0.0	0.0
Sparkasse Mühlviertel-West Bank Aktiengesellschaft	Rohrbach	40.0	40.0
Sparkasse Mürzzuschlag Aktiengesellschaft	Mürzzuschlag	0.0	0.0
Sparkasse Neuhofen Bank Aktiengesellschaft	Neuhofen an der Krems	0.0	0.0
Sparkasse Neunkirchen	Neunkirchen	0.0	0.0
SPARKASSE NIEDERÖSTERREICH MITTE WEST AKTIENGESELLSCHAFT	St. Pölten	0.0	0.0
Sparkasse Pöllau AG	Pöllau bei Hartberg	0.0	0.0
Sparkasse Pottenstein N.Ö.	Pottenstein	0.0	0.0
Sparkasse Poysdorf AG	Poysdorf	0.0	0.0
Sparkasse Pregarten - Unterweißenbach AG	Pregarten	0.0	0.0
Sparkasse Rattenberg Bank AG	Rattenberg	0.0	0.0
Sparkasse Reutte AG	Reutte	0.0	0.0
Sparkasse Ried im Innkreis-Haag am Hausruck	Ried im Innkreis	0.0	0.0
Sparkasse Salzkammergut AG	Bad Ischl	0.0	0.0
Sparkasse Scheibbs AG	Scheibbs	0.0	0.0
Sparkasse Schwaz AG	Schwaz	0.0	0.0
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft	Voitsberg	5.0	5.0
Stavebni sporitelna Ceske sporitelny, a.s.	Prague	99.0	99.0
Steiermärkische Bank und Sparkassen Aktiengesellschaft	Graz	25.0	25.0
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck	Innsbruck	75.0	75.0
Waldviertler Sparkasse Bank AG	Zwettl	0.0	0.0
Wiener Neustädter Sparkasse	Wiener Neustadt	0.0	0.0

Company name, registered office		Interest of Erste Group in % Dec 14	Dec 15
Fully consolidated subsidiaries			
Financial institutions			
'DIE EVA' Grundstückverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
'Die Kärntner' Trust- Vermögensverwaltungsgesellschaft m.b.H. & Co KG	Klagenfurt	25.0	25.0
'Die Kärntner' Trust-Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
'Nare' Grundstücksverwertungs-Gesellschaft m.b.H.	Vienna	100.0	100.0
'SELIMMO' - Sparkasse Mühlviertel-West - DIE ERSTE Leasing - Immobilienvermietung GmbH	Rohrbach	69.4	69.4
5 HOTEL Ingatlanhasznosító Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
Alea-Grundstückverwaltung Gesellschaft m.b.H.	Vienna	100.0	100.0
Altstadt Hotelbetriebs GmbH	Vienna	100.0	100.0
AS-Alpha Grundstücksverwaltung Gesellschaft m.b.H.	Vienna	39.8	39.8
Asset Management Slovenskej sporitelne, správ. spol., a. s.	Bratislava	100.0	100.0
Augarten - Hotel - Errichtungsgesellschaft m.b.H.	Vienna	100.0	100.0
AVION-Grundverwertungsgesellschaft m.b.H.	Vienna	51.0	51.0
AWEKA - Kapitalverwaltungsgesellschaft m.b.H.	Graz	25.0	25.0
BCR Leasing IFN SA	Bucharest	93.5	93.6
BCR Payments Services SRL	Sibiu	93.6	93.6
BCR PENSII, SOCIETATE DE ADMINISTRARE A FONDURILOR DE PENSII PRIVATE SA	Bucharest	93.6	93.6
BOOTES-Immorent Grundverwertungs-Gesellschaft m.b.H.	Vienna	100.0	100.0
BTV-Beteiligungs-, Treuhand-, Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Business Center Marchfeld Betriebsgesellschaft m.b.H.	Vienna	100.0	100.0
CEE Property Development Portfolio 2 a.s.	Amsterdam	99.0	99.0
CEE Property Development Portfolio B.V.	Amsterdam	19.8	19.8
Cinci-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
CS Investment Limited	St Peter Port	99.0	99.0
CS Property Investment Limited	Nicosia	99.0	99.0
Czech and Slovak Property Fund B.V.	Amsterdam	19.8	19.8
Czech TOP Venture Fund B.V.	Groesbeek	83.1	83.1
DENAR-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
Derop B.V.	Amsterdam	100.0	100.0
DIE ERSTE Leasing Grundaufschließungs- und Immobilienvermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Grundbesitzgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Grundstückverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Immobilien Vermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Immobilienbesitzgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Immobilienverwaltungs- und -vermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Realitätenverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE EVA - Liegenschaftsverwaltunggesellschaft m.b.H.	Vienna	100.0	100.0
DIE EVA-Gebäudeleasinggesellschaft m.b.H.	Vienna	100.0	100.0
DIE EVA-Immobilienleasing und -erwerb Gesellschaft m.b.H.	Vienna	100.0	100.0
Drustvo za lizing nekretnina, vozila, plovila i masina 'S-Leasing' doo Podgorica	Podgorica	62.5	62.5
EB Erste Bank Internationale Beteiligungen GmbH	Vienna	100.0	100.0
EBB-Epsilon Holding GmbH	Vienna	100.0	100.0
EB-Grundstücksbeteiligungen GmbH	Vienna	100.0	100.0
EKZ-Immorent Vermietung GmbH	Vienna	100.0	100.0
Epsilon Immorent s.r.o.	Prague	100.0	100.0
Erste & Steiermärkische S-Leasing drustvo s ogranicenom odgovornoscu za leasing vozila i strojeva	Zagreb	47.1	47.1
Erste Asset Management d.o.o.	Zagreb	100.0	100.0
Erste Asset Management Ltd. (vm Erste Alapkezelo Zrt.)	Budapest	100.0	100.0
Erste Bank Beteiligungen GmbH	Vienna	100.0	100.0
Erste Bank und Sparkassen Leasing GmbH	Vienna	100.0	100.0
ERSTE CARD CLUB d.o.o.	Zagreb	69.3	69.3
ERSTE CARD poslovanje s kreditnimi karticami, d.o.o.	Ljubljana	69.3	69.3
ERSTE FACTORING d.o.o.	Zagreb	76.9	76.9
Erste Group Immorent AG	Vienna	100.0	100.0
Erste Group Immorent CR s.r.o.	Prague	100.0	100.0
Erste Group Immorent International Holding GmbH	Vienna	100.0	100.0
Erste Group Immorent Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
ERSTE GROUP IMMORENT LEASING drustvo s ogranicenom odgovornoscu	Zagreb	92.5	92.5
Erste Group Immorent Lízing Zártkörüen Müködö Részvénytársaság	Budapest	100.0	100.0
ERSTE GROUP IMMORENT POLSKA SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Warsaw	100.0	100.0
ERSTE GROUP IMMORENT ROMANIA IFN S.A.	Bucharest	100.0	100.0
Erste Group Immorent Slovensko s.r.o.	Bratislava	100.0	100.0
ERSTE GROUP IMMORENT SME financne storitve d.o.o.	Ljubljana	100.0	100.0
ERSTE GROUP IMMORENT SRL	Bucharest	100.0	100.0
Erste Lakaslizing Zrt.	Budapest	100.0	100.0
Erste Leasing, a.s.	Znojmo	99.0	99.0
EVA-Immobilienvermietungs- und -verwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Eva-Immobilienverwaltungsgesellschaft m.b.H.	Vienna	100	100
Eva-Realitätenverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
EXTRON-Immorent Immobilienleasing GmbH	Vienna	100.0	100.0
F & S Leasing GmbH	Klagenfurt	100.0	100.0
Factoring Ceske sporitelny a.s.	Prague	99.0	99.0
Financiara SA - company in liquidation	Bucharest	91.2	91.2

Company name, registered office		Interest of Erste Group in %	
		Dec 14	Dec 15
Gémeskút Ingatlanforgalmazó és Beruházó Kft.	Budapest	100.0	100.0
GIROLEASING-Mobilienvermietungsgesellschaft m.b.H.	Vienna	62.5	62.5
GLADIATOR LEASING IRELAND LIMITED	Dublin	0.0	100.0
Gladiator Leasing Limited (vm. Erste Bank (Malta) Limited)	Pieta	100.0	100.0
GLL 29235 LIMITED	Pieta	100.0	100.0
GLL A319 AS LIMITED	Pieta	0.0	100.0
GLL A330 Limited	Dublin	100.0	100.0
GLL CLASSIC 400 LIMITED	Pieta	100.0	100.0
GLL Engine Leasing Limited	Pieta	0.0	100.0
GLL MSN 038 / 043 LIMITED	Pieta	100.0	100.0
GLL MSN 2118 LIMITED	Dublin	100.0	100.0
good.bee credit IFN S.A.	Bucharest	60.0	60.0
good.bee Holding GmbH	Vienna	60.0	60.0
Grand Hotel Marienbad s.r.o.	Prague	100.0	100.0
HORIZON YACHTING LIMITED	Gibraltar	100.0	100.0
Hotel- und Sportstätten Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. Leasing KG	St. Pölten	54.5	54.5
Hotel- und Sportstätten-Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H.	Vienna	38.0	38.0
ILGES - Immobilien- und Leasing - Gesellschaft m.b.H.	Rohrbach	40.0	40.0
ILION-IMMORENT Grundverwertungsgesellschaft m.b.H.	Vienna	28.8	28.8
IMMORENT - ANDROMEDA Grundverwertungsgesellschaft m.b.H.	Vienna	41.9	41.9
Immorent - Immobilienleasing Gesellschaft m.b.H.	Vienna	96.3	100.0
Immorent - Kagraner Grundstücksverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent - Kappa Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent - Weiko Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent - Wörgler Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT ALFA leasing druzba, d.o.o.	Ljubljana	50.0	50.0
IMMORENT DELTA, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
ImmoRent Einkaufszentren Verwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT EPSILON, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
IMMORENT ETA, leasing druzba, d.o.o.	Ljubljana	100.0	100.0
Immorent Hotel- und Resortvermietung Katschberg GmbH & Co OG	Vienna	100.0	100.0
IMMORENT INPROX Budweis s.r.o.	Prague	100.0	100.0
IMMORENT leasing nepremicnin d.o.o.	Ljubljana	47.5	44.9
Immorent Lehrbauhöfeerrichtungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent Oktatási Ingatlanhasznosító és Szolgáltató Kft.	Budapest	56.0	56.0
Immorent Orange Ostrava s.r.o.	Prague	100.0	100.0
Immorent Orange s.r.o.	Prague	100.0	100.0
IMMORENT PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
IMMORENT Project Development Holding GmbH	Vienna	100.0	100.0
IMMORENT PTC s.r.o.	Prague	100.0	100.0
IMMORENT RIED GmbH	Vienna	100.0	100.0
IMMORENT SPARKASSE ST.PÖLTEN Leasinggesellschaft m.b.H.	St. Pölten	50.0	50.0
IMMORENT Térinvest Ingatlanhasznosító és Szolgáltató Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
IMMORENT West Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-ANUBIS Grundverwertungsgesellschaft m.b.H.	Vienna	95.0	100.0
IMMORENT-ASTRA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-BRAUGEBÄUDE-Leasinggesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-CHEMILEN Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Clio-Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-DOMUS Grundverwertungsgesellschaft m.b.H.	Vienna	92.5	100.0
Immorent-Gamma-Grundstücksverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Gebäudeleasinggesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-GREKO Grundverwertungsgesellschaft m.b.H.	Vienna	93.8	100.0
Immorent-Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-JULIA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-KRABA Grundverwertungsgesellschaft m.b.H.	Vienna	90.0	90.0
Immorent-Lamda Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-LEANDER Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Lispa Grundverwertungsgesellschaft m.b.H.	Innsbruck	51.0	51.0
IMMORENT-MARCO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-MOMO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-MÖRE Grundverwertungsgesellschaft m.b.H.	Vienna	69.8	64.7
Immorent-Mytho Grundverwertungsgesellschaft m.b.H.	Innsbruck	50.0	50.0
IMMORENT-NERO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-Objektvermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-OSIRIS Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-PAN Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RAFI Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
IMMORENT-Raiffeisen Fachhochschule Errichtungs- und BetriebsgmbH (ehem. ERIS-Immorent Errichtungs GmbH)	Vienna	55.0	55.0
IMMORENT-RAMON Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
IMMORENT-RASTA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-REMUS Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RIALTO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0

Company name, registered office		Interest of Erste Group in % Dec 14	Dec 15
IMMORENT-RIO Grundverwertungsgesellschaft m.b.H.	Vienna	55.0	55.0
IMMORENT-RIWA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RONDO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RUBIN Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-SALVA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-SARI Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Sigre Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Smaragd Grundverwertungsgesellschaft m.b.H.	Schwaz	0.0	0.0
IMMORENT-SOBEK Grundverwertungsgesellschaft m.b.H.	Vienna	93.8	100.0
Immorent-Steiko Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Theta-Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-TOPAS Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
IMMORENT-TRIAS Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
IMMORENT-UTO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-WBV Grundverwertungsgesellschaft m.b.H.	Innsbruck	50.0	50.0
IMMORENT-WEBA Grundverwertungsgesellschaft m.b.H.	Vienna	75.0	75.0
IMNA-Immorent Immobilienleasing GmbH	Vienna	100.0	100.0
Imobilia Kik s.r.o.	Prague	100.0	100.0
IMV 2004 Ingatlankezelö Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
Intermarket Bank AG	Vienna	84.9	84.3
IR Beteiligungsverwaltungsgesellschaft mbH	Vienna	100.0	100.0
IR Domestic Project Development Holding GmbH	Vienna	100.0	100.0
IR-PRIAMOS Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IR-Sparkasse Wels Leasinggesellschaft m.b.H. in Liqu.	Vienna	56.6	49.4
ISATIS-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Jersey Holding (Malta) Limited	Pieta	100.0	100.0
Jura GrundverwertungsgmbH	Graz	25.0	25.0
Kärntner Sparkasse Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
KS-Beteiligungs- und Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
LAMBDA IMMORENT s.r.o.	Prague	100.0	100.0
Lassallestraße 7b Immobilienverwaltung GmbH	Vienna	100.0	100.0
Liba Grundstücksverwaltungs-Gesellschaft m.b.H.	Vienna	100.0	100.0
Lighthouse 449 Limited	Pieta	100.0	100.0
LogCap CR s.r.o.	Prague	51.0	51.0
LogCap Immorent Uno s.r.o.	Bratislava	51.0	51.0
LogCap-IR Grundverwertungsgesellschaft m.b.H.	Vienna	51.0	51.0
Mala Stepanska 17 s.r.o.	Prague	100.0	100.0
MEKLA Leasing Gesellschaft m.b.H.	Vienna	100.0	100.0
MOPET CZ a.s.	Prague	92.9	99.0
NAXOS-Immorent Immobilienleasing GmbH	Vienna	100.0	100.0
NÖ-Sparkassen Beteiligungsgesellschaft m.b.H.	Vienna	2.5	2.5
Ölim-Grundverwertungsgesellschaft m.b.H.	Graz	25.0	25.0
Omega Immorent s.r.o.	Prague	100.0	100.0
OREST-Immorent Leasing GmbH	Vienna	100.0	100.0
PAROS-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Pischeldorfer Straße 221 Liegenschaftsverwertungs GmbH	Vienna	100.0	100.0
PONOS-Immorent Immobilienleasing GmbH (vormals Technologiepark Niklasdorf)	Graz	62.5	62.5
PREDUZECE ZA FINANSIJSKI LIZING S-LEASING DOO, BEOGRAD	Belgrade	66.6	66.6
RHEA-Immorent Holding GmbH	Vienna	100.0	100.0
s Autoleasing a.s.	Prague	99.0	99.0
s Autoleasing SK, s.r.o.	Bratislava	99.0	99.0
S IMMORENT KAPPA drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	100.0	100.0
S IMMORENT OMIKRON drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	100.0	100.0
S Slovensko, spol. s r.o.	Bratislava	100.0	100.0
SAI Erste Asset Management S.A.	Bucharest	100.0	100.0
SAL Liegenschaftsverwaltungsgesellschaft m.b.H.	Vienna	69.3	64.2
Salzburger Sparkasse Leasing Gesellschaft m.b.H.	Vienna	99.0	99.0
SCIENTIA Immorent GmbH	Vienna	100.0	100.0
SERPENS-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
S-Factoring, faktoring druzba d.d.	Ljubljana	28.0	28.0
Sieben-Tiroler-Sparkassen Beteiligungsgesellschaft m.b.H.	Kufstein	0.0	0.0
S-IMMORENT nepremicnine d.o.o.	Ljubljana	50.0	50.0
S-Leasing d.o.o., Skopje	Skopje	25.0	25.0
S-Leasing Gesellschaft m.b.H.	Kirchdorf	69.9	64.9
S-Leasing Immobilienvermietungsgesellschaft m.b.H.	Wiener Neustadt	33.3	33.3
SOLIS-CIVITAS-IMMORENT GmbH	Vienna	100.0	100.0
Sparkasse (Holdings) Malta Ltd.	Sliema	0.0	0.0
SPARKASSE IMMORENT Grundverwertungsgesellschaft m.b.H.	Vienna	99.0	99.0
Sparkasse Kufstein Immobilien GmbH	Kufstein	0.0	0.0
Sparkasse Leasing d.o.o., Sarajevo	Sarajevo	24.6	24.6
Sparkasse Leasing S,družba za financiranje d.o.o.	Ljubljana	28.0	28.0
Sparkasse Mühlviertel-West Holding GmbH	Rohrbach	40.0	40.0
Sparkassen IT Holding AG	Vienna	29.7	29.7
SPARKASSEN LEASING druzba za financiranje d.o.o.	Ljubljana	50.0	50.0

Company name, registered office		Interest of Erste Group in % Dec 14	Dec 15
Sparkassen Leasing Süd GmbH	Graz	51.3	51.3
Sparkassen Leasing Süd GmbH & Co KG	Graz	46.4	46.4
Sparkassenbeteiligungs und Service AG für Oberösterreich und Salzburg	Linz	69.3	69.3
SPK - Immobilien- und Vermögensverwaltungs GmbH	Graz	25.0	25.0
S-RENT DOO BEOGRAD	Belgrade	35.5	35.5
Strabag Oktatási PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelösségü Társaság	Budapest	70.0	70.0
Subholding Immorent GmbH	Vienna	100.0	100.0
SVJETILJKA drustvo s ogranicenom odgovornoscu za trgovinu i promet nekretninama	Zagreb	100.0	100.0
TAURIS-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Tempo Projekt Ingatlanhasznosító Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
Theta Immorent s.r.o.	Prague	100.0	100.0
Theuthras-Immorent Grundverwertungsgesellschaft m.b.H.	Graz	62.5	62.5
THOR-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
TIPAL Immobilien GmbH in Liquidation	Bozen	92.5	92.5
VIA Immobilien Errichtungsgesellschaft m.b.H.	Vienna	100.0	100.0
Vorarlberger Sparkassen Beteiligungs GmbH	Dornbirn	0.0	0.0
WIESTA-Immorent Immobilienleasing GmbH	Vienna	100.0	100.0
XENIA-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Zeta Immorent s.r.o.	Prague	100.0	100.0
Other			
VIDAR Handels GmbH in Liqu.	Vienna	100.0	100.0
IMMORENT-STIKÖ Leasinggesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT Treuhand- und Vermögensverwaltunggesellschaft m.b.H.	Vienna	100.0	100.0
S-Invest Beteiligungsgesellschaft m.b.H.	Vienna	70.0	70.0
IMMORENT-Sparkasse St. Pölten II Grundverwertungsgesellschaft m.b.H.	Vienna	51.0	51.0
IMMORENT-PIA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-HATHOR Grundverwertungsgesellschaft m.b.H	Vienna	62.5	62.5
IGP Industrie und Gewerbepark Wörgl Gesellschaft m.b.H.	Innsbruck	56.2	0.0
LEDA-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	69.9	64.9
FUKO-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Mobilienvermietungs-Gesellschaft m.b.H., Liegenschaftsverwaltung Penzing & Co KG	Vienna	100.0	100.0
Innovationspark Graz-Puchstraße GmbH	Graz	51.0	51.0
IBF-Anlagenleasing 95 Gesellschaft m.b.H.	Vienna	100.0	100.0
‘SGL’ Grundstücksverwaltungs- und Leasing Gesellschaft m.b.H.	Vienna	100.0	100.0
HT Immobilien Tau GmbH	Vienna	100.0	100.0
SK Immobilien Epsilon GmbH	Vienna	100.0	100.0
HBM Immobilien Kamp GmbH	Vienna	100.0	100.0
HV Immobilien Hohenems GmbH	Vienna	100.0	100.0
HP Immobilien Psi GmbH	Vienna	100.0	100.0
HT Immobilien Theta GmbH	Vienna	100.0	100.0
AMICUS Immorent Kommunalleasing GmbH	Graz	63.3	63.3
Dienstleistungszentrum Leoben GmbH	Graz	51.0	51.0
ERSTE CAMPUS Immobilien GmbH & Co KG	Vienna	100.0	100.0
LEGU-Immorent Leasing GmbH	Vienna	75.0	75.0
Wirtschaftspark Siebenhirten Entwicklungs- und Errichtungs GmbH	Vienna	60.0	60.0
LBG 61 LiegenschaftsverwaltungsgmbH	Vienna	100.0	100.0
QBC Management und Beteiligungen GmbH & Co KG	Vienna	68.8	65.0
HBF Eins Holding GmbH	Vienna	100.0	100.0
HEKET Immobilien GmbH	Vienna	100.0	100.0
Wallgasse 15+17 Projektentwicklungs GmbH	Vienna	100.0	100.0
QBC Management und Beteiligungen GmbH	Vienna	68.8	65.0
DIE ERSTE Vermietungs GmbH	Vienna	100.0	100.0
SPARDAT - Bürohauserrichtungs- und Vermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
Hauptbahnhof Zwei Holding GmbH	Vienna	100.0	100.0
HBF Fünf Epsilon Projektentwicklungs GmbH	Vienna	100.0	100.0
HBF Sechs Gamma Projektentwicklungs GmbH	Vienna	100.0	100.0
MCS 14 Projektentwicklung GmbH & Co KG	Vienna	100.0	100.0
SILO II LBG 57 -59 Liegenschaftsverwertung GmbH & Co KG	Vienna	100.0	100.0
SILO DREI next LBG 57 Liegenschaftsverwertung GmbH & Co KG	Vienna	0.0	100.0
IR CEE Project Development Holding GmbH	Vienna	100.0	100.0
Erste Asset Management GmbH	Vienna	100.0	100.0
ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H.	Vienna	86.5	86.5
Sparkasse Oberösterreich Kapitalanlagegesellschaft m.b.H.	Linz	38.1	29.6
Tirolinvest Kapitalanlagegesellschaft m.b.H.	Innsbruck	77.9	77.9
brokerjet Ceske sporitelny, a.s.	Prague	99.0	99.0
Capexit Beteiligungs Invest GmbH	Vienna	100.0	100.0
ERSTE Immobilien Kapitalanlagegesellschaft m.b.H.	Vienna	74.2	74.2
Erste Securities Polska S.A.	Warsaw	100.0	100.0
Erste Befektetesi Zrt.	Budapest	100.0	100.0

Company name, registered office		Interest of Erste Group in % Dec 14	Dec 15
Erste Private Equity Limited	London	100.0	100.0
Procurement Services RO srl	Bucharest	99.9	99.9
Erste Finance (Jersey) Limited IV	St. Helier	100.0	100.0
Erste Finance (Jersey) (6) Limited	St. Helier	100.0	100.0
Erste Capital Finance (Jersey) PCC	St. Helier	100.0	100.0
ERSTE GROUP IMMORENT LJUBLJANA, financne storitve, d.o.o.	Ljubljana	100.0	100.0
IMMORENT Alpha Ingatlanbérbeadó és Üzemeltetö Karlátolt Felelösségü Társaság	Budapest	100.0	100.0
Mayer Property Gama doo (vormals IMMORENT GAMA, leasing druzba, d.o.o.)	Ljubljana	50.0	50.0
S IMMORENT ZETA drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	84.9	84.9
Immorent razvoj projektov d.o.o.	Ljubljana	100.0	100.0
Immorent Severna vrata d.o.o.	Ljubljana	100.0	100.0
Proxima IMMORENT s.r.o.	Prague	100.0	100.0
Realia Consult Magyarország Beruházás Szervezési KFT	Budapest	100.0	100.0
IMMORENT Plzen s.r.o.	Prague	100.0	100.0
IMMOKOR BUZIN drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	84.9	84.9
IMMORENT Orion s.r.o.	Prague	100.0	100.0
IMMORENT Vega s.r.o.	Prague	100.0	100.0
S IMMORENT LAMBDA drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	70.0	100.0
ERSTE GROUP IMMORENT SERBIA DOO BEOGRAD	Beograd	100.0	100.0
ERSTE GROUP IMMORENT HRVATSKA drustvo s ogranicenom odgovornoscu za upravljanje	Zagreb	100.0	100.0
IMMORENT STROY EOOD	Sofia	100.0	100.0
Erste Leasing Berlet Szolgaltato Korlátolt Felelosségu Társaság 'végrehajtás alatt' (vm. Erste Leasing Szolgaltato Kft.)	Budapest	100.0	100.0
IMMORENT Österreich GmbH	Vienna	100.0	100.0
s Wohnbauträger GmbH	Vienna	90.8	90.8
Ceska sporitelna - penzijni spolecnost, a.s.	Prague	99.0	99.0
Erste Reinsurance S.A.	Bertrange	100.0	100.0
s REAL Immobilienvermittlung GmbH	Vienna	96.1	96.1
CPDP 2003 s.r.o.	Prague	99.0	99.0
Gallery MYSAK a.s.	Prague	99.0	99.0
'Sparkassen-Haftungs Aktiengesellschaft'	Vienna	43.2	43.2
EGB Ceps AUT Holding GmbH (vm. Erste Corporate Finance GmbH)	Vienna	100.0	100.0
Real-Service für steirische Sparkassen, Realitätenvermittlungsgesellschaft m.b.H.	Graz	59.8	59.8
Sparkassen-Real-Service für Kärnten und Osttirol Realitätenvermittlungs-Gesellschaft m.b.H.	Klagenfurt	55.6	55.6
Real-Service für oberösterreichische Sparkassen Realitätenvermittlungsgesellschaft m.b.H.	Linz	62.6	62.6
Sparkassen-Real-Service -Tirol Realitätenvermittlungs-Gesellschaft m.b.H.	Innsbruck	66.8	66.8
BGA Czech, s.r.o.	Prague	19.8	19.8
LANED a.s.	Bratislava	100.0	100.0
Beta-Immobilienvermietung GmbH	Vienna	100.0	100.0
DIE ERSTE Immobilienvermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
s IT Solutions AT Spardat GmbH	Vienna	82.2	82.2
Erste Group Services GmbH (vorm.EB-Beteiligungsservice GmbH)	Vienna	100.0	100.0
Erste Ingatlan Fejleszto, Hasznosito es Mernoki Kft. (vm. PB Risk Befektetesi es Szolgaltato Kft).	Budapest	100.0	100.0
s ServiceCenter GmbH (vm. CSSC)	Vienna	58.4	57.3
s Wohnfinanzierung Beratungs GmbH	Vienna	75.4	75.4
OM Objektmanagement GmbH	Vienna	100.0	100.0
s IT Solutions SK, spol. s r.o. v likvidacii	Bratislava	99.8	99.8
Erste Group Card Processor d.o.o. (vm.MBU)	Zagreb	100.0	100.0
ÖCI-Unternehmensbeteiligungsgesellschaft.m.b.H.	Vienna	99.6	99.6
Procurement Services GmbH	Vienna	99.9	99.9
sDG Dienstleistungsgesellschaft mbH	Linz	57.8	57.8
EB-Restaurantsbetriebe Ges.m.b.H.	Vienna	100.0	100.0
S-Tourismusfonds Management Aktiengesellschaft	Vienna	100.0	100.0
Erste Finance (Delaware) LLC	Wilmington	100.0	100.0
ERSTE NEKRETNINE d.o.o. za poslovanje nekretninama	Zagreb	69.3	69.3
REICO investicni spolecnost Ceske sporitelny, a.s.	Prague	99.0	99.0
Bucharest Financial Plazza SRL	Bucharest	93.6	93.6
CPDP Prievozska a.s.	Bratislava	99.0	99.0
BECON s.r.o.	Prague	19.8	19.8
Realitna spolocnost Slovenskej sporitelne, a.s.	Bratislava	100.0	100.0
EGB Capital Invest GmbH	Vienna	100.0	100.0
EBB Beteiligungen GmbH	Vienna	100.0	100.0
Procurement Services CZ s.r.o.	Prague	99.5	99.5
Procurement Services SK, s.r.o.	Bratislava	99.9	99.9
Procurement Services HU Kft.	Budapest	99.9	99.9
Procurement Services HR d.o.o.	Zagreb	99.9	99.9
Erste Group IT SK, spol. s r.o.	Bratislava	100.0	100.0
s IT Solutions CZ, s.r.o.	Prague	99.6	99.0
s IT Solutions HR drustvo s ogranicenom odgovornoscu za usluge informacijskih tehnologija	Bjelovar	93.9	93.9
Erste Grantika Advisory, a.s.	Brno	99.0	99.0
Euro Dotacie, a.s.	Žilina	65.3	65.3
CPP Lux S. 'ar.l.	Luxembourg	19.8	19.8
CP Praha s.r.o.	Prague	19.8	19.8
Flottenmanagement GmbH	Vienna	51.0	51.0

Company name, registered office		Interest of Erste Group in %	
		Dec 14	Dec 15
Nove Butovice Development s.r.o.	Prague	19.8	19.8
CPDP Logistics Park Kladno I a.s.	Prague	99.0	99.0
CPDP Logistics Park Kladno II a.s.	Prague	99.0	99.0
BCR Real Estate Management SRL	Bucharest	93.6	93.6
Sparkasse Kufstein Immobilien GmbH & Co KG	Kufstein	0.0	0.0
RINGTURM Kapitalanlagegesellschaft m.b.H.	Vienna	95.0	95.0
sBAU Holding GmbH	Vienna	95.0	95.0
CIT ONE SRL	Bucharest	93.6	93.6
Sio Ingatlan Invest Kft.	Budapest	100.0	100.0
s ASG Sparkassen Abwicklungs- und Servicegesellschaft mbH	Graz	25.0	25.0
Erste Campus Mobilien GmbH & Co KG	Vienna	100.0	100.0
Erste GCIB Finance I B.V.	Amsterdam	100.0	100.0
CS DO DOMU, A.S.	Prague	99.0	99.0
SUPORT COLECT SRL	Bucharest	93.6	93.6
BCR Fleet Management SRL	Bucharest	93.5	93.6
Erste Securities Istanbul Menkul Degerler AS	Istanbul	100.0	100.0
Erste Group Shared Services (EGSS), s.r.o.	Hodonin	99.6	99.6
BeeOne GmbH	Vienna	100.0	100.0
Sparkassen Real Vorarlberg Immobilienvermittlung GmbH	Dornbirn	48.1	48.1
Erste Group IT International, spol. s.r.o.	Bratislava	100.0	100.0
Steiermärkische Verwaltungssparkasse Immobilien & Co KG	Graz	25.0	25.0
Erste Energy Services, a.s.	Prague	99.0	99.0
Campus Park a.s.	Prague	99.0	99.0
ERSTE IN-FORG Korlatolt felelossegu tarsasag	Budapest	100.0	100.0
VERNOSTNI PROGRAM IBOD, a.s.	Prague	99.0	99.0
Project Development Vest s.r.l	Bucharest	100.0	100.0
STRAULESTI PROPERTY DEVELOPMENT SRL	Bucharest	50.0	100.0
Solaris Park Kft.	Budapest	100.0	100.0
Solaris City Kft.	Budapest	100.0	100.0
IMMORENT SIGMA drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	62.5	62.5
K1A Kft	Budapest	100.0	100.0
IMMORENT Jilska s.r.o.	Prague	100.0	100.0
Immorent Singidunum d.o.o.	Novi Beograd	100.0	100.0
Immorent Omega d.o.o.	Zagreb	100.0	100.0
Invalidovna centrum a.s.	Prague	100.0	100.0
Collat-real Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
Haftungsverbund GmbH	Vienna	63.9	63.9
Toplice Sveti Martin d.d.	Saint Martin	57.5	87.8
Sluzby SLSP, s.r.o.	Bratislava	0.0	100.0
Schauersberg Immobilien Gesellschaft m.b.H.	Graz	25.0	25.0
LIEGESA Immobilienvermietung GmbH Nfg OG	Graz	25.0	25.0
BRS Büroreinigungsgesellschaft der Steiermärkischen Bank und Sparkassen Aktiengesellschaft Gesellschaft m.b.H.	Graz	25.0	25.0
SVD-Sparkassen-Versicherungsdienst Versicherungsbörse Nachfolge GmbH & Co. KG	Innsbruck	75.0	75.0
SK - Immobiliengesellschaft m.b.H.	Krems an der Donau	0.0	0.0
Sparfinanz-, Vermögens-, Verwaltungs- und Beratungs- Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
S-Real, Realitätenvermittlungs- und -verwaltungs Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
ZWETTLER LEASING Gesellschaft m.b.H.	Zwettl	0.0	0.0
Österreichische Sparkassenakademie GmbH	Vienna	100.0	44.8
IPS Fonds Gesellschaft bürgerlichen Rechts	Vienna	64.7	64.2
KS - Dienstleistungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Immobilienverwertungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Sparkasse S d.o.o.	Ljubljana	25.0	25.0
Funds			
Bee First Finance S.A. acting for and on behalf of its compartment Edelweiss 2013-1	Luxembourg	0.0	0.0
ESPA BOND DURATION SHIELD	Vienna	1.2	0.0
ESPA BOND EURO-RESERVA	Vienna	0.0	0.0
ESPA CORPORATE BASKET 2020	Vienna	0.0	0.0
IPS Fonds	Vienna	0.0	0.0
PRO INVEST PLUS	Vienna	0.0	0.0
S CASHRESERVE	Linz	0.0	0.0
s RegionenFonds	Linz	0.0	0.0
SPARKASSE 9	Vienna	0.0	0.0
SPARKASSEN 19	Vienna	0.0	0.0
SPARKASSEN 2	Vienna	0.0	0.0
SPARKASSEN 21	Vienna	0.0	0.0
SPARKASSEN 26	Vienna	0.0	0.0
SPARKASSEN 4	Vienna	0.0	0.0
SPARKASSEN 5	Vienna	0.0	0.0
SPARKASSEN 8	Vienna	0.0	0.0
SPARRENT	Vienna	0.0	0.0

Company name, registered office		Interest of Erste Group in % Dec 14	Dec 15
Equity method investments			
Credit institutions			
SPAR-FINANZ BANK AG	Salzburg	50.0	50.0
Prva stavebna sporitelna, a.s.	Bratislava	35.0	35.0
Financial institutions			
Adoria Grundstückvermietungs Gesellschaft m.b.H.	Vienna	24.5	24.5
Aventin Grundstücksverwaltungs Gesellschaft m.b.H.	Horn	24.5	24.5
CALDO Grundstücksverwertungsgesellschaft m.b.H.	Vienna	31.2	31.2
Epsilon - Grundverwertungsgesellschaft m.b.H.	Vienna	50.0	50.0
Esquilin Grundstücksverwaltungs Gesellschaft m.b.H.	Vienna	24.5	24.5
Fondul de Garantare a Creditului Rural IFN SA	Bucharest	31.2	31.2
FORIS Grundstückvermietungs Gesellschaft m.b.H.	Vienna	24.5	24.5
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	33.3	33.3
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H.	Innsbruck	50.0	50.0
LITUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
MELIKERTES Raiffeisen-Mobilien-Leasing Gesellschaft m.b.H.	Vienna	20.0	20.0
N.Ö. Gemeindegebäudeleasing Gesellschaft m.b.H. i.Liqu.	Vienna	33.4	33.4
N.Ö. Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	28.4	28.4
NÖ Bürgschaften und Beteiligungen GmbH	Vienna	24.1	24.1
NÖ-KL Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	28.4	28.4
O.Ö. Kommunalgebäude-Leasing Gesellschaft m.b.H.	Linz	40.0	40.0
Quirinal Grundstücksverwaltungs Gesellschaft m.b.H.	Vienna	33.3	33.3
Rembra Leasing Gesellschaft m.b.H.	Vienna	50.0	50.0
Steirische Gemeindegebäude Leasing Gesellschaft m.b.H.	Graz	50.0	50.0
Steirische Kommunalgebäudeleasing Gesellschaft m.b.H.	Graz	50.0	50.0
Steirische Leasing für Gebietskörperschaften Gesellschaft m.b.H.	Graz	50.0	50.0
Steirische Leasing für öffentliche Bauten Gesellschaft m.b.H.	Graz	50.0	50.0
SUPRIA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.0	50.0
SWO Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	50.0	50.0
TKL V Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TKL VIII Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TRABITUS Grundstückvermietungs Gesellschaft m.b.H.	Vienna	25.0	25.0
VALET-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
VBV - Betriebliche Altersvorsorge AG	Vienna	26.9	26.9
Viminal Grundstücksverwaltungs Gesellschaft m.b.H.	Vienna	25.0	25.0
VKL II Grundverwertungsgesellschaft m.b.H.	Dornbirn	33.3	33.3
VKL III Gebäudeleasing-Gesellschaft m.b.H.	Dornbirn	33.3	33.3
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	35.0	35.0
Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H.	Dornbirn	33.3	33.3
Other			
APHRODITE Bauträger Aktiengesellschaft	Vienna	45.4	45.4
Bio-Wärme Scheifling GmbH	Scheifling	49.0	49.0
CII Central Investments Imobiliare SRL	Bucharest	52.0	47.0
EBB-Gamma Holding GmbH	Vienna	49.0	49.0
ERSTE d.o.o.	Zagreb	45.2	45.2
Erste ÖSW Wohnbauträger GmbH	Vienna	45.7	45.7
Garage Eisenstadt Betriebsgesellschaft m.b.H.	Vienna	50.0	50.0
Gelup GesmbH	Vienna	31.7	31.7
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m. b. H.	Korneuburg	0.8	0.8
Hochkönig Bergbahnen GmbH	Mühlbach	45.3	45.3
Immobilien West GmbH	Salzburg	49.3	49.3
KWC Campus Errichtungsgesellschaft m.b.H.	Klagenfurt	12.5	12.5
Let's Print Holding AG	Neudörfl an der Leitha	42.0	42.0
Slovak Banking Credit Bureau, s.r.o.	Bratislava	33.3	33.3
TRGOVINSKI CENTAR ZADAR - FAZA 2 d.o.o.	Zadar	50.0	50.0
WASHINGTON PROEKT OOD	Sofia	55.4	50.0
Other investments			
Credit institutions			
EUROAXIS BANK AD Moskva	Moscow	0.0	1.6
Gorenjska Banka d.d.	Kranj	2.3	2.3
JUBMES BANKA AD BEOGRAD	Belgrade	0.0	0.0
Oesterreichische Kontrollbank Aktiengesellschaft	Vienna	12.9	12.9
Open Joint Stock Company Commercial Bank ‘Center Invest’	Rostov-on-Don	9.8	9.1
Südtiroler Sparkasse AG	Bozen	0.0	0.1
Swedbank AB	Stockholm	0.1	0.1
Waldviertler Volksbank Horn registrierte Genossenschaft mit beschränkter Haftung	Horn	0.0	0.0
Financial institutions			
‘Wohnungseigentum’, Tiroler gemeinnützige Wohnbaugesellschaft m.b.H.	Innsbruck	19.1	19.1
‘Wohnungseigentümer’ Gemeinnützige Wohnbaugesellschaft m.b.H.	Mödling	12.9	12.9
AB Banka, a.s. v likvidaci	Mlada Boleslav	4.4	4.4
ACP Financial Solutions GmbH	Vienna	0.0	75.0
ARWAG Holding-Aktiengesellschaft	Vienna	19.2	19.2
AS-WECO 4 Grundstückverwaltung Gesellschaft m.b.H.	Salzburg	30.0	30.0

Company name, registered office		Interest of Erste Group in % Dec 14	Dec 15
Bank Austria Leasing - IMMORENT Immobilienleasing GmbH	Vienna	50.0	50.0
BRB Burgenländische Risikokapital Beteiligungen AG	Eisenstadt	6.4	6.4
C+R Projekt s r.o.	Prague	100.0	100.0
CaixaBank Electronic Money E.D.E., S.L.	Barcelona	10.0	10.0
Casa de Compensare Bucuresti SA	Bucharest	0.3	0.3
CONATUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	12.5
CULINA Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	25.0	25.0
Diners Club BH d.o.o. Sarajevo	Sarajevo	69.3	69.3
Diners Club Bulgaria AD	Sofia	3.6	3.6
Diners Club Russia	Moscow	11.0	11.0
DINESIA a.s.	Prague	99.0	99.0
DRUŠTVO ZA KONSALTING I MENADŽMENT POSLOVE TRŽIŠTE NOVCA A.D. BEOGRAD (SAVSKI VENAC)	Beograd	0.8	0.8
EBV-Leasing Gesellschaft m.b.H.	Vienna	51.0	51.0
EFH-Beteiligungsgesellschaft m.b.H.	Vienna	50.0	50.0
European Directories Parent S.A.	Luxembourg	4.0	6.1
EWU Wohnbau Unternehmensbeteiligungs-Aktiengesellschaft	St. Pölten	12.8	12.8
FINANSIJSKI BERZANSKI POSREDNIK BEOGRADSKI ESKONTNI CENTAR AKCIONARSKO DRUŠTVO, BEOGRAD (STARI GRAD) - U STECAJU	Beograd	0.0	0.0
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii privati SA	Bucharest	8.9	8.9
Garantiqa Hitelgarancia Zrt.	Budapest	2.2	2.2
GEBAU-NIOBAU Gemeinnützige Baugesellschaft m.b.H.	Maria Enzersdorf	12.2	12.2
Gemeinnützige Bau- und Siedlungsgenossenschaft 'Waldviertel' registrierte Genossenschaft mit beschränkter Haftung	Raabs an der Thaya	0.0	0.0
Gemeinnützige Wohnungsgesellschaft 'Austria' Aktiengesellschaft	Mödling	12.7	12.7
GLL 1551 TA Limited	Pieta	0.0	100.0
GWG - Gemeinnützige Wohnungsgesellschaft der Stadt Linz GmbH	Linz	5.0	5.0
GWS Gemeinnützige Alpenländische Gesellschaft für Wohnungsbau und Siedlungswesen m.b.H.	Graz	7.5	7.5
Holding Card Service, s.r.o.	Praha	0.0	99.0
I+R Projekt Fejlesztési Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
Immorent-VBV Grundverwertungsgesellschaft m.b.H.	Vienna	0.0	0.0
K+R Projekt s.r.o.	Prague	100.0	100.0
KERES-Immorent Immobilienleasing GmbH	Vienna	25.0	25.0
Kisvallalkozas-fejlesztö Penzügyi Zrt.	Budapest	1.1	1.1
LBH Liegenschafts- und Beteiligungsholding GmbH	Innsbruck	75.0	75.0
MIGRA Gemeinnützige Wohnungsges.m.b.H.	Vienna	19.8	19.8
MONTENEGRO BERZA AD Podgorica	Podgorica	0.1	0.1
NATA Immobilien-Leasing Gesellschaft m.b.H.	Vienna	10.0	10.0
Neue Eisenstädter gemeinnützige Bau-, Wohn- und Siedlungsgesellschaft m.b.H.	Eisenstadt	50.0	50.0
O.Ö. Kommunal-Immobilienleasing GmbH	Linz	40.0	40.0
O.Ö. Leasing für Gebietskörperschaften Ges.m.b.H.	Linz	33.3	33.3
O.Ö. Leasing für öffentliche Bauten Gesellschaft m.b.H.	Linz	33.3	33.3
Oberösterreichische Kreditgarantiegesellschaft m.b.H.	Linz	4.5	4.5
Oberösterreichische Unternehmensbeteiligungsgesellschaft m.b.H.	Linz	4.5	4.5
Objekt-Lease Grundstücksverwaltungs-Gesellschaft m.b.H.	Vienna	50.0	50.0
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H.	Vienna	18.8	18.8
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung	Vienna	100.0	100.0
ÖSW Wohnbauvereinigung Gemeinnützige Gesellschaft m.b.H.	Salzburg	15.4	15.4
ÖWB Gemeinnützige Wohnungsaktiengesellschaft	Salzburg	25.1	25.1
ÖWGES Gemeinnützige Wohnbaugesellschaft m.b.H.	Graz	2.5	2.5
REWE Magyarország Ingatlankezelö és - forgalmazó Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
S IMMOKO Holding GesmbH	Korneuburg	0.0	0.0
S IMMOKO Leasing GesmbH	Korneuburg	0.0	0.0
S Servis, s.r.o.	Znojmo	99.0	99.0
Salzburger Kreditgarantiegesellschaft m.b.H. (vm. Bürgschaftsbank Salzburg GmbH)	Salzburg	18.0	18.0
Sapor Beteiligungsverwaltungs GmbH	Vienna	100.0	100.0
Seilbahnleasing GmbH	Innsbruck	33.3	33.3
Societatea de Transfer de Fonduri si Decontari TransFonD SA	Bucharest	3.0	3.0
STUWO Gemeinnützige Studentenwohnbau Aktiengesellschaft	Vienna	50.3	50.3
T+R Projekt Fejelsztési Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H.	Innsbruck	33.3	33.3
Tiroler Landesprojekte Grundverwertungs GmbH	Innsbruck	33.3	33.3
TKL II. Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TKL VI Grundverwertungsgesellschaft m.b.H.	Innsbruck	28.2	28.2
TKL VII Grundverwertungsgesellschaft m.b.H.	Innsbruck	28.4	28.4
Trziste novca d.d.	Zagreb	8.6	8.6
UBG-Unternehmensbeteiligungsgesellschaft m.b.H.	Vienna	100.0	100.0
UNDA Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	25.0	25.0
VBV - Vorsorgekasse AG	Vienna	24.5	24.5
VKL IV Leasinggesellschaft mbH	Dornbirn	23.3	23.3
VKL V Immobilien Leasinggesellschaft m.b.H.	Dornbirn	23.3	23.3
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG (vorm.Kapital-Beteiligungs Aktiengesellschaft)	Vienna	15.1	14.7
WNI Wiener Neustädter Immobilienleasing Ges.m.b.H.	Wiener Neustadt	0.0	0.0
Z Leasing METIS Immobilien Leasing Gesellschaft m.b.H.	Vienna	50.0	50.0

Company name, registered office		Interest of Erste Group in % Dec 14	Dec 15
Other investments			
Other			
'Die Kärntner - Förderungs- und Beteiligungsgesellschaft für die Stadt Friesach Gesellschaft m.b.H.	Friesach	25.0	25.0
'Die Kärntner' - Förderungsgesellschaft für das Gurktal Gesellschaft m.b.H.	Gurk	25.0	25.0
'Die Kärntner'-BTWF-Beteiligungs-und Wirtschaftsförderungsgesellschaft für die Stadt St. Veit/Glan Gesellschaft mbH	St. Veit	25.0	25.0
'Die Kärntner'-Förderungs- und Beteiligungsgesellschaft für den Bezirk Wolfsberg Gesellschaft m.b.H.	Wolfsberg	25.0	25.0
'Gasthof Löwen' Liegenschaftsverwaltung GmbH & Co., KG	Feldkirch	0.0	0.0
'Photovoltaik-Gemeinschaftsanlage' der Marktgemeinde Wolfurt	Wolfurt	0.0	0.0
'SIMM' Liegenschaftsverwertungsgesellschaft m.b.H.	Graz	25.0	25.0
'S-PREMIUM' Drustvo sa ogranicenom odgovornoscu za posredovanje i zastupanje u osiguranju d.o.o. Sarajevo	Novo Sarajevo	24.5	24.5
'TBG' Thermenzentrum Geinberg Betriebsgesellschaft m.b.H.	Geinberg	1.1	1.1
'THG' Thermenzentrum Geinberg Errichtungs-GmbH	Linz	1.1	1.1
Achenseebahn-Aktiengesellschaft	Jenbach	0.0	0.0
AD SPORTSKO POSLOVNI CENTAR MILLENNIUM VRŠAC	Vršac	0.2	0.2
Agrargemeinschaft Kirchschlag	Kirchschlag	0.0	0.0
AKCIONARSKO DRUŠTVO DUNAV ZA PROIZVODNJU TEKSTILNIH I AMBALAŽNIH PROIZVODA CELAREVO - U STECAJU	Celarevo	4.7	4.7
AKCIONARSKO DRUŠTVO PETAR DRAPŠIN NOVI SAD - U RESTRUKTURIRANJU	Novi Sad	1.1	1.1
AKCIONARSKO DRUŠTVO ZA PROIZVODNJU DELOVA ZA MOTORE GARANT, FUTOG	Futog	6.2	6.2
AKCIONARSKO DRUŠTVO ZA PROIZVODNJU KABLOVA I PROVODNIKA NOVOSADSKA FABRIKA KABELA NOVI SAD	Novi Sad	1.1	1.1
Alpbacher Bergbahn Gesellschaft m.b.H.	Alpbach	0.0	0.0
Alpendorf Bergbahnen AG	St. Johann	0.0	0.0
AREALIS Liegenschaftsmanagement GmbH	Vienna	50.0	50.0
Argentum Immobilienverwertungs Ges.m.b.H.	Linz	29.8	29.8
ÄRZTEHAUS GMUNDEN IMMOBILIEN GmbH	Bad Wimsbach-Neydharting	0.0	0.0
AS LEASING Gesellschaft m.b.H.	Linz	29.8	29.8
ASTRA BANKA AKCIONARSKO DRUŠTVO BEOGRAD - U STECAJU	Beograd	0.0	0.0
AS-WECO Grundstückverwaltung Gesellschaft m.b.H.	Linz	29.8	29.8
Austrian Reporting Services GmbH	Vienna	16.8	14.3
AU-VISION Entwicklungs-GmbH	Leoben	24.9	24.9
AWEKA-Beteiligungsgesellschaft m.b.H.	Vienna	25.0	25.0
Bad Leonfelden Hotelbetriebs Gesellschaft mbH	Bad Leonfelden	63.4	63.4
Bad Tatzmannsdorf - Thermal- und Freizeitzentrum Gesellschaft mit beschränkter Haftung & Co KG	Bad Tatzmannsdorf	0.9	0.9
Bäder - Betriebs - Gesellschaft m.b.H. der Stadt Schladming & Co Kommanditgesellschaft	Schladming	0.0	0.0
Balance Resort GmbH (vm. Wellness Hotel Stegersbach)	Stegersbach	100.0	100.0
Bäuerliches Blockheizkraftwerk reg. Gen.m.b.H.	Kautzen	0.0	0.0
BCR Asigurari de Viata Vienna Insurance Group SA	Bucharest	5.1	5.1
Beogradska Berza, Akcionarsko Drustvo Beograd	Belgrade	12.6	12.6
Berg- und Schilift Schwaz-Pill Gesellschaft m.b.H.	Schwaz	0.0	0.0
Bergbahn Aktiengesellschaft Kitzbühel	Kitzbühel	0.0	0.0
Bergbahn Lofer Ges.m.b.H.	Lofer	7.8	7.8
Bergbahn- und Skiliftgesellschaft St. Jakob i.D. GmbH in Liqu.	St. Jakob	0.0	0.0
Bergbahnen Oetz Gesellschaft m.b.H.	Oetz	0.0	0.0
Bergbahnen Westendorf Gesellschaft m.b.H.	Westendorf	0.0	0.0
Betriebliche Altersvorsorge - Software Engineering GmbH	Vienna	24.2	24.2
BGM - IMMORENT Aktiengesellschaft & Co KG	Vienna	2.4	0.0
Biogenrohstoffgenossenschaft Kamptal und Umgebung registrierte Genossenschaft mit beschränkter Haftung	Gars am Kamp	0.0	0.0
Biomasse Heizwerk Zürs GmbH	Zürs	0.0	0.0
Biroul de credit SA	Bucharest	17.8	18.2
Biroul de Credit SRL	Chişinău	6.3	6.3
BL Hotel Beteiligungs GmbH	Rohrbach	69.4	69.4
Brauerei Murau eGen	Murau	0.6	0.6
Bregenz Tourismus & Stadtmarketing GmbH	Bregenz	0.0	0.0
BSV Mountain Immobilieninvest GmbH	Klosterneuburg	0.0	0.0
Burza cennych papierov v Bratislave, a.s.	Bratislava	3.9	3.9
C.I.M. Beteiligungen 1998 GmbH	Vienna	41.1	41.1
C.I.M. Verwaltung und Beteiligungen 1999 GmbH	Vienna	26.7	26.7
Camelot Informatik und Consulting Gesellschaft.m.b.H.	Villach	4.1	4.1
Camping- und Freizeitanlagen Betriebsgesellschaft m.b.H.	St. Pölten	0.0	0.0
CAMPUS 02 Fachhochschule der Wirtschaft GmbH	Graz	3.8	3.8
Cargo-Center-Graz Betriebsgesellschaft m.b.H.	Werndorf	1.6	1.6
Cargo-Center-Graz Betriebsgesellschaft m.b.H. & Co KG	Werndorf	1.6	1.6
Casa Romana de Compensatie Sibiu	Sibiu	0.4	0.4
CBCB-Czech Banking Credit Bureau, a.s.	Prague	19.8	19.8
CEESEG Aktiengesellschaft	Vienna	12.6	12.6
CITY REAL Immobilienbeteiligungs- und Verwaltungsgesellschaft mbH	Graz	25.0	25.0
CITY REAL Immobilienbeteiligungs- und Verwaltungsgesellschaft mbH & Co KG	Graz	25.8	25.8
Dachstein Tourismus AG	Gosau	0.0	0.0
DC TRAVEL d.o.o. putnicka agancija	Zagreb	69.3	69.3

Company name, registered office		Interest of Erste Group in % Dec 14	Dec 15
Die Kärntner Sparkasse - Förderungsgesellschaft für den Bezirk Hermagor Gesellschaft m.b.H.	Hermagor	25.0	25.0
Dolomitencenter Verwaltungs GmbH	Lienz	50.0	50.0
Dolomitengolf Osttirol GmbH	Lavant	0.0	0.0
DONAU Versicherung AG Vienna Insurance Group	Vienna	0.8	0.8
Dornbirner Seilbahn GmbH	Dornbirn	0.0	0.0
Dubrovacki Vrtovi Sunca d.o.o.	Orasac	0.0	100.0
EBB-Delta Holding GmbH	Vienna	100.0	100.0
EBB-Zeta Holding GmbH	Vienna	100.0	100.0
EBSPK-Handelsgesellschaft m.b.H.	Vienna	29.7	29.7
EC Energie Center Lipizzanerheimat GmbH	Bärnbach	0.1	0.1
Egg Investment GmbH	Egg	0.0	0.0
E-H Liegenschaftsverwaltungs-GmbH	Etsdorf am Kamp	0.0	0.0
Einlagensicherung der Banken und Bankiers GmbH	Vienna	0.3	0.3
ELAG Immobilien AG	Linz	1.6	1.4
Energie AG Oberösterreich	Linz	0.2	0.2
Erste alpenländische Volksbrauerei Schladming registrierte Genossenschaft mit beschränkter Haftung	Schladming	0.1	0.1
Erste Asset Management Deutschland Ges.m.b.H.	Zorneding	100.0	100.0
Erste Campus Mobilien GmbH	Vienna	100.0	100.0
Erste Corporate Finance, a.s.	Prague	99.0	99.0
Erste Group Beteiligungen GmbH	Vienna	100.0	100.0
Erste Group IT International GmbH	Vienna	100.0	100.0
ERSTE Immobilien Aspernbrückengasse 2 GmbH & Co KG	Vienna	0.1	0.1
ERSTE Jelzálogbank Zártkörüen Müködö Részvénytársaság	Budapest	0.0	100.0
ERSTE OSIGURANJE VIENNA INSURANCE GROUP D.D.	Zagreb	3.5	3.5
ERSTE Vienna Insurance Group Biztosito Zrt.	Budapest	5.0	5.0
ESB Holding GmbH	Vienna	69.3	69.3
F&S Finance and Service Leasing GmbH	Fellbach-Schmiden	90.0	90.0
FINAG D.D. INDUSTRIJA GRADJEVNOG MATERIJALA	Garesnica	18.2	18.2
Finanzpartner GmbH	Vienna	50.0	50.0
FINTEC-Finanzierungsberatungs- und Handelsgesellschaft m.b.H.	Vienna	25.0	25.0
FMTG Development GmbH	Vienna	0.0	0.0
FOTEC Forschungs- und Technologietransfer GmbH	Wiener Neustadt	0.0	0.0
Freizeitpark Zell GmbH	Zell am Ziller	0.0	0.0
Freizeitzentrum Zillertal GmbH	Fügen	0.0	0.0
Fügen-Bergbahn Ges.m.b.H. & Co.KG	Fügen, Tirol	0.0	0.0
Fund of Excellence Förderungs GmbH	Vienna	100.0	49.0
FWG-Fernwärmeversorgung Engelbrechts registrierte Genossenschaft mit beschränkter Haftung	Kautzen	0.0	0.0
FWG-Fernwärmeversorgung Raabs a.d. Thaya registrierte Genossenschaft mit beschränkter Haftung	Raabs an der Thaya	0.0	0.0
Galsterbergalm Bahnen Gesellschaft m.b.H. & Co KG	Pruggern	0.4	0.4
Gastberger Hotelbetriebe GmbH & Co KG	St. Wolfgang	0.0	0.0
Gasteiner Bergbahnen Aktiengesellschaft	Bad Hofgastein	13.2	13.2
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H.	Vienna	0.9	0.9
GEMDAT Oberösterreichische Gemeinde-Datenservice Gesellschaft m.b.H.	Linz	8.5	8.5
GEMDAT Oberösterreichische Gemeinde-Datenservice Gesellschaft m.b.H. & Co.KG	Linz	9.5	9.5
Gerlitzen - Kanzelbahn - Touristik Gesellschaft m.b.H.&Co KG	Sattendorf	0.0	0.0
Gewerbe- und Dienstleistungspark der Gemeinden Bad Radkersburg und Radkersburg Umgebung Kommanditgesellschaft	Bad Radkersburg	12.5	12.5
Golf Ressort Kremstal GmbH	Kematen an der Krems	0.0	0.0
Golf Ressort Kremstal GmbH & Co. KG.	Kematen an der Krems	0.0	0.0
Golfclub Bludenz-Braz GmbH	Bludenz - Braz	0.0	0.0
Golfclub Brand GmbH	Brand bei Bludenz	0.0	0.0
Golfclub Pfarrkirchen im Mühlviertel GesmbH	Pfarrkirchen	0.2	0.2
GOLF-CLUB Schärding/Pramtal GMBH & CO KG	Taufkirchen a. d. Pram	0.1	0.1
Golfplatz Hohe Salve - Brixental Errichtergesellschaft m.b.H. & Co KG	Westendorf	0.0	0.0
Golfresort Haugschlag GmbH & Co KG	Haugschlag	0.0	0.0
Großarler Bergbahnen Gesellschaft mit beschränkter Haftung & Co. KG.	Großarl, Salzburg	0.5	0.5
GW St. Pölten Integrative Betriebe GmbH	St.Pölten-Hart	0.0	0.0
GXT Vermögensverwaltung GmbH & Co KG	Vienna	0.0	0.0
GZ-Finanz Leasing Gesellschaft m.b.H.	Vienna	100.0	100.0
HAPIMAG Verwaltungs- und Vertriebsgesellschaft Havag AG	Baar	0.0	0.0
Harkin Limited	Dublin	100.0	100.0
Harrys Hotel Home Wien Millenium GmbH	Innsbruck	0.0	0.0
Hauser Kaibling Seilbahn- und Liftgesellschaft m.b.H. & Co. KG.	Haus im Ennstal	0.4	0.4
HDL Fiecht GmbH	Vomp	0.0	0.0
Health and Fitness International Holdings N.V.	Willemstad	3.5	3.5
Heiltherme Bad Waltersdorf GmbH	Bad Waltersdorf	4.5	4.5
Heiltherme Bad Waltersdorf GmbH & Co KG	Bad Waltersdorf	4.1	4.1
Hinterstoder-Wurzeralm Bergbahnen Aktiengesellschaft	Hinterstoder	0.3	0.3
HOLDING RUDARSKO METALURŠKO HEMIJSKI KOMBINAT TREPCA AD ZVECAN - U RESTRUKTUIRANJU	Zvecan	0.0	0.0
Hollawind - Windkraftanlagenerrichtungs- und Betreibergesellschaft mit beschränkter Haftung	Göllersdorf	25.0	25.0

Company name, registered office		Interest of Erste Group in % Dec 14	Dec 15
Hotel Chesa Monte GmbH	Fiss	0.0	0.0
Hotel Corvinus Gesellschaft m.b.H. & Co KG	Vienna	100.0	100.0
Hrvatski olimpijski centar Bjelolosica d.o.o. (Kroatisches Olympiazentrum)	Jesenak	1.2	1.2
Hrvatski registar obveza po kreditima d.o.o. (HROK)	Zagreb	7.3	7.3
HV-Veranstaltungsservice GmbH	St. Lorenzen	100.0	100.0
ILGES - Liegenschaftsverwaltung G.m.b.H.	Rohrbach	40.0	40.0
IMMO Primum GmbH	St. Pölten	0.0	0.0
Immorent Beteiligungs- und Mobilienleasing GmbH	Vienna	100.0	100.0
IMMORENT S-Immobilienmanagement GesmbH	Vienna	100.0	100.0
Immorent-Hackinger Grundverwertungsgesellschaft m.b.H.	Vienna	10.0	10.0
IMS Nanofabrication AG	Vienna	0.0	0.0
Informativni centar Bjelovar d.o.o.	Bjelovar	1.4	1.4
International Factors Group Scrl	Kraainem	0.6	0.6
Investicniweb s.r.o.	Prague	99.0	99.0
IZBOR NEKRETNINA D.O.O. ZA USLUGE	Zagreb	69.3	69.3
JADRAN dionicko drustvo za hotelijerstvo i turizam	Crikvenica	3.4	3.4
JAVNO SKLADIŠTE SLOBODNA CARINSKA ZONA NOVI SAD AD NOVI SAD	Novi Sad	5.2	5.2
JUGOALAT-JAL - U STECAJU	Novi Sad	5.0	5.0
Kapruner Freizeitzentrum Betriebs GmbH	Kaprun	0.0	0.0
Kapruner Promotion und Lifte GmbH	Kaprun	6.4	6.4
Kitzbüheler Anzeiger Gesellschaft m.b.H.	Kitzbühel	0.0	0.0
Kleinkraftwerke-Betriebsgesellschaft m.b.H.	Vienna	100.0	100.0
Kommanditgesellschaft MS ‘SANTA LORENA’ Offen Reederei GmbH & Co.	Hamburg	0.0	0.0
Kommanditgesellschaft MS ‘SANTA LUCIANA’ Offen Reederei GmbH & Co.	Hamburg	0.0	0.0
Kraftwerksmanagement GmbH	Vienna	100.0	100.0
Kreco Realitäten Aktiengesellschaft	Vienna	19.7	19.7
Kreditni Biro Sisbon d.o.o.	Ljubljana	1.6	1.6
KULSKI ŠTOFOVI' FABRIKA ZA PROIZVODNJU VUNENIH TKANINA I PREDIVA AKCIONARSKO DRUŠTVO IZ KULE - U	Kula	6.1	6.1
Kurzentrum ‘Landsknechte’ Bad Schönau Gesellschaft m.b.H.	Bad Schönau	0.0	0.0
ländleticket marketing gmbh	Bregenz	0.0	0.0
Landzeit Restaurant Angath GmbH	St. Valentin	0.0	0.0
Langenloiser Liegenschaftsverwaltungs-Gesellschaft m.b.H.	Langenlois	0.0	0.0
Lantech Innovationszentrum GesmbH	Landeck	0.0	0.0
Latifundium Holding Gesellschaft m.b.H.	Vienna	100.0	100.0
Lebens.Resort & Gesundheitszentrum GmbH	Ottenschlag	0.0	0.0
Lebensquell Bad Zell Gesundheits- und Wellnesszentrum GmbH & Co KG	Bad Zell	0.0	0.0
Lienzer-Bergbahnen-Aktiengesellschaft	Gaimberg	0.0	0.0
Liezener Bezirksnachrichten Gesellschaft m.b.H.	Liezen	1.1	1.1
LOCO 597 Investment GmbH	Egg	0.0	0.0
Logistik Center Leoben GmbH	Leoben	14.0	14.0
Luitpoldpark-Hotel Betriebs- und Vermietungsgesellschaft mbH	Füssen	75.0	75.0
LV Holding GmbH	Linz, Donau	28.5	28.5
M Schön Wohnen Immorent GmbH	Vienna	100.0	100.0
Maiskogel Betriebs AG	Kaprun	0.6	0.6
Maissauer Amethyst GmbH	Maissau	0.0	0.0
MAJEVICA HOLDING AKCIONARSKO DRUŠTVO, BACKA PALANKA - U RESTRUKTURIRANJU	Bacčka Palanka	5.2	5.2
Marktgemeinde Bad Mitterndorf Thermalquelle Erschließungsges. m.b.H.	Bad Mitterndorf	0.6	0.6
MasterCard Incorporated	Purchase, NY	0.0	0.0
Mayer Property Alpha d.o.o.	Zagreb	100.0	100.0
Mayer Property Beta d.o.o.	Zagreb	100.0	100.0
Mayrhofner Bergbahnen Aktiengesellschaft	Mayrhofen	0.0	0.0
MCG Graz e.gen.	Graz	1.4	1.4
Medimurske novine d.o.o., Cakovec nema fin. Izvjesca	Cakovec	4.9	4.9
MEG-Liegenschaftsverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
Mittersiller Golf- und Freizeitanlagen Gesellschaft m.b.H.	Mittersill	0.0	0.0
Montana Tech Components AG	Menziken	1.5	1.5
MUNDO FM & S GmbH	Vienna	100.0	100.0
Murauer WM Halle Betriebsgesellschaft m.b.H.	Murau	3.1	3.1
Musikkonservatoriumserrichtungs- und vermietungsgesellschaft m.b.H.	St. Pölten	0.0	0.0
Natursee und Freizeitpark Wechselland GmbH	Pinggau	0.4	0.4
Natursee und Freizeitpark Wechselland GmbH & Co KG in Liqu.	Pinggau	0.1	0.1
Neo Investment B.V.	Amsterdam	0.0	0.0
Neubruck Immobilien GmbH	St. Anton	0.0	0.0
Neuhofner Bauträger GmbH	Neuhofen	0.0	0.0
Newstin, a.s.	Prague	17.6	17.6
NÖ. HYPO LEASING - Sparkasse Region St. Pölten Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	0.0	0.0
Oberpinzgauer Fremdenverkehrsförderungs- und Bergbahnen AG	Neukirchen	0.0	0.0
Obertilliacher Bergbahnen-Gesellschaft m.b.H.	Obertilliach	0.0	0.0

Company name, registered office		Interest of Erste Group in % Dec 14	Dec 15
Öhlknecht-Hof Errichtungs- und Verwaltungsgesellschaft m.b.H.	Horn	0.0	0.0
ÖKO-Heizkraftwerk GmbH	Pöllau	0.0	0.0
ÖKO-Heizkraftwerk GmbH & Co KG	Pöllau	0.0	0.0
Omniasig Vienna Insurance Group SA	Bucharest	0.1	0.1
OÖ HightechFonds GmbH	Linz	6.1	6.3
OÖ Science-Center Wels Errichtungs-GmbH	Wels	0.7	0.7
Ortswärme Fügen GmbH	Fügen, Tirol	0.0	0.0
Österreichische Wertpapierdaten Service GmbH	Vienna	32.5	32.5
Osttiroler Wirtschaftspark GesmbH	Lienz	0.0	0.0
ÖVW Bauträger GmbH	Vienna	100.0	100.0
PANORAMABAHN KITZBÜHELER-ALPEN GMBH	Hollersbach	0.0	0.0
Pistotnik Irodahaz es Ingatlankezelö Korlatolt Felelösségü Tarsasag	Budapest	100.0	100.0
PK Irodahaz Ingatlankezelö Korlatolt Felelösségü Tarsasag	Budapest	100.0	100.0
Planai - Hochwurzen - Bahnen Gesellschaft m.b.H.	Schladming	0.7	0.7
Planung und Errichtung von Kleinkraftwerken Aktiengesellschaft	Vienna	82.7	82.9
Poistovna Slovenskej sporitelne, a.s. Vienna Insurance Group	Bratislava	5.0	5.0
Pojistovna Ceske sporitelny, a.s., Vienna Insurance Group	Pardubice	4.9	4.9
POSLOVNO UDRUŽENJE DAVAOCA LIZINGA 'ALCS' BEOGRAD	Beograd	8.3	8.3
PREDUZECE ZA PRUŽANJE CONSULTING USLUGA BANCOR CONSULTING GROUP DOO NOVI SAD	Novi Sad	2.6	2.6
PRIVREDNO DRUŠTVO ZA PROIZVODNJU IPRERADU CELIKA ŽELEZARA SMEDEREVO DOO SMEDEREVO	Smederevo	0.0	0.0
Prvni certifikacni autorita, a.s.	Prague	23.0	23.0
PSA Payment Services Austria GmbH	Vienna	19.5	18.4
Radio Osttirol GesmbH	Lienz	0.0	0.0
RADIO VRŠAC DRUŠTVO SA OGRANICENOM ODGOVORNOŠCU U MEŠOVITOJ SVOJINI, VRŠAC - U STECAJU	Vršac	6.4	6.4
Rätikon-Center Errichtungs- und Betriebsgesellschaft m.b.H.	Bludenz	0.0	0.0
Realitäten und Wohnungsservice Gesellschaft m.b.H.	Köflach	4.8	4.8
Realitni spolecnost Ceske sporitelny, a.s.	Prague	99.0	99.0
REGIONALNA AGENCIJA ZA RAZVOJ MALIH I SREDNJIH PREDUZECA ALMA MONS D.O.O.	Novi Sad	3.3	3.3
RegioZ Regionale Zukunftsmanagement und Projektentwicklung Ausseerland Salzkammergut GmbH&Co KG in Liqu	Bad Aussee	3.1	3.1
RegioZ Regionale Zukunftsmanagement und Projektentwicklung Ausseerland Salzkammergut GmbH in Liqu.	Bad Aussee	5.0	5.0
Reuttener Seilbahnen GmbH	Höfen	0.0	0.0
Reuttener Seilbahnen GmbH & Co KG	Höfen	0.0	0.0
RIBA D.D.	Garesnica	17.1	17.1
Riesneralm - Bergbahnen Gesellschaft m.b.H. & Co. KG.	Donnersbach	0.0	0.0
RTG Tiefgaragenerrichtungs und -vermietungs GmbH	Graz	25.0	25.0
RVG Czech, s.r.o.	Prague	19.8	19.8
RVS, a.s.	Bratislava	0.0	8.9
S - Leasing und Vermögensverwaltung - Gesellschaft m.b.H.	Peuerbach	0.0	0.0
S IMMO AG	Vienna	10.7	10.7
SALIX-Grundstückserwerbs Ges.m.b.H.	Eisenstadt	50.0	50.0
SALZBURG INNENSTADT, Vereinigung zur Förderung selbständiger Unternehmer der Salzburger Innenstadt, registrierte Genossenschaft mit beschränkter Haftung	Salzburg	2.0	2.0
Salzburger Unternehmensbeteiligungsgesellschaft mbH	Salzburg	18.8	18.8
S-AMC1 DOOEL Skopje	Skopje	25.0	25.0
Schweighofer Gesellschaft m.b.H. & Co KG	Friedersbach	0.0	0.0
S-City Center Wirtschaftsgütervermietungsgesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
S-Commerz Beratungs- und Handelsgesesellschaft m.b.H.	Neunkirchen	0.0	0.0
SEG Sport Event GmbH	Hohenems	0.0	0.0
Seniorenresidenz 'Am Steinberg' GmbH	Graz	25.0	25.0
Senningerfeld Projektenwicklungs und Verwertungs GmbH	Bramberg	0.0	0.0
S-Finanzservice Gesellschaft m.b.H.	Baden bei Wien	0.0	0.0
Silvrettaseilbahn Aktiengesellschaft	Ischgl	0.0	0.0
SK 1 Properties s.r.o.	Bratislava	0.0	0.0
SK 2 Properties s.r.o.	Bratislava	0.0	0.0
Skilifte Unken - Heutal Gesellschaft m.b.H. & Co, KG	Unken	0.0	0.0
Skilifte Unken Heutal Gesellschaft m.b.H.	Unken	2.2	2.2
SM-Immobiliengesellschaft m.b.H.	Melk	0.0	0.0
SN Immobilienprojekt GmbH	St.Pölten	0.0	0.0
Society for Worldwide Interbank Financial Telecommunication scrl	La Hulpe	0.3	0.2
SPAKO Holding GmbH	Innsbruck	75.0	75.0
Sparkasse Amstetten Service- und Verwaltungsgesellschaft m. b. H.	Amstetten	0.0	0.0
Sparkasse Bludenz Beteiligungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Bludenz Immoblienverwaltungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH	Imst	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH & Co KG	Imst	0.0	0.0
Sparkasse Lambach Versicherungsmakler GmbH	Lambach	0.0	0.0
Sparkasse Nekretnine d.o.o.	Sarajevo	26.4	26.4
Sparkasse Niederösterreich Mitte West Beteiligungsgesellschaft m.b.H.	St. Pölten	0.0	0.0
Sparkasse Niederösterreich Mitte West Immobilien GmbH	St. Pölten	0.0	0.0

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Sparkasse Niederösterreich Mitte West Stadtentwicklungs GmbH	St. Pölten	0.0	0.0
Sparkasse Reutte Liegenschaftsverwertungs GmbH	Reutte	0.0	0.0
Sparkassen - Betriebsgesellschaft mbH.	Linz	29.8	29.8
Sparkassen Bankbeteiligungs GmbH	Dornbirn	0.0	0.0
Sparkassen Beteiligungs GmbH & Co KG	Vienna	13.1	13.1
Sparkassen Facility Management GmbH	Innsbruck	75.0	75.0
Sparkassen Versicherung AG Vienna Insurance Group	Vienna	5.0	5.0
SPES Bildungs- u. Studiengesellschaft m.b.H.& Co KG	Schlierbach	0.0	0.0
SPKB Beteiligungs- und Verwaltungsgesellschaft m.b.H.	Bregenz	0.0	0.0
Sport- und Freizeitanlagen Gesellschaft m.b.H.	Schwanenstadt	9.8	9.8
SREDISNJE KLIRINSKO DEPOZITARNO DRUSTVO DD (CENTRAL DEPOZITORY&CLEARING COMPANY Inc.)	Zagreb	0.2	0.2
Stadtgemeinde Weiz - Wirtschaftsentwicklung KG	Weiz	0.5	0.5
Stadtmarketing-Ternitz Gmbh	Ternitz	0.0	0.0
Sternstein Sessellift Gesellschaft m.b.H.	Bad Leonfelden	7.2	7.2
Stoderzinken - Liftgesellschaft m.b.H. & Co. KG.	Gröbming	0.4	0.4
Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) G.m.b.H.	Vienna	10.7	10.7
Suncani vrtovi d.o.o.	Orasac	0.0	100.0
SZG-Dienstleistungsgesellschaft m.b.H.	Salzburg	98.7	98.7
Tannheimer Bergbahnen GmbH & Co KG	Tannheim	0.0	0.0
Tauern SPA World Betriebs- Gmbh & Co KG	Kaprun	9.8	9.8
Tauern SPA World Betriebs-GmbH	Kaprun	12.0	12.0
Tauern SPA World Errichtungs- Gmbh & Co KG	Kaprun	9.8	9.8
Tauern SPA World Errichtungs-GmbH	Kaprun	12.0	12.0
TDZ Technologie- und Dienstleistungszentrum Donau-Böhmerwald Bezirk Rohrbach GmbH.	Neufelden	1.0	1.0
TECH21 Bürohaus und Gewerbehof Errichtungs- und Betriebsgesellschaft mbH & Co KG	Vienna	0.1	0.1
Technologie- und Dienstleistungszentrum Ennstal GmbH	Reichraming	0.0	0.0
TECHNOLOGIE- und GRÜNDERPARK ROSENTAL GmbH	Rosental	0.3	0.3
Technologie- und Innovationszentrum Kirchdorf GmbH	Schlierbach	0.0	0.0
Technologie- und Marketing Center Frohnleiten GmbH	Frohnleiten	2.5	2.5
Technologiezentrum Deutschlandsberg GmbH	Deutschlandsberg	7.3	7.3
Technologiezentrum Freistadt-Mühlviertel-Errichtungs- und Betriebsgesellschaft m.b.H.	Freistadt	1.2	1.2
Technologiezentrum Inneres Salzkammergut GmbH	Bad Ischl	0.0	0.0
Technologiezentrum Kapfenberg Vermietungs-GmbH	Kapfenberg	6.0	6.0
Technologiezentrum Perg GmbH	Perg	1.1	1.1
Technologiezentrum Salzkammergut GmbH	Gmunden	0.5	0.5
Technologiezentrum Salzkammergut-Bezirk Vöcklabruck GmbH	Attnang-Puchheim	0.0	0.0
Techno-Z Ried Technologiezentrum GmbH	Ried im Innkreis	0.0	0.0
Tekanawa Ingatlanforgalmazasi Korlatolt Felelössegü Tarsasag	Budapest	100.0	100.0
Tennis-Center Hofkirchen i. M. GmbH	Hofkirchen	7.3	7.3
TGZ Technologie- und Gründerzentrum Schärding GmbH	Schärding	3.0	3.0
Thermalquelle Loipersdorf Gesellschaft m.b.H. & Co KG	Loipersdorf	0.0	0.0
Therme Wien Ges.m.b.H.	Vienna	15.0	15.0
Therme Wien GmbH & Co KG	Vienna	15.0	15.0
Tiefgarage Anger, Gesellschaft m.b.H. & Co. KG.	Lech	0.0	0.0
TIRO Bauträger GmbH	Innsbruck	75.0	75.0
Tispa Liegenschaftsverwaltungsgesellschaft mbH	Füssen	75.0	75.0
TIZ Landl - Grieskirchen GmbH	Grieskirchen	0.0	0.0
TKL III Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	100.0
TONDACH GLEINSTÄTTEN AG	Gleinstätten	9.6	9.6
Tourismus- u. Freizeitanlagen GmbH	Hinterstoder	0.0	0.0
TPK-18 Sp. z o.o.	Warsaw	100.0	100.0
Transformovany fond penzijniho pripojisteni se statnim prispevkem Ceska sporitelna - penzijni spolecnost, a.s.	Prague	0.0	0.0
Trencin Retail Park 1 a.s.	Bratislava	19.8	19.8
Trencin Retail Park 2 a.s.	Bratislava	19.8	19.8
Triglav d.d.	Rijeka	0.1	0.1
TSG EDV-Terminal-Service Ges.m.b.H.	Vienna	0.0	0.1
Unzmarkter Kleinkraftwerk-Aktiengesellschaft	Vienna	81.4	83.2
Valtecia Achizitii S.R.L.	Bucharest	100.0	100.0
Vasudvar Hotel Kft.	Budapest	100.0	100.0
Vaudeville Ingatlanberuhazo Korlatolt Felelössegü Tarsasag	Budapest	100.0	100.0
VBV - Asset Service GmbH	Vienna	26.9	26.9
VBV - Consult Beratung für betriebliche Vorsorge GmbH	Vienna	26.9	26.9
VBV - Pensionsservice-Center GmbH	Vienna	26.9	26.9
VBV-Pensionskasse Aktiengesellschaft	Vienna	26.9	26.9
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH	Vienna	25.6	25.6
Visa Europe Limited	London	0.0	0.0
VISA INC.	Wilmington	0.0	0.0
VMG Versicherungsmakler GmbH	Vienna	5.0	5.0

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Waldviertel-Incoming Fremdenverkehrsförderungs- und Betriebsgesellschaft m.b.H.	Weitra	0.0	0.0
Waldviertler Leasing s.r.o.	Jindřichuův Hradec	0.0	0.0
Wärmeversorgungsgenossenschaft Tamsweg registrierte Genossenschaft mit beschränkter Haftung	Tamsweg	0.3	0.3
Wassergenossenschaft Mayrhofen	Mayrhofen	0.0	0.0
WBV Beteiligungs- und Vermögensverwaltungsgesellschaft m.b.H.	Feldkirch	0.0	0.0
WEB Windenergie AG	Pfaffenschlag	0.0	0.0
WECO Treuhandverwaltung Gesellschaft m.b.H.	Salzburg	49.3	49.3
WED Holding Gesellschaft m b H	Vienna	19.2	19.2
WED Wiener Entwicklungsgesellschaft für den Donauraum Aktiengesellschaft	Vienna	11.9	11.9
Weißsee-Gletscherwelt GmbH	Uttendorf	0.0	0.0
WEST CONSULT Bauten- und Beteiligungsverwaltung GmbH	Salzburg	49.3	49.3
WEVA - Veranlagungs- und Beteiligungsgesellschaft m.b.H.	Linz	29.8	29.8
Wien 3420 Aspern Development AG	Vienna	23.2	23.2
WIEPA-Vermögensverwaltungsgesellschaft m.b.H.	Dornbirn	0.0	0.0
Wirtschaftspark Kleinregion Fehring Errichtungs- und Betriebsgesellschaft m.b.H.	Fehring	2.0	2.0
World Trade Center Bucuresti SA	Bucharest	7.2	7.2
WORLD TRADE HOTEL SA	Bucharest	7.2	7.2
Zagreb Stock Exchange, Inc.	Zagreb	2.3	2.3
Zelina Centar d.o.o.	Saint Helena	100.0	100.0
Funds			
Carlyle Europe Partners,L.P. (in Liquidation)	Vale	0.6	0.6
EUROPEAN INVESTMENT FUND	Luxembourg	0.1	0.1
Achtundsechzigste Sachwert Rendite-Fonds Holland GmbH & Co KG	Hamburg	0.0	0.0
Zweite Beteiligungsgesellschaft Reefer-Flottenfonds mbH & Co KG	Hamburg	0.0	0.0
ROMANIAN EQUITY PARTNERS COÖPERATIEF U.A.	Amsterdam	77.4	77.4
Business Capital for Romania - Opportunity Fund Coöperatief UA	Amsterdam	77.4	77.4
MPC Rendite-Fonds Leben plus spezial III GmbH & Co KG	Quickborn	0.0	0.0
aws Gründerfonds Equity Invest GmbH & Co KG	Vienna	49.0	49.0
AUSTROMUENDELRENT	Linz	0.0	0.0
BARRESERVE	Linz	0.0	0.0
DELPHIN TREND GLOBAL	Vienna	0.0	0.0
E 4	Vienna	0.0	0.0
ERSTE RESPONSIBLE BOND	Vienna	0.0	0.0
ERSTE RESPONSIBLE STOCK AMERICA	Vienna	0.0	0.0
ESPA BOND EMERGING MARKETS CORPORATE	Vienna	0.0	0.0
ESPA BOND EMERGING MARKETS CORPORATE IG (EUR)	Vienna	0.0	0.0
ESPA BOND LOCAL EMERGING	Vienna	0.0	0.0
ESPA PORTFOLIO BOND EUROPE	Vienna	0.0	0.0
ESPA RESERVE CORPORATE	Vienna	0.0	0.0
ESPA RESERVE EURO	Vienna	0.0	0.0
ESPA SELECT BOND DYNAMIC	Vienna	0.0	0.0
ESPA STOCK EUROPE	Vienna	0.0	0.0
ESPA STOCK GLOBAL	Vienna	0.0	0.0
ESPA STOCK VIENNA	Vienna	0.0	0.0
PRB-VM	Vienna	0.0	0.0
QIMCO BALKAN EQUITY	Vienna	0.0	0.0
RT ACT.GLOBAL TREND	Vienna	0.0	0.0
SALZBURGER SPARKASSE BOND EUROLAND	Vienna	0.0	0.0
SALZBURGER SPARKASSE SELECT TREND	Vienna	0.0	0.0
SAM-PF 1	Vienna	0.0	0.0
SAM-PF 2	Vienna	0.0	0.0
TIROLKAPITAL	Innsbruck	0.0	0.0
TIROLRENT	Innsbruck	0.0	0.0
TIROLEFFEKT	Innsbruck	0.0	0.0
YOU INVEST Solid EUR	Bucharest	0.0	0.0
Fond rizenych vynosu	Prague	0.0	0.0
Akciovy Mix FF	Prague	0.0	0.0
Dynamicky Mix FF	Prague	0.0	0.0
Smiseny fond	Prague	0.0	0.0
Fond 2005	Prague	0.0	0.0
Privatni portfolio AR AKCIE	Prague	0.0	0.0
YOU INVEST active	Prague	0.0	0.0
ISCS MPF 10	Prague	0.0	0.0
ISCS MPF 30	Prague	0.0	0.0
E.ALTERNAT	Vienna	0.0	0.0
B MUENDELR	Vienna	0.0	0.0
B COMBIREN	Vienna	0.0	0.0
B DANUBIA	Vienna	0.0	0.0

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N/A (3422 ERSA1)	Vienna	0.0	0.0
N/A (3422 ERSA2)	Vienna	0.0	0.0
SEL.BOND T	Vienna	0.0	0.0
PF BOND A	Vienna	0.0	0.0
N/A (1221 SPK Kirchberg)	Vienna	0.0	0.0
CS NEMOVITOSTNÍ FOND	Vienna	0.0	0.0
N/A (1502 SPK Imst)	Vienna	0.0	0.0
smn Investment Services Ltd.	Vienna	0.0	0.0
N/A (3422 ERSA3)	Vienna	0.0	0.0
N/A (1227 SPK Korneuburg)	Vienna	0.0	0.0
B EM-MARKE	Vienna	0.0	0.0
ARGUS CAPITAL PARTNERS II	Vienna	0.0	0.0
ISHARES	Vienna	0.0	0.0
HENDEPF	Vienna	0.0	0.0
DAXEX	Vienna	0.0	0.0
CIS FUND	Vienna	0.0	0.0
N/A (3422 ERSA4)	Vienna	0.0	0.0
GLO.GROWTH	Vienna	0.0	0.0
INNOVA/4 LP	Vienna	0.0	0.0
ACCESSION MEZZANINE CAPITAL II LP	Vienna	0.0	0.0
B MORTGAGE	Vienna	0.0	0.0
Discovery Fund	Vienna	0.0	0.0
B US-CORPO	Vienna	0.0	0.0
PI TOPRENT	Vienna	0.0	0.0
MUTUAL FUND	Vienna	0.0	0.0
PLUS OPF	Vienna	0.0	0.0
TIROLRESERVE	Innsbruck	0.0	0.0
N/A (1003 Holding - NY)	Vienna	0.0	0.0
BD EURO-TR	Vienna	0.0	0.0
Franklin Templeton International Services S.A.	Vienna	0.0	0.0
G.SACHS	Vienna	0.0	0.0
N/A (2416 AVS B)	Vienna	0.0	0.0
AXA	Vienna	0.0	0.0
B EUR-RENT	Vienna	0.0	0.0
AXA IM-US	Vienna	0.0	0.0
MQ MS EM.	Vienna	0.0	0.0
Goldman Sachs Asset Management International	Vienna	0.0	0.0
Federal National Mortgage Association_16485	Vienna	0.0	0.0
Federal Home Loan Mortgage Corp_18739	Vienna	0.0	0.0
Stoney Lane Funding Ltd._23846	Vienna	0.0	0.0
SLM Student Loan Trust_25221	Vienna	0.0	0.0
SLM Student Loan Trust_25205	Vienna	0.0	0.0
APIDOS CDO V_23788	Vienna	0.0	0.0
SATURN CLO, LTD Class A2_107755	Vienna	0.0	0.0
FRANKLIN CLO VI B NOTES_107995	Vienna	0.0	0.0
VENTURE VIII CDO, LIMITED_107862	Vienna	0.0	0.0
Bridgeport CLO II, Ltd._24083	Vienna	0.0	0.0
VOYA Investment Management IV_24042	Vienna	0.0	0.0
1776 CLO I., LTD_106781	Vienna	0.0	0.0
Westchester CLO, Ltd._23960	Vienna	0.0	0.0
APIDOS QUATTRO CDO_107847	Vienna	0.0	0.0
Carlyle High Yield Partners X, Ltd._23838	Vienna	0.0	0.0
WE TOP DYNAMIC	Vienna	0.0	0.0
TOP STRATEGIE dynamic	Vienna	0.0	0.0
ESPA HIGH COUPON BASKET 2015	Vienna	0.0	0.0
ESPA NEW EUROPE BASKET 2014	Vienna	0.0	0.0
ESPA RESERVE EURO MÜNDEL	Vienna	0.0	0.0
ESPA BOND EURO-MÜNDELRENT	Vienna	0.0	0.0
ESPA CORPORATE PLUS BASKET 2017 II	Vienna	0.0	0.0
ESPA RISING CORPORATE BOND BASKET 2017	Vienna	0.0	0.0
ESPA BOND USA-CORPORATE	Vienna	0.0	0.0
PRO INVEST AKTIV	Vienna	0.0	0.0
ESPA BOND COMBIRENT	Vienna	0.0	0.0
ESPA CORPORATE PLUS BASKET 2016	Vienna	0.0	0.0
ESPA SHORT TERM EMERGING MARKETS	Vienna	0.0	0.0
ESPA BOND INFLATION-LINKED	Vienna	0.0	0.0
ESPA BOND DANUBIA	Vienna	0.0	0.0
FTC GIDEON I	Vienna	0.0	0.0

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PIZ BUIN GLOBAL	Vienna	0.0	0.0
ESPA BOND EURO-CORPORATE	Vienna	0.0	0.0
ESPA BOND EMERGING-MARKETS	Vienna	0.0	0.0
ESPA BOND MORTGAGE	Vienna	0.0	0.0
ESPA SELECT BOND	Vienna	0.0	0.0
ESPA SELECT MED	Vienna	0.0	0.0
ESPA RESERVE EURO PLUS	Vienna	0.0	0.0
ESPA BOND EURO-TREND	Vienna	0.0	0.0
ESPA D-A-CH Fonds	Vienna	0.0	0.0
ESPA BOND USA-HIGH YIELD	Vienna	0.0	0.0
ESPA PORTFOLIO TARGET	Vienna	0.0	0.0
ERSTE RESPONSIBLE BOND EURO CORPORATE	Vienna	0.0	0.0
ESPA STOCK COMMODITIES	Vienna	0.0	0.0
ESPA PORTFOLIO BALANCED 30	Vienna	0.0	0.0
ESPA BEST OF WORLD	Vienna	0.0	0.0
ESPA BOND EUROPE-HIGH YIELD	Vienna	0.0	0.0
ESPA BOND EURO-MIDTERM	Vienna	0.0	0.0
ESPA STOCK EUROPE-EMERGING	Vienna	0.0	0.0
ESPA BOND CORPORATE BB	Vienna	0.0	0.0
ESPA BOND DOLLAR	Vienna	0.0	0.0
ESPA STOCK JAPAN	Vienna	0.0	0.0
ESPA BOND EURO-RENT	Vienna	0.0	0.0
ESPA STOCK EUROPE-PROPERTY	Vienna	0.0	0.0
ESPA BOND RISING MARKETS	Vienna	0.0	0.0
ESPA BOND INTERNATIONAL	Vienna	0.0	0.0
SAM-PF 3	Vienna	0.0	0.0
S DOUBLESTOCK	Linz	0.0	0.0
S EMERGING	Linz	0.0	0.0
SAM A1	Linz	0.0	0.0
S GENERATION	Linz	0.0	0.0
VIENNASTOCK	Linz	0.0	0.0
AUSTRORENT	Linz	0.0	0.0
S-PENSIONSVORSORGE-OOE	Linz	0.0	0.0
AM SLSP Real estate fund	Bratislava	0.0	0.0
AM SLSP Euro Plus Fund	Bratislava	0.0	0.0
AM SLSP Euro bond fund	Bratislava	0.0	0.0
AM SLSP Active portfolio	Bratislava	0.0	0.0
AM SLSP Private money market fund	Bratislava	0.0	0.0
AM SLSP Private fund of regular revenues	Bratislava	0.0	0.0
AM SLSP SIP Clasik	Bratislava	0.0	0.0
Erste MONEY	Zagreb	0.0	0.0
Erste EURO-MONEY	Zagreb	0.0	0.0
Erste ADRATIC EQUITY	Zagreb	0.0	0.0
Erste ADRIATIC BOND	Zagreb	0.0	0.0
Erste ELITE	Zagreb	0.0	0.0
Erste EXCLUSIVE	Zagreb	0.0	0.0
Erste Money Market RON	Bucharest	0.0	0.0
Erste Bond Flexible RON	Bucharest	0.0	0.0
YOU INVEST Active RON	Bucharest	0.0	0.0
YOU INVEST Balanced RON	Bucharest	0.0	0.0
YOU INVEST Active EUR	Bucharest	0.0	0.0
YOU INVEST Balanced EUR	Bucharest	0.0	0.0
Lyon Capital Management VI Ltd._24018	Vienna	0.0	0.0
Flagship CLO VI_23952	Vienna	0.0	0.0
Westbrook CLO, Ltd._23671	Vienna	0.0	0.0
HARBOURM22_409077	Vienna	0.0	0.0
TRIMARAN CLO V_108159	Vienna	0.0	0.0
LIGHTPOINT CLO LTD.SERIES 2006-5A_107748	Vienna	0.0	0.0
COLUMBUS NOVA CLO LTD._107797	Vienna	0.0	0.0
GREENS CREEK FUNDING_107896	Vienna	0.0	0.0
SILVERADO CLO 2006-II, LTD_23606	Vienna	0.0	0.0
EASTLAND CLO, LTD_107714	Vienna	0.0	0.0
BlackRock Senior Income Series Corp. V_24091	Vienna	0.0	0.0
AUBURN0441_403250	Vienna	0.0	0.0
Callidus Debt Partners CDO Fund, Ltd._23630	Vienna	0.0	0.0
LANDMARK VIII CLO LTD_108142	Vienna	0.0	0.0
CARLYLE ARNAGE_108233	Vienna	0.0	0.0
SLM Student Loan Trust_25197	Vienna	0.0	0.0

Company name, registered office		Interest of Erste Group in % Dec 14	Dec 15
HARV.0621_406284	Vienna	0.0	0.0
JASPER CLO LTD_107813	Vienna	0.0	0.0
CORNERSTONE CLO_108118	Vienna	0.0	0.0
LEOP.07/23_414780	Vienna	0.0	0.0
LATITUDE CLO II LTD_108035	Vienna	0.0	0.0
GALAXY VII CLO LTD_107086	Vienna	0.0	0.0
BABSON MIDMARKET_108225	Vienna	0.0	0.0
FOOTHILL CLO I, LTD_107425	Vienna	0.0	0.0
HALCYON STRUCTURED_107953	Vienna	0.0	0.0
STONE TOWER CLO_107771	Vienna	0.0	0.0
NAUTIQUE FUNDING_106724	Vienna	0.0	0.0
CELF0723_414813	Vienna	0.0	0.0
SAN GABRIEL CLO I_107664	Vienna	0.0	0.0
Lyon Capital Management V Ltd._23812	Vienna	0.0	0.0
FRANKLIN CLO V_106831	Vienna	0.0	0.0
SHASTA CLO I LTD_107383	Vienna	0.0	0.0
CARLYLE DAYTONA_107474	Vienna	0.0	0.0
CARLYLE MCLAREN CLO LTD_107904	Vienna	0.0	0.0
FAIRWAY LOAN FUNDING_106997	Vienna	0.0	0.0
DRYDEN XVI CDO_107409	Vienna	0.0	0.0
Grant Grove CLO, Ltd._23747	Vienna	0.0	0.0
JUBILEE24_414544	Vienna	0.0	0.0
Ocean Trails CLO_23648	Vienna	0.0	0.0
VITESSE CLO LTD._106898	Vienna	0.0	0.0
BRIDGEPORT CLO LTD_106948	Vienna	0.0	0.0
MAYPORT CLO LTD_107268	Vienna	0.0	0.0
Landmark IX CDO, Ltd._23903	Vienna	0.0	0.0
HEWETTS 18_409389	Vienna	0.0	0.0
BlackRock Senior Income Series Corp. IV_23754	Vienna	0.0	0.0
SAGR05-56_412016	Vienna	0.0	0.0
SLM Student Loan Trust_25213	Vienna	0.0	0.0
MALIN07/23_414922	Vienna	0.0	0.0
AVOCA 0724_414332	Vienna	0.0	0.0
NORTHWOODS CAPITAL VI_106658	Vienna	0.0	0.0
Debt securities OF AfS HW_405667	Vienna	0.0	0.0
Debt securities OF AfS HW_414753	Vienna	0.0	0.0
Galaxy VIII CLO, Ltd._23770	Vienna	0.0	0.0
ACA CLO, Ltd._23697	Vienna	0.0	0.0
GALAXY0719_414221	Vienna	0.0	0.0
FDO 02/33_400139	Vienna	0.0	0.0
Debt securities OF AfS HW_402045	Vienna	0.0	0.0
Eaton Vance CDO IX Ltd._23853	Vienna	0.0	0.0
AVOCA05/21_404723	Vienna	0.0	0.0
CELF05/21_404240	Vienna	0.0	0.0
AVOCA04/20_403394	Vienna	0.0	0.0
MAGELLAN36_826641	Vienna	0.0	0.0
LEEK06-37_406292	Vienna	0.0	0.0
PARAGON41_406190	Vienna	0.0	0.0
PARA07-39_414601	Vienna	0.0	0.0
BABSON0620_408715	Vienna	0.0	0.0
Debt securities OF AfS HW_403602	Vienna	0.0	0.0
GREAT 0638_409365	Vienna	0.0	0.0
PERP07-38_409794	Vienna	0.0	0.0
LATITUDE CLO I LTD_108217	Vienna	0.0	0.0
CANARY0737_611150	Vienna	0.0	0.0
SWALDVIERTEL BD T	Vienna	0.0	0.0
TIROLPENSION	Innsbruck	0.0	0.0
TYROLBOND INTERNATIONAL	Innsbruck	0.0	0.0
SPARDA-RENT	Innsbruck	0.0	0.0
SPARDA VORS PLU	Innsbruck	0.0	0.0
TIROLVISION AKTIEN	Innsbruck	0.0	0.0
SERLES 1	Innsbruck	0.0	0.0
TIROLDYNAMIK	Innsbruck	0.0	0.0
TIROLIMPULS	Innsbruck	0.0	0.0
HS PRIVATVERMÖGENSVERWALTUNG	Innsbruck	0.0	0.0
ISCS Vyvazeny Mix FF	Prague	0.0	0.0

Vienna, 26 February 2016

The Management Board

Andreas Treichl mp
Chairman

Peter Bosek mp
Member

Petr Brávek mp
Member

Andreas Gottschling mp
Member

Gernot Mittendorfer mp
Member

Jozef Síkela mp
Member

AUDITORS REPORT
(REPORT OF THE INDEPENDENT AUDITORS)

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Sparkassen-Prüfungsverband and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, have audited the accompanying consolidated financial statements of Erste Group Bank AG, Vienna, for the fiscal year from January 1, 2015 to December 31, 2015. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2015, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in total equity for the fiscal year ended December 31, 2015, and the notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The management of Erste Group Bank AG is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 59a BWG. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2015 and of its financial performance and its cash flows for the fiscal year from January 1, 2015 to December 31, 2015 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 26 February 2016

(Austrian Savings Bank Auditing Association)
(Audit Agency)

(Bankprüfer)

Gerhard Margetich Certified Accountant	Stephan Lugitsch Certified Accountant

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Ernst Schönhuber Certified Accountant	Andrea Stippl Certified Accountant

This report is a translation of the original report in German, which is solely valid.

Publication of the consolidated financial statements together with our auditor's opinion may only be made if the consolidated financial statements and the notes are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.

STATEMENT OF ALL MEMBERS OF THE MANAGEMENT BOARD

We confirm that to the best of our knowledge the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties to which the Group is exposed.

Vienna, 26 February 2016

The Management Board

Andreas Treichl mp
Chairman

Peter Bosek mp
Member

Petr Brávek mp
Member

Andreas Gottschling mp
Member

Gernot Mittendorfer mp
Member

Jozef Síkela mp
Member

Glossary

Book value per share
Total equity attributable to owners of the parent of a public company, excluding participation capital, divided by the number of shares outstanding (excluding treasury shares).

Cash return on equity
Also referred to as cash ROE. Calculated as return on equity, but excluding the impact of non-cash items on net profit/loss for the year attributable to owners of the parent such as goodwill impairment and amortisation of customer relationships.

Cash earnings per share
Calculated as earnings per share based on net profit/loss for the year attributable to owners of the parent, adjusted for dividends on participation capital, excluding goodwill impairments and amortisation of customer relationships.

CEE (Central and Eastern Europe)
Encompasses the new member states of the EU that joined in 2004 and 2007, the CIS countries, states that evolved from the former Yugoslavia, as well as Albania.

Common Equity Ratio (CET 1 ratio)
Common equity tier 1 capital (CET1) according to article 50 CRR of the institution expressed as a percentage of the total risk amount according to Art. 92 (3) CRR

Cost/income ratio
General administrative expenses as a percentage of operating income.

Dividend yield
Dividend payment of the financial year as a percentage of the year-end closing price or the most recent price of the share.

Earnings per share
Net profit for the year attributable to owners of the parent adjusted for dividends of participation capital, divided by average shares outstanding.

Equity Ratio (T 1 ratio)
Tier 1 capital according to article 25 CRR of the institution expressed as a percentage of the total risk amount according to Art. 92 (3) CRR.

Interest-bearing assets
Total assets less cash, derivative financial instruments, tangible and intangible assets, tax assets, assets held for sale and other assets.

Net interest margin
Net interest income as a percentage of average interest-bearing assets, calculated on a monthly basis.

Operating income
Consists of net interest income, net commission income and trading result.

Operating result
Operating income less operating expenses (i.e. general administrative expenses).

Price/earnings ratio
Closing share price of the financial year divided by earnings per share. Usually used for valuation comparisons.

Market capitalisation
Overall value of a company calculated by multiplying the share price by the number of shares outstanding.

Non-performing exposure (NPE) coverage ratio
Risk provisions for the credit risk exposure as a percentage of the non-performing credit risk exposure.

Non-performing exposure (NPE) ratio
Non-performing credit risk exposure as a percentage of total credit risk exposure.

Non-performing loans (NPL) coverage ratio
Risk provisions for loans and advances to customers as a percentage of non-performing loans and advances to customers.

Non-performing loans (NPL) ratio
Non-performing loans and advances to customers as a percentage of total loans and advances to customers.

Non-performing loans (NPL) total coverage ratio
Risk provisions and collateral for non-performing loans and advances to customers as a percentage of non-performing loans and advances to customers.

Return on equity
Also referred to as ROE. Net profit/loss for the year attributable to owners of the parent, as a percentage of average equity. The average equity is calculated based upon the equity outstanding as of the close of each of the 12 months during the year.

Risk categories
Risk categories are based on internal customer ratings and are used for classification of the bank's assets and contingent credit liabilities. Erste Group applies internal rating systems, which for private individuals comprise eight rating grades for non-defaulted customers and one rating grade for customers in default. For all other customer segments, the Group uses thirteen rating grades for non-defaulted customers and one rating grade for defaulted customers.

Risk category – low risk
Typically regional customers with well-established and rather long-standing relationships with Erste Group or large, interna-

tionally recognised customers. Strong and good financial positions and no foreseeable financial difficulties. Retail clients with long relationships with the bank, or clients with wide product pool use. No late payments currently or in the most recent 12 months. New business is generally done with clients in this risk category.

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

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

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

Share capital
Total equity attributable to owners of the parent of a company, subscribed to by the shareholders at par.

Solvency ratio
The ratio of the sum of tier-1, tier-2 and tier-3 capital, after regulatory deductions, to the calculation basis for the capital requirement pursuant to Section 22 (1) of the Austrian Banking Act.

Tax rate
Taxes on income/loss as a percentage of pre-tax profit from continuing operations.

Total Capital Ratio
Total own funds according to article 72 CRR of the institution expressed as a percentage of the total risk amount according to Art. 92 (3) CRR.

Total shareholder return
Annual performance of an investment in Erste Group Bank AG shares including all income streams (e.g. dividend for the year plus or minus gain or loss in the share price from the beginning to the end of the year).

Your Notes

Important adresses

ERSTE GROUP BANK AG
Am Belvedere 1
A-1100 Vienna
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SWIFT/BIC: GIBAATWG
Website: **www.erstegroup.com**

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(Erste Bank Oesterreich)
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Phone: +43 (0) 50100 10100
SWIFT/BIC: GIBAATWW
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Olbrachtova 1929/62
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Phone: +420 95671 1111
SWIFT/BIC: GIBACZPX
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Website: **www.csas.cz**

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Phone: +421 2 582681 11
SWIFT/BIC: GIBASKBX
Email: **info@slsp.sk**
Website: **www.slsp.sk**

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Website: **www.bcr.ro**

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Phone: +385 62375000
SWIFT/BIC: ESBCHR22
Email: **erstebank@erstebank.hr**
Website: **www.erstebank.hr**

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(Erste Bank Serbia)
Bulevar Oslobodjenja 5
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Phone: +381 21 487 3510
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IR-App:

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To read the QR codes you need a smartphone or a tablet equipped with a camera and a QR code app (free to download). Line up your device with the QR code until the app recognises the code.

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

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

GB Englisch E189024

Austria (Erste Bank)

Czech Republic (Česká spořitelna)

Slovakia (Slovenská sporiteľňa)

Hungary (Erste Bank Hungary)

Croatia (Erste Bank Croatia)

Serbia (Erste Bank Serbia)

Romania (Banca Comercială Română)