Half year financial report 2015

ERSTE Group

Key financial data

Income statement

in EUR million	Q2 14	Q1 15	Q2 15	1-6 14	1-6 15
Net interest income	1,119.7	1,098.5	1,113.4	2,243.6	2,211.9
Net fee and commission income	454.9	461.0	456.3	907.0	917.4
Net trading and fair value result	87.7	72.4	64.1	138.0	136.5
Operating income	1,731.1	1,689.1	1,710.3	3,421.7	3,399.4
Operating expenses	-933.1	-948.1	-948.7	-1,896.4	-1,896.8
Operating result	**798.0**	**741.0**	**761.6**	**1,525.3**	**1,502.6**
Net impairment loss on non-fair value financial assets	-431.9	-183.1	-190.8	-796.1	-373.9
Post-provision operating result	**366.1**	**557.8**	**570.8**	**729.1**	**1,128.6**
Other operating result	-1,152.0	-153.5	-47.1	-1,271.8	-200.6
Levies on banking activities	-54.3	-91.8	-45.4	-154.1	-137.2
Pre-tax result from continuing operations	-781.0	415.2	548.8	-541.5	964.1
Taxes on income	-235.9	-118.6	-154.8	-335.6	-273.4
Net result for the period	**-1,016.9**	**296.6**	**394.0**	**-877.1**	**690.7**
Net result attributable to non-controlling interests	16.2	70.8	132.6	52.7	203.4
Net result attributable to owners of the parent	**-1,033.1**	**225.8**	**261.4**	**-929.7**	**487.2**
Earnings per share	-2.42	0.53	0.61	-2.17	1.14
Cash earnings per share	-0.44	0.53	0.61	-0.17	1.15
Return on equity	-37.6%	9.0%	10.2%	-16.8%	9.6%
Cash return on equity	-6.9%	9.1%	10.2%	-1.3%	9.7%
Net interest margin (on average interest-bearing assets)	2.61%	2.55%	2.59%	2.62%	2.58%
Cost/income ratio	53.9%	56.1%	55.5%	55.4%	55.8%
Provisioning ratio (on average gross customer loans)	1.35%	0.57%	0.58%	1.25%	0.58%
Tax rate	-30.2%	28.6%	28.2%	-62.0%	28.4%

Balance sheet

in EUR million	Jun 14	Mar 15	Jun 15	Dec 14	Jun 15
Cash and cash balances	7,267	8,223	7,011	7,835	7,011
Trading, financial assets	52,288	52,285	49,044	50,131	49,044
Loans and receivables to credit institutions	8,548	8,345	8,775	7,442	8,775
Loans and receivables to customers	120,005	123,437	123,504	120,834	123,504
Intangible assets	1,438	1,415	1,395	1,441	1,395
Miscellaneous assets	8,852	8,865	7,802	8,604	7,802
Total assets	**198,398**	**202,570**	**197,532**	**196,287**	**197,532**
Financial liabilities - held for trading	7,152	8,988	6,632	7,746	6,632
Deposits from banks	18,803	16,389	15,704	14,803	15,704
Deposits from customers	120,250	124,752	124,534	122,583	124,534
Debt securities issued	31,033	30,852	29,914	31,140	29,914
Miscellaneous liabilities	7,081	7,635	6,732	6,573	6,732
Total equity	14,080	13,956	14,015	13,443	14,015
Total liabilities and equity	**198,398**	**202,570**	**197,532**	**196,287**	**197,532**
Loan/deposit ratio	99.8%	98.9%	99.2%	98.6%	99.2%
NPL ratio	9.4%	8.1%	7.7%	8.5%	7.7%
NPL coverage (exc collateral)	64.0%	67.9%	68.2%	68.9%	68.2%
CET 1 ratio (phased-in)	11.7%	10.5%	11.6%	10.6%	11.6%

Ratings

Fitch			
Long-term	A	A	BBB+
Short-term	F1	F1	F2
Outlook	Negative	Negative	Stable
Moody´s			
Long-term	Baa1	Baa2	Baa2
Short-term	P-2	P-2	P-2
Outlook	Negative	Under Review	Stable
Standard & Poor´s			
Long-term	A	A-	BBB+
Short-term	A-1	A-2	A-2
Outlook	Negative	Watch Neg	Negative

Letter from the CEO

Dear shareholders,

Erste Group posted a net profit of EUR 487.2 million for the first six months of 2015. This development was attributable to a nearly stable operating result, a significant decline in risk costs and the absence of negative one-off effects, which had severely impacted the comparable period of the previous year. Overall, the bank benefited from solid economic developments in almost all of its core markets in Central and Eastern Europe, which supported the continuation of an encouraging trend: a rise in the volume of performing loans and a decline in non-performing loans. Asset quality improved once again across the group. The NPL ratio declined for the sixth consecutive quarter to 7.7%. Exactly two years ago, this ratio stood at 9.7%. In addition, I would like to highlight the strong rise in capital ratios. On the back of greatly improved profitability, the common equity tier 1 ratio (Basel 3 fully loaded) improved from 10.6% at year-end 2014 to 11.3%, a level that is respectable even in a European context, particularly when taking into account the risk weighting of balance-sheet assets of more than 50% and Erste Group's favourable business structure. Erste Group's liquidity position was again excellent with a loan-to-deposit ratio of 99.2%.

The business environment in the first six months of 2015 was mainly characterised by two factors: an even lower interest rate environment, with rates hitting historical lows at both the short and the long ends. The Hungarian central bank cut its key interest rate to 1.35%; the Romanian policy rate was just slightly higher at 1.75%; and at 0.05%, key interest rates in the Czech Republic, Austria and Slovakia – three core markets of Erste Group – were barely above zero. At the same time, sovereign bond yields fell to historic lows, even though they slightly recovered toward mid-year. That this situation had a negative impact on net interest income did not come as a surprise. On the other hand, net interest income benefited from robust economic trends – driven by strong domestic demand and household consumption – in almost all core markets in Central and Eastern Europe, which coincided with growing credit demand as reflected by year-to-date volume growth of 2.2%. Overall, net interest income declined slightly nonetheless. This was partly offset by an improvement in net fee and commission income on the back of solid income from the securities business. Overall, operating income declined only slightly while operating expenses were stable but continued to be impacted by high regulatory expenses. This led to an almost stable operating result.

The key factor driving the strong improvement in profitability, however, was a normalisation in the other result. It had been negatively affected by one-off effects in the first half of 2014 which did not recur this year. Negative impacts came from political and regulatory costs, which were very high by international comparison: while banking taxes in Slovakia were reduced and Hungary committed to a sharp reduction as of 2016 by an act of parliament, they have remained disproportionately high in Austria. In Austria, the situation was further exacerbated by the requirement to make contributions to European resolution funds for the first time.

The decline of risk costs to 58 basis points of average gross customer loans also contributed significantly to the improved results. It reflected not only substantially lower provisioning requirements in Romania and Hungary after the successful clean-up of legacy issues last year, but also the solid development of asset quality in Austria. This development went hand in hand with an improvement in the risk profile, which by now has been continuing for many quarters: at 78.2% of the loan portfolio, low-risk customer loans have risen to the highest level since the start of the financial crisis in September 2008. Non-performing loans (NPLs) declined further to EUR 10.1 billion or 7.7% of gross loan volume, the best level since December 2010.

The rise in the common equity tier 1 ratio (Basel 3 fully loaded), from 10.6% at year-end 2014 to 11.3%, was another positive development of the first half of 2015; supported by greatly improved profitability this was due to a substantial expansion in regulatory capital, which now fully includes retained earnings of the first six months of 2015, while risk-weighted assets remained stable. We are already firmly on track to meet the capital requirements (Basel 3 phased-in) just raised to 11% in June 2015 on a lasting basis well ahead of the deadline. This new requirement has to be met in two steps: by mid-2016, the largest Austrian banks have to achieve a common equity tier 1 ratio (Basel 3 phased-in) of at least 10%, by mid-2017 a minimum of 11%.

Given the solid development of our business in the first half of 2015 we are highly confident that we will meet the targets we have set ourselves for the full year: a return on tangible equity (ROTE) of 8-10% and a slightly improved risk cost forecast of EUR 0.9-1.1 billion. As the results for the second half of the year will have to be compared against strong performance in the corresponding period of the previous year, we leave the outlook for the operating result unchanged, though. Overall, we are well on track to earn our cost of capital again in the foreseeable future, which is a goal that many other banks will be unable to achieve any time soon.

Andreas Treichl mp

Erste Group on the capital markets

EQUITY MARKET REVIEW

In the second quarter, European markets initially continued the rally that had started early in the year and maintained their relative strength versus US stock indexes on the back of strong economic and corporate news flows in Europe, the European Central Bank's (ECB's) expansionary monetary policy and the weak euro. Later in the quarter, intensifying political debate over Greek solvency and the possibility of a Grexit (exit of Greece from the euro currency) led to increased volatility and a weakening of the uptrend in European equity markets while US markets were largely flat.

The Dow Jones Industrial Index ended the second quarter down 0.9% at 17,619.51 points, 1.1% lower year to date. The broader Standard & Poor's 500 Index closed the period under review down 0.2% at 2,063.11 points. Year to date, the index was up 0.2% and hence at about the level registered at year-end 2014. After posting two-digit gains in the first quarter and initially continuing their advances, the European indices then plunged more sharply than their US counterparts. The Euro Stoxx 600 Index declined by 4.0% to 381.31 points in the second quarter, but was still up 11.3% year to date. The Austrian Traded Index (ATX) followed a similar trajectory. After hitting its year-to-date high in mid-May at 2,681.44 points, it retreated in tandem with other European markets, dropping 3.9% to 2,411.77 points, but nonetheless closed the first half of the year 11.7% higher. The Dow Jones Euro Stoxx Bank Index, which is composed of leading European bank shares, declined by 4.9% to 149.91 points after having gained 17.2% in the first quarter. As of 30 June, its year-to-date performance came in at 11.4%.

In the second quarter, market participants' focus was on the continuing debate on Greek debt and on whether Greece would stay in the euro. When political negotiations with the EU failed to yield results by the end of June and the ECB did not raise its emergency liquidity assistance (ELA) beyond the ceiling of EUR 90 billion, capital controls were imposed and Greek banks remained closed until mid-July. After the announcement of a referendum on the austerity measures called for by the International Monetary Fund (IMF) and the ECB, market weakness started to weigh on all key indices across all sectors in Europe. Among the most heavily affected were European banking stocks as investors were concerned that turmoil might spread from Greece to other euro zone countries and banks.

SHARE PERFORMANCE

In the period under review, the Erste Group share added to the gains posted in the previous quarter, contrary to the trend of its European peers. Closing at EUR 25.475 on 30 June, the Erste Group share traded 11.1% higher at the end of the second quarter and was up 32.4% year to date, outperforming both the ATX and the Euro Stoxx Bank Index. Upward momentum for the Erste Group share came from its first quarter net profit, which significantly exceeded analysts' consensus estimates, and continuing improvement in asset quality. The market participants' main focus was on the affirmation of the outlook forecasting a macroeconomic environment in CEE conducive to lending growth and a projected return on tangible equity (ROTE) of 8 to 10% in 2015. In response to these developments, a number of analysts covering the Erste Group share raised their price targets.

In the first half of 2015, trading volume on the three stock exchanges (Vienna, Prague, Bucharest) on which the Erste Group share is listed averaged 879,750 shares per day and accounted for about 44% 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.

FUNDING AND INVESTOR RELATIONS

In the first half of the year, Erste Group issued ca. EUR 1.2 billion of funding with senior, covered bonds and Tier 2 instruments. After the successful EUR 500 million 10 year mortgage covered bond issuance in February, the focus was on retail and private placements. The prolongation of the redemption profile continues with an average maturity of around 8 years.

In the second quarter of 2015, the management and the investor relations team of Erste Group had a large number of one-on-one and group meetings, in which questions raised by investors and analysts were answered. Erste Group presented its economic performance and strategy against the backdrop of the current environment at a large number of international banking and investors conferences hosted amongst others by Autonomous, Concorde, RCB, JP Morgan, Deutsche Bank, Wood and Goldman Sachs as well as at its spring road show staged in Europe and the US following the release of its first-quarter results.

Interim management report

In the interim management report, financial results from January-June 2015 are compared with those from January-June 2014 and balance sheet positions as of 30 June 2015 with those as of 31 December 2014.

EARNINGS PERFORMANCE IN BRIEF

Net interest income declined to EUR 2,211.9 million (EUR 2,243.6 million), mainly due to the persistently low interest rate environment and expected developments in Romania and Hungary. **Net fee and commission income** rose to EUR 917.4 million (EUR 907.0 million) on the back of better results from the securities and custody business and payment transfers. The **net trading and fair value result** declined to EUR 136.5 million (EUR 138.0 million). **Operating income** declined marginally to EUR 3,399.4 million (-0.7%; EUR 3,421.7 million).

General administrative expenses were unchanged at EUR 1,896.8 million (EUR 1,896.4 million). The **operating result** decreased to EUR 1,502.6 million (-1.5%; EUR 1,525.3 million). The **cost/income ratio** amounted to 55.8% (55.4%).

Net impairment loss on financial assets not measured at fair value through profit or loss dropped significantly to EUR 373.9 million or 58 basis points of average gross customer loans (-53.0%; EUR 796.1 million or 125 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 7.7% (8.5%). The **NPL coverage ratio** stood at 68.2% (68.9%).

Other operating result amounted to EUR -200.6 million (EUR -1,271.8 million). The significant positive change was attributable to the non-recurrence of high negative one-off effects in the first half year of 2014 (primarily intangible writedowns). Provisions for the 2015 full-year contributions to national resolution funds in the projected total amount of EUR 55.2 million are already included. At EUR 137.2 million (EUR 154.1 million), banking and financial transaction taxes were again significant: EUR 60.1 million (EUR 63.2 million) in Austria, EUR 11.6 million (EUR 20.7 million) in Slovakia, and EUR 65.5 million (EUR 70.1 million) in Hungary (including the full Hungarian banking tax of EUR 46.0 million for 2015).

Taxes on income amounted to EUR 273.4 million (EUR 335.6 million), translating into a tax rate of 28.4%. Due to the good risk development at the Savings Banks and the turnaround in Romania, the minority charge reached a historic high at EUR 203.4 million (EUR 52.7 million). The **net result attributable to owners of the parent** increased to EUR 487.2 million (EUR -929.7 million).

Total equity (IFRS) rose to EUR 14.0 billion (EUR 13.4 billion). Including the interim profit, **common equity tier 1 capital** (CET1, Basel 3 phased-in) increased to EUR 11.6 billion (EUR 10.6 billion), total eligible **own funds** (Basel 3 phased-in) amounted to EUR 16.8 billion (EUR 15.8 billion). Total risk, i.e. **risk-weighted assets** including credit, market and operational risk (Basel 3 phased-in) decreased to EUR 100.3 billion (EUR 100.6 billion). The **common equity tier 1 ratio** (CET1, Basel 3 phased-in) stood at 11.6% (10.6%), the **total capital ratio** (Basel 3 phased-in) at 16.8% (15.7%).

Total assets rose to EUR 197.5 billion (EUR 196.3 billion), driven mainly by the increase in customer lending volume – with **loans and receivables to customers (net)** rising to EUR 123.5 billion (EUR 120.8 billion) – as well as in loans and receivables to credit institutions (net). Within liabilities, customer deposits increased to EUR 124.5 billion (EUR 122.6 billion). The **loan-to-deposit ratio** stood at 99.2% (98.6%).

OUTLOOK

Operating environment anticipated to be conducive to credit expansion. Real GDP growth is expected to be between 2% and 4% in all major CEE markets, except Croatia, driven by solid domestic demand. For Austria, a real GDP growth below 1% is forecast.

Return on tangible equity (ROTE) expected at 8-10% in 2015 (YE 14 TE: EUR 8.4 billion). Operating result is expected to decline in the mid-single digits on the back of lower but sustainable operating results in Hungary (due to FX conversion related effects of lower average volume) and Romania (lower unwinding impact) as well as the persistent low interest rate environment.

For 2015, loan growth in the low single digits and a decline in risk costs to about EUR 0.9-1.1 billion are anticipated. Banking levies are expected to amount to about EUR 360 million, including parallel contributions to national as well as European bank resolution and deposit insurance funds. Related discussions with the Austrian government are still ongoing.

Risks to guidance. Consumer protection initiatives such as a potential CHF borrower support scheme in Croatia as well as geopolitical risks could have negative economic impacts.

PERFORMANCE IN DETAIL

in EUR million	1-6 14	1-6 15	Change
Net interest income	2,243.6	2,211.9	-1.4%
Net fee and commission income	907.0	917.4	1.1%
Net trading and fair value result	138.0	136.5	-1.1%
Operating income	3,421.7	3,399.4	-0.7%
Operating expenses	-1,896.4	-1,896.8	0.0%
Operating result	**1,525.3**	**1,502.6**	**-1.5%**
Net impairment loss on financial assets not measured at fair value through profit or loss	-796.1	-373.9	-53.0%
Other operating result	-1,271.8	-200.6	-84.2%
Levies on banking activities	-154.1	-137.2	-10.9%
Pre-tax result from continuing operations	**-541.5**	**964.1**	**n/a**
Taxes on income	-335.6	-273.4	-18.5%
Net result for the period	**-877.1**	**690.7**	**n/a**
Net result attributable to non-controlling interests	52.7	203.4	>100.0%
Net result attributable to owners of the parent	**-929.7**	**487.2**	**n/a**

Net interest income

Net interest income declined to EUR 2,211.9 million (EUR 2,243.6 million), mainly due to the low interest rate environment and developments in Romania (lower unwinding effect due to NPL sales) and Hungary (consumer loan law, lower loan volume). The net interest margin (net interest income as a percentage of average interest-bearing assets) contracted from 2.62% to 2.58%.

Net fee and commission income

Net fee and commission income increased to EUR 917.4 million (EUR 907.0 million) due, among others, to improved results from the securities and custody business as well as payment transfers.

Net trading and fair value result

The net trading and fair value result declined to EUR 136.5 million (EUR 138.0 million), primarily due to the valuation results of securities and derivatives.

General administrative expenses

in EUR million	1-6 14	1-6 15	Change
Personnel expenses	1,091.9	1,113.9	2.0%
Other administrative expenses	557.6	559.6	0.3%
Depreciation and amortisation	246.8	223.3	-9.5%
General administrative expenses	**1,896.4**	**1,896.8**	**0.0%**

General administrative expenses were stable at EUR 1,896.8 million (EUR 1,896.4 million). **Personnel expenses** increased mainly because of the higher headcount to EUR 1,113.9 million (EUR 1,091.9 million). **Other administrative expenses** remained flat, **depreciation and amortisation** declined to EUR 223.3 million (EUR 246.8 million). The line item other administrative expenses comprised deposit insurance contributions in the amount of EUR 38.8 million (EUR 46.8 million). The line item depreciation and amortisation included the straight-line amortisation of intangible assets (customer relationships) in the amount of EUR 3.7 million (EUR 32.0 million). The marked improvement was due to the full write-down of customer relationships in BCR in 2014.

The **average headcount** increased slightly by 1.2% to 46,615.

Headcount as of end of the period

	Dec 14	Jun 15	Change
Domestic	**15,550**	**15,598**	**0.3%**
Erste Group, EB Oesterreich and subsidiaries	8,324	8,454	1.6%
Haftungsverbund savings banks	7,226	7,143	-1.1%
Abroad	**30,517**	**31,048**	**1.7%**
Česká spořitelna Group	10,504	10,545	0.4%
Banca Comercială Română Group	7,054	7,083	0.4%
Slovenská sporiteľňa Group	4,275	4,283	0.2%
Erste Bank Hungary Group	2,766	2,907	5.1%
Erste Bank Croatia Group	2,754	2,825	2.6%
Erste Bank Serbia Group	955	981	2.8%
Savings banks subsidiaries	1,166	1,212	4.0%
Other subsidiaries and foreign branch offices	1,043	1,211	16.1%
Total	**46,067**	**46,646**	**1.3%**

Operating result

Operating income declined to EUR 3,399.4 million (-0.7%; EUR 3,421.7 million) due to the decrease in net interest income. General administrative expenses were unchanged at EUR 1,896.8 million (0.0%; EUR 1,896.4 million), which led to an operating result in the amount of EUR 1,502.6 million (-1.5%; EUR 1,525.3 million). The **cost/income ratio** stood at 55.8% (55.4%).

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

Gains/losses from financial assets and liabilities not measured at fair value through profit and loss (net) rose to EUR 36.0 million (EUR 1.2 million), mainly due to the positive contribution from the sale of available-for-sale financial assets.

Net impairment loss on financial assets

Net impairment loss on financial assets declined to EUR 373.9 million (EUR 796.1 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 370.8 million (EUR 806.4 million). The main drivers were declining risk costs in Austria and lower risk costs in Romania following 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 58 basis points (125 basis points). In addition, this line item also included a net impairment loss on held to maturity and available for sale financial assets –in the amount of EUR -3.3 million (EUR 10.3 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 -200.6 million (EUR -1,271.8 million). The comparative period had been affected by substantial write-offs: goodwill write-downs in the total amount of EUR 420.9 million (thereof EUR 319.1 million in Romania, EUR 61.4 million in Croatia and EUR 40.4 million in Austria). In addition, EUR 535.1 million were written off in Romania for customer relationships, brand and other intangible assets.

Levies on banking activities declined to EUR 137.2 million (EUR 154.1 million). In Hungary, banking levies of EUR 65.5million (EUR 70.1 million) included mainly the advance booking of the banking tax for the full year of 2015 in the amount of EUR 46.0 million (EUR 47.9 million) and a financial transaction tax in the amount of EUR 18.8 million (EUR 17.9 million). Banking levies charged in Austria amounted to EUR 60.1 million (EUR 63.2 million) and in Slovakia – after a substantial reduction – to EUR 11.6 million (EUR 20.7 million).

Other operating result also comprises the allocation/release of other provisions, including for commitments and guarantees, in the amount of EUR 75.1 million (EUR 152.1 million), and includes EUR 55.2 million (EUR 0) for the projected 2015 full-year contributions to national resolution funds. In the comparative period, this line item had mainly reflected provisions in the amount of EUR 130.3 million recognised after a consumer loan law had been passed in Hungary.

Net result

The pre-tax result from continuing operations amounted to EUR 964.1 million (EUR -541.5 million). Due to the good risk development in Austria and the turnaround in Romania, the share attributable to minority interests reached a historic high of EUR 203.4 million (EUR 52.7 million). The net result attributable to owners of the parent rose to EUR 487.2 million (EUR -929.7 million).

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Second quarter of 2015 compared to first quarter of 2015

in EUR million	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15
Income statement					
Net interest income	1,119.7	1,126.0	1,125.6	1,098.5	1,113.4
Net fee and commission income	454.9	465.8	497.1	461.0	456.3
Dividend income	15.4	33.0	11.3	7.4	24.8
Net trading and fair value result	87.7	28.4	75.8	72.4	64.1
Net result from equity method investments	8.3	0.1	4.2	4.7	5.0
Rental income from investment properties & other operating leases	45.1	42.5	46.5	45.1	46.6
Personnel expenses	-546.1	-515.0	-577.2	-554.0	-559.9
Other administrative expenses	-265.2	-264.2	-315.1	-281.1	-278.5
Depreciation and amortisation	-121.8	-108.0	-111.3	-112.9	-110.4
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	4.9	13.2	4.0	10.9	25.2
Net impairment loss on financial assets not measured at fair value through profit or loss	-431.9	-878.8	-484.3	-183.1	-190.8
Other operating result	-1,152.0	-356.8	-124.3	-153.5	-47.1
Levies on banking activities	-54.3	-54.6	-47.6	-91.8	-45.4
Pre-tax result from continuing operations	**-781.0**	**-414.0**	**152.2**	**415.2**	**548.8**
Taxes on income	-235.9	-98.3	-75.5	-118.6	-154.8
Net result for the period	**-1,016.9**	**-512.3**	**76.7**	**296.6**	**394.0**
Net result attributable to non-controlling interests	16.2	42.0	34.7	70.8	132.6
Net result attributable to owners of the parent	**-1,033.1**	**-554.2**	**42.0**	**225.8**	**261.4**

Net interest income improved slightly to EUR 1,113.4 million (+1.4%; EUR 1,098.5 million). **Net fee and commission income** decreased to EUR 456.3 million (-1.0%; EUR 461.0 million), reflecting mainly a decline in commissions from the securities and brokerage business. The **net trading and fair value result** went down to EUR 64.1 million (-11.4%; EUR 72.4 million), which was mainly attributable to a reduction in income from securities and derivatives trading.

General administrative expenses were unchanged at EUR 948.7 million (EUR 948.1 million). Personnel expenses increased to EUR 559.9 million (+1.1%; EUR 554.0 million). Depreciation and amortisation were lower at EUR 110.4 million (-2.3%, EUR 112.9 million). Other administrative expenses were reduced to EUR 278.5 million (-1.0%; EUR 281.1 million) on the back of lower legal and consultancy expenses. The **cost/income ratio** declined to 55.5% (56.1%).

Gains/losses from financial assets and liabilities not measured at fair value through profit and loss (net) improved to EUR 25.2 million (EUR 10.9 million), mainly due to the buyback of financial liabilities.

Net impairment loss on financial assets not measured at fair value through profit or loss increased to EUR 190.8 million (EUR 183.1 million), which primarily reflected higher risk costs.

Other operating result improved to EUR -47.1 million (EUR -153.5 million) as the bulk of the expected contributions to resolution funds had already been booked in the first quarter. **Levies on banking activities** amounted to EUR 45.4 million (EUR 91.8 million). The decline was mainly due to the advance booking of the full Hungarian banking tax for the year of 2015 in the amount of EUR 46.0 million in the first quarter. In the second quarter, Hungarian transaction tax was booked in the amount of EUR 9.0 million. Banking levies charged in Austria amounted to EUR 30.6 million (EUR 29.5 million) and in Slovakia to EUR 5.8 million (EUR 5.8 million).

The **pre-tax result** improved to EUR 548.8 million (EUR 415.2 million). The **net result attributable to owners of the parent** advanced to EUR 261.4 million (EUR 225.8 million).

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 14	Jun 15	Change
Assets			
Cash and cash balances	7,835	7,011	-10.5%
Trading, financial assets	50,131	49,044	-2.2%
Loans and receivables to credit institutions	7,442	8,775	17.9%
Loans and receivables to customers	120,834	123,504	2.2%
Intangible assets	1,441	1,395	-3.2%
Miscellaneous assets	8,604	7,802	-9.3%
Total assets	**196,287**	**197,532**	**0.6%**
Liabilities and equity			
Financial liabilities - held for trading	7,746	6,632	-14.4%
Deposits from banks	14,803	15,704	6.1%
Deposits from customers	122,583	124,534	1.6%
Debt securities issued	31,140	29,914	-3.9%
Miscellaneous liabilities	6,573	6,732	2.4%
Total equity	13,443	14,015	4.2%
Total liabilities and equity	**196,287**	**197,532**	**0.6%**

Trading and investment securities held in various categories of financial assets declined to EUR 49.0 billion (EUR 50.1 billion). The rise in the line item financial assets – held to maturity did not offset the decline in the line items financial assets – available for sale and financial assets – held for trading and the slight decline in the line item financial assets – at fair value through profit or loss.

Loans and receivables to credit institutions (net) increased to EUR 8.8 billion (EUR 7.4 billion). **Loans and receivables to customers (net)** rose to EUR 123.5 billion (EUR 120.8 billion), driven by larger volumes in Slovakia, the Czech Republic and Austria (Erste Bank Oesterreich and Savings Banks). **Allowances for loans and receivables to customers** shown as part of loans and receivables to customers decreased to EUR 6.9 billion (EUR 7.5 billion) reflecting the continuously improving asset quality of the loan book.

The **NPL ratio** – non-performing loans as a percentage of loans to customers – declined further to 7.7% (8.5%). The **NPL coverage ratio** stood at 68.2% (68.9%).

Intangible assets were stable at EUR 1.4 billion (EUR 1.4 billion). **Miscellaneous assets** declined to EUR 7.8 billion (EUR 8.6 billion). **Financial liabilities – held for trading** were lower at EUR 6.6 billion (EUR 7.7 billion), primarily as a result of a decreased portfolio of derivatives.

Deposits from banks rose to EUR 15.7 billion (EUR 14.8 billion), reflecting primarily an increase in overnight deposits from credit institutions. **Deposits from customers** were likewise up at EUR 124.5 billion (EUR 122.6 billion). The **loan-to-deposit ratio** stood at 99.2% (98.6%). **Debt securities in issue**, mainly bonds, declined to EUR 29.9 billion (EUR 31.1 billion). **Miscellaneous liabilities** rose marginally to EUR 6.7 billion (EUR 6.6 billion).

Erste Group's **total equity (IFRS)** increased to EUR 14.0 billion (EUR 13.4 billion). Including the interim profit, **common equity tier 1 capital** (CET 1, Basel 3 phased-in) rose to EUR 11.6 billion (EUR 10.6 billion); **total own funds** (Basel 3 phased-in) improved to EUR 16.8 billion (EUR 15.8 billion). **Total risk** (**risk-weighted assets** including credit, market and operational risk, Basel 3 phased-in) declined to EUR 100.3 billion (EUR 100.6 billion).

As of 2014, Erste Group calculates 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 16.8% (15.7%), well above the legal minimum requirement.

The **tier 1 ratio**, which includes the capital requirements for credit, market and operational risk (total risk), stood at 11.6% (10.6%). The **common equity tier 1 ratio** amounted to 11.6% (10.6%).

SEGMENT REPORTING

January-June 2015 compared with January-June 2014

Erste Group's segment reporting is based on a matrix organisation. It provides comprehensive information to assess the business line and geographic performance. The tables and information below provide a brief overview and focus on selected and summarised items. For more details please see Note 26. At www.erstegroup.com additional information is available in Excel format.

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

BUSINESS SEGMENTS

Retail

in EUR million	1-6 14	1-6 15	Change
Net interest income	1,083.1	1,103.8	1.9%
Net fee and commission income	523.3	514.0	-1.8%
Net trading and fair value result	28.8	17.5	-39.5%
Operating income	1,652.0	1,652.0	0.0%
Operating expenses	-881.7	-900.5	2.1%
Operating result	770.3	751.5	-2.4%
Cost/income ratio	53.4%	54.5%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-179.6	-171.8	-4.3%
Other result	-165.9	-9.8	-94.1%
Net result attributable to owners of the parent	305.0	437.5	43.5%
Return on allocated capital	31.2%	42.3%	

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

The rise in net interest income was driven by increased loan and deposit volumes in Austria, 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, securities and payments 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. Accordingly, operating expenses increased due to the integration of new entities in Austria and higher IT costs in Austria and Hungary. Operating result declined, while the cost/income ratio increased. The improvement of net impairment loss on financial assets not measured at FV through profit and loss was driven by lower risk costs in Czech Republic and Croatia, while risk costs in Hungary went up mostly due to methodology changes. Other result improved significantly due to the non-recurrence of one-time effects, namely provisions related to the Hungarian consumer loan law in the amount of EUR 130.3 million. Consequently, the net result attributable to the owners of the parent improved substantially.

SME

in EUR million	1-6 14	1-6 15	Change
Net interest income	288.5	279.0	-3.3%
Net fee and commission income	95.7	91.6	-4.3%
Net trading and fair value result	11.9	20.1	68.8%
Operating income	413.2	407.0	-1.5%
Operating expenses	-142.0	-148.1	4.3%
Operating result	271.2	258.9	-4.5%
Cost/income ratio	34.4%	36.4%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-211.1	-48.1	-77.2%
Other result	18.0	-8.6	n/a
Net result attributable to owners of the parent	57.6	151.5	>100.0%
Return on allocated capital	8.6%	27.0%	

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

Net interest income decreased mainly due to lower income from unwinding and lower loan volumes in Romania. 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 Austria. Operating expenses went up due to further IT investments; 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, Austria and Croatia. Other result deteriorated mainly due to the nonrecurrence of one-off insurance income in Austria. Net result attributable to the owners of the parent improved significantly.

Asset/Liability Management & Local Corporate Center

in EUR million	1-6 14	1-6 15	Change
Net interest income	86.4	24.1	-72.1%
Net fee and commission income	-37.9	-32.3	-14.7%
Net trading and fair value result	12.8	-48.8	n/a
Operating income	88.0	-26.5	n/a
Operating expenses	-44.2	-41.4	-6.4%
Operating result	43.7	-67.9	n/a
Cost/income ratio	50.3%	>100.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-5.4	-7.7	42.3%
Other result	-85.0	-116.7	37.2%
Net result attributable to owners of the parent	-54.8	-151.9	>100.0%
Return on allocated capital	-6.0%	-17.2%	

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

Net interest income declined considerably mainly due to lower ALM contribution in the Czech Republic, Slovakia and Austria. 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 a negative result from derivatives. The moderate reduction in operating expenses was mainly attributable to lower costs in Hungary and Romania. Operating result decreased. Other result deteriorated mainly due to the full year booking of the contribution to resolution funds. Consequently, the net result attributable to the owners of the parent decreased significantly.

Savings Banks

in EUR million	1-6 14	1-6 15	Change
Net interest income	442.5	450.0	1.7%
Net fee and commission income	203.1	216.6	6.6%
Net trading and fair value result	3.3	18.3	>100.0%
Operating income	691.1	716.3	3.6%
Operating expenses	-470.0	-475.2	1.1%
Operating result	221.1	241.2	9.1%
Cost/income ratio	68.0%	66.3%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-90.3	-25.4	-71.9%
Other result	-49.7	5.3	n/a
Net result attributable to owners of the parent	6.9	28.3	>100.0%
Return on allocated capital	6.3%	20.5%	

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

The increase in net interest income was attributable to the reduction of deposit interest rates due to the lower interest rate environment. Net fee and commission income improved due to higher fees from securities and payments. Net trading and fair value result rose driven by the valuation of derivatives. Although operating expenses went up slightly, operating result and cost/income ratio improved. Net impairment loss on financial assets not measured at FV through profit and loss decreased considerably on the back of benign risk environment. Other result improved as the payment into the recovery & resolution fund in the amount of EUR 6.8 million was more than offset by valuation effects and lower provisions for contingent credit risk liabilities. Banking tax increased to EUR 7.2 million (EUR 7.0 million). The net result attributable to owners of the parent increased considerably.

Large Corporates

in EUR million	1-6 14	1-6 15	Change
Net interest income	111.7	112.2	0.4%
Net fee and commission income	46.2	44.4	-4.1%
Net trading and fair value result	5.3	7.2	36.3%
Operating income	163.3	163.7	0.3%
Operating expenses	-39.3	-44.1	12.1%
Operating result	123.9	119.6	-3.4%
Cost/income ratio	24.1%	26.9%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-162.8	-33.1	-79.6%
Other result	-0.1	-9.3	>100.0%
Net result attributable to owners of the parent	-32.0	57.5	n/a
Return on allocated capital	-9.0%	17.3%	

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

Net interest income remained stable as 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) offset the lower income attributable to unwinding related to the Romanian Large Corporates portfolio. Net fee and commission income decreased mostly due to lower one-off fees related to customer transactions. Net trading and fair value result improved due to fixed income derivative business and positive credit value adjustments in Austria. The increase in operating expenses was mainly related to cash processing and transport costs in Romania. Operating result declined, cost/income ratio increased. Net impairment loss on financial assets not measured at FV through profit and loss decreased substantially due to the non-recurrence of extraordinarily 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 booked in Austrian portfolio. Net result attributable to the owners of the parent improved significantly.

Commercial Real Estate

in EUR million	1-6 14	1-6 15	Change
Net interest income	77.0	90.9	18.1%
Net fee and commission income	8.5	6.4	-24.4%
Net trading and fair value result	-4.9	1.5	n/a
Operating income	100.9	120.3	19.2%
Operating expenses	-43.7	-44.0	0.6%
Operating result	57.2	76.3	33.5%
Cost/income ratio	43.3%	36.6%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-160.9	-3.4	-97.9%
Other result	-23.7	-40.5	70.7%
Net result attributable to owners of the parent	-127.7	15.6	n/a
Return on allocated capital	-31.5%	5.4%	

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

The increase in net interest income was mainly attributable to a one-off income in the Austrian portfolio and higher loan volumes in Czech Republic. Net fee and commission income declined on the back of lower fees in Immorent and lower project fees in the Austrian portfolio. The improvement in the net trading and fair value result was attributable to positive foreign currency revaluation effects in Immorent. Rental income increased mostly in Immorent. Operating expenses remained nearly unchanged. Consequently, operating result increased and the cost/income ratio improved. Net impairment loss on financial assets not measured at FV through profit and loss improved, mainly driven by the holding, Immorent, as well as the Romanian and Hungarian portfolios. Other result deteriorated due to higher provisions for commitments and guarantees in the holding. Net result attributable to the owners of the parent improved significantly.

Other Corporate

in EUR million	1-6 14	1-6 15	Change
Net interest income	37.2	37.8	1.6%
Net fee and commission income	8.7	6.8	-21.5%
Net trading and fair value result	2.1	0.2	-91.5%
Operating income	47.9	44.8	-6.6%
Operating expenses	-24.4	-28.2	15.8%
Operating result	23.6	16.6	-29.7%
Cost/income ratio	50.8%	63.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	4.9	-39.9	n/a
Other result	0.9	24.5	>100.0%
Net result attributable to owners of the parent	22.7	0.6	-97.6%
Return on allocated capital	21.3%	0.6%	

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

The improvement of net interest income was mostly attributable to the International Business loan portfolio in New York which made up for further reductions of the International business loan book in Austria and lower interest income in the Investment banking portfolio in London. Net fee and commission income declined primarily due to one off fee expenses related to a sale of private equity funds in Austria and lower fee income from aircraft business in London as well as institutional equity sales and the guarantee business in International business in Austria. 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 in Austria. 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 trade finance business in London. Other result improved significantly due to the sale of private equity funds in Austria. Net result attributable to the owners of the parent declined.

Group Markets

in EUR million	1-6 14	1-6 15	Change
Net interest income	99.6	85.4	-14.3%
Net fee and commission income	51.7	63.2	22.2%
Net trading and fair value result	69.6	69.2	-0.6%
Operating income	222.4	218.9	-1.6%
Operating expenses	-87.6	-90.5	3.2%
Operating result	134.7	128.5	-4.7%
Cost/income ratio	39.4%	41.3%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-0.1	-2.4	>100.0%
Other result	-0.3	-4.0	>100.0%
Net result attributable to owners of the parent	105.9	95.1	-10.2%
Return on allocated capital	44.3%	41.5%	

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

Net interest income declined primarily due to the extremely low interest rate environment affecting interest rate related products. Net fee and commission income improved significantly due to increased corporate, institutional and retail sales business as well as the performance of funds of institutional customers. Net trading and fair value result remained stable. Operating result declined due to decreased operating income and higher operating expenses. The cost/income ratio worsened. Other result deteriorated due to the contribution to resolution funds. Overall, net result attributable to the owners of the parent declined.

Group Corporate Center

in EUR million	1-6 14	1-6 15	Change
Net interest income	34.9	59.8	71.2%
Net fee and commission income	34.1	18.4	-46.1%
Net trading and fair value result	-0.5	18.3	n/a
Operating income	104.4	124.6	19.4%
Operating expenses	-371.7	-359.0	-3.4%
Operating result	-267.3	-234.4	-12.3%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	8.9	-42.1	n/a
Other result	-826.6	206.9	n/a
Net result attributable to owners of the parent	-1,209.6	-146.9	-87.9%
Return on allocated capital	-45.7%	-5.3%	

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

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 went down as no amortisation of customer relationships for BCR was included following the write-down of the entire remaining value of customer relationships of BCR in 2014. Other result improved considerably due to the non-recurrence of negative effects, namely last year's goodwill impairments of EUR 420.9 million and the write-down of the entire remaining value of customer relationships and brand of BCR of EUR 535.1 million. Consequently net result attributable to the owners of the parent improved significantly.

GEOGRAPHICAL SEGMENTS

Erste Bank Oesterreich & Subsidiaries

in EUR million	1-6 14	1-6 15	Change
Net interest income	304.5	317.0	4.1%
Net fee and commission income	169.3	176.7	4.4%
Net trading and fair value result	3.1	0.2	-92.0%
Operating income	495.4	513.4	3.6%
Operating expenses	-292.7	-304.4	4.0%
Operating result	202.7	209.0	3.1%
Cost/income ratio	59.1%	59.3%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-56.8	-13.7	-75.8%
Other result	11.4	-24.5	n/a
Net result attributable to owners of the parent	118.0	125.7	6.5%
Return on allocated capital	22.8%	24.6%	

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

The increase in net interest income was primarily attributable to higher retail loan and deposit volumes, mainly current accounts, which more than offset the lower structural contribution. Net fee and commission income increased due to higher securities and payment fees as well as the merger with Brokerjet. Net trading and fair value result decreased due to valuation of derivatives. Operating expenses increased due to higher IT and consultancy costs as well as the merger with Brokerjet. Although operating result improved, the cost/income ratio went up slightly. 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 as well as resolution fund contribution of EUR 4.1 million and the increase of banking tax to EUR 7.2 million (EUR 6.1 million). Overall, the net result attributable to owners of the parent increased.

Savings Banks

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

Other Austria

in EUR million	1-6 14	1-6 15	Change
Net interest income	198.2	208.3	5.1%
Net fee and commission income	88.3	96.8	9.6%
Net trading and fair value result	11.9	20.8	75.2%
Operating income	320.2	348.4	8.8%
Operating expenses	-152.3	-160.9	5.7%
Operating result	167.9	187.5	11.7%
Cost/income ratio	47.6%	46.2%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-120.6	-73.1	-39.4%
Other result	-19.3	-22.4	15.9%
Net result attributable to owners of the parent	-7.5	60.1	n/a
Return on allocated capital	-0.5%	9.5%	

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.

Net interest income increased on the back of real estate business in the holding and lending business in the New York branch. Net fee and commission income improved due to higher assets under management volumes and a changed structure of sold products. Increased corporate, institutional and retail sales business as well as performance of funds of institutional customers in Group Markets also contributed positively. The rise in net trading and fair value result was predominantly attributable to a good performance in alternative investments, FX business and trading in interest rate derivatives. Despite increasing operating expenses driven mainly by IT cost seasonality, 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 3.8 million. The net result attributable to the owners of the parent increased and turned positive.

Czech Republic

in EUR million	1-6 14	1-6 15	Change
Net interest income	462.7	450.9	-2.5%
Net fee and commission income	202.4	186.0	-8.1%
Net trading and fair value result	43.5	52.2	19.8%
Operating income	725.3	705.8	-2.7%
Operating expenses	-329.6	-330.3	0.2%
Operating result	395.7	375.5	-5.1%
Cost/income ratio	45.4%	46.8%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-69.9	-50.5	-27.7%
Other result	5.3	-15.8	n/a
Net result attributable to owners of the parent	263.4	249.0	-5.5%
Return on allocated capital	36.7%	36.3%	

Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) decreased due to the persistently low interest rate environment and a change of the balance sheet structure towards a higher proportion of lower margin loans such as housing loans. Net fee and commission income declined mostly due to lower private current account fees and lower cards fees. Net trading and FV result increased due to a one-off effect related to the valuation of derivatives. Operating expenses remained flat. 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 and an improved collateral value of some real estate projects. Other result deteriorated due to the full year booking of the contribution to the resolution fund of EUR 16.1 million. Overall, these developments led to a decline in the net result attributable to the owners of the parent.

Slovakia

in EUR million	1-6 14	1-6 15	Change
Net interest income	220.1	225.7	2.6%
Net fee and commission income	60.2	62.5	3.8%
Net trading and fair value result	5.3	2.7	-48.3%
Operating income	290.5	297.4	2.4%
Operating expenses	-129.9	-130.6	0.5%
Operating result	160.6	166.8	3.8%
Cost/income ratio	44.7%	43.9%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-26.2	-31.3	19.5%
Other result	-21.2	-18.0	-14.9%
Net result attributable to owners of the parent	87.6	89.8	2.4%
Return on allocated capital	35.1%	34.2%	

The increase in net interest income in the Slovakia segment (comprising Slovenská sporiteľňa 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 structural contribution due to the low interest rate environment. Net fee and commission income improved due to lending, card, insurance, as well as asset management 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 mainly due to a single event. The improvement of other result was driven by a reduced banking tax in the amount of EUR 11.6 million (EUR 20.7 million), which was partially offset by the contribution into the resolution fund of EUR 2.4 million. The net result attributable to the owners of the parent increased slightly.

Romania

in EUR million	1-6 14	1-6 15	Change
Net interest income	257.6	220.0	-14.6%
Net fee and commission income	80.7	76.9	-4.8%
Net trading and fair value result	45.6	27.7	-39.3%
Operating income	386.5	329.4	-14.8%
Operating expenses	-158.5	-162.4	2.5%
Operating result	228.0	167.1	-26.7%
Cost/income ratio	41.0%	49.3%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-292.6	-5.9	-98.0%
Other result	-21.2	-10.0	-53.0%
Net result attributable to owners of the parent	-73.6	121.1	n/a
Return on allocated capital	-13.0%	27.5%	

Net interest income in the Romania segment (comprising Banca Comercială Română Group) decreased mainly due to lower income from unwinding, lower average loan volume and lower interest rates. Net fee and commission income declined predominantly due to lower current account maintenance fees. The decline in net trading and fair value result was mostly attributable to a one-off positive effect from derivatives in 2014. Consequently, operating income decreased. Operating expenses increased slightly. Operating result declined and the cost/income ratio deteriorated. Net impairment loss on financial assets not measured at FV through profit and loss dropped significantly after non-performing loan portfolio clean-up activities in 2014 and more than offset the decline in operating result. Other result included the contribution to the resolution fund of EUR 5.6 million, but this was more than compensated by the release of provision for litigations and off-balance provisions. Consequently, the net result attributable to the owners of the parent improved markedly.

Hungary

in EUR million	1-6 14	1-6 15	Change
Net interest income	139.0	110.6	-20.4%
Net fee and commission income	68.6	70.1	2.1%
Net trading and fair value result	3.9	-3.5	n/a
Operating income	212.2	177.7	-16.2%
Operating expenses	-83.6	-87.1	4.1%
Operating result	128.6	90.7	-29.5%
Cost/income ratio	39.4%	49.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-61.6	-58.8	-4.4%
Other result	-203.7	-63.3	-68.9%
Net result attributable to owners of the parent	-142.9	-35.1	-75.4%
Return on allocated capital	-57.5%	-16.0%	

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 lower contribution from bonds. Net fee and commission income improved primarily on the back of higher fees from assets management. Net trading and fair value result decreased mostly due to the lower contribution of the foreign exchange business. Operating expenses increased on the back of higher personnel costs following temporary hirings to execute the FX conversion programme. Consequently, operating result deteriorated, the cost/income ratio went up. Net impairment loss on financial assets not measured at FV through profit and loss decreased moderately. Other result improved significantly as provisions related to the Hungarian consumer loan law in the amount of EUR 130.3 million did not recur. The line item included the contribution to the resolution fund of EUR 1.7 million. This led to an improvement of the net result attributable to the owners of the parent.

Croatia

in EUR million	1-6 14	1-6 15	Change
Net interest income	130.1	133.8	2.9%
Net fee and commission income	37.7	38.7	2.6%
Net trading and fair value result	12.3	2.3	-81.0%
Operating income	197.0	190.3	-3.4%
Operating expenses	-89.0	-93.8	5.4%
Operating result	108.0	96.5	-10.6%
Cost/income ratio	45.2%	49.3%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-82.2	-66.7	-18.9%
Other result	-1.2	-3.6	>100.0%
Net result attributable to owners of the parent	14.3	13.8	-3.2%
Return on allocated capital	9.7%	9.3%	

Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) increased due to a change in the deposit structure and higher loan volumes in subsidiaries. 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. Operating expenses went up due to increased personnel expenses as well as higher legal and IT costs. The operating result deteriorated, the cost/income ratio went up. The substantial improvement in net impairment loss on financial assets not measured at FV through profit and loss was driven by lower provisioning requirements in the SME, retail and real estate business. Other result deteriorated due to the resolution fund contribution of EUR 1.7 million. The net result attributable to the owners of the parent decreased.

Serbia

in EUR million	1-6 14	1-6 15	Change
Net interest income	16.0	19.9	24.6%
Net fee and commission income	6.6	6.0	-9.2%
Net trading and fair value result	0.9	1.9	99.3%
Operating income	23.8	28.0	17.7%
Operating expenses	-18.8	-19.1	1.6%
Operating result	5.0	8.9	78.8%
Cost/income ratio	79.1%	68.3%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-4.7	-4.8	1.6%
Other result	-0.3	0.2	n/a
Net result attributable to owners of the parent	0.5	3.4	>100.0%
Return on allocated capital	1.3%	11.3%	

Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased due to higher margins and growing customer loan volumes as well as higher deposit volumes in retail business. 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 slightly. Net impairment loss on financial assets not measured at FV through profit and loss remained stable. As a result the net result attributable to the owners of the parent increased significantly.

Other

in EUR million	1-6 14	1-6 15	Change
Net interest income	72.9	75.7	3.8%
Net fee and commission income	-10.1	-13.0	28.0%
Net trading and fair value result	8.3	14.0	68.8%
Operating income	79.7	92.6	16.3%
Operating expenses	-172.1	-133.2	-22.6%
Operating result	-92.4	-40.5	-56.1%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	8.7	-43.7	n/a
Other result	-970.8	-12.5	-98.7%
Net result attributable to owners of the parent	-1,196.4	-168.9	-85.9%
Return on allocated capital	-39.3%	-5.3%	

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

While the sum of net interest income and net fee and commission income remained relatively stable, net trading and fair value result improved due to valuation effects. Operating expenses went down as no amortisation of customer relationships for BCR was included following the write-down of the entire remaining value of customer relationships of BCR in 2014. Other result improved significantly due to the non-recurrence of negative one-off effects namely goodwill impairments of EUR 420.9 million and the write-down of the entire remaining value of customer relationships and brand of BCR of EUR 535.1 million. Consequently net result attributable to the owners of the parent improved significantly.

Group condensed consolidated financial statements of Erste Group Bank AG

Interim report – Half year financial report 2015

I. Group condensed statement of comprehensive income

Income statement

in EUR thousand	Notes	1-6 14	1-6 15
Net interest income	1	2,243,584	2,211,940
Net fee and commission income	2	906,969	917,352
Dividend income	3	29,921	32,110
Net trading and fair value result	4	138,048	136,549
Net result from equity method investments		11,487	9,668
Rental income from investment properties & other operating leases	5	91,643	91,746
Personnel expenses	6	-1,091,940	-1,113,928
Other administrative expenses	6	-557,641	-559,587
Depreciation and amortisation	6	-246,781	-223,298
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	7	1,180	36,029
Net impairment loss on financial assets not measured at fair value through profit or loss	8	-796,146	-373,928
Other operating result	9	-1,271,798	-200,580
Levies on banking activities	9	-154,077	-137,224
Pre-tax result from continuing operations		**-541,475**	**964,073**
Taxes on income	10	-335,581	-273,416
Net result for the period		**-877,056**	**690,657**
Net result attributable to non-controlling interests		52,665	203,427
Net result attributable to owners of the parent		**-929,721**	**487,230**

Statement of comprehensive income

in EUR thousand	1-6 14	1-6 15
Net result for the period	**-877,056**	**690,657**
Other comprehensive income		
Items that may not be reclassified to profit or loss		
Remeasurement of net liability of defined benefit plans	0	50,848
Deferred taxes relating to items that may not be reclassified	0	-22,995
Total	**0**	**27,854**
Items that may be reclassified to profit or loss		
Available for sale reserve (including currency translation)	319,739	-206,948
Gain/loss during the period	337,251	-193,184
Reclassification adjustments	-17,512	-13,763
Cash flow hedge reserve (including currency translation)	119,768	-55,201
Gain/loss during the period	149,200	-22,867
Reclassification adjustments	-29,433	-32,334
Currency translation	30,281	80,436
Gain/loss during the period	30,281	80,436
Reclassification adjustments	0	0
Deferred taxes relating to items that may be reclassified	-108,206	79,005
Gain/loss during the period	-125,230	62,074
Reclassification adjustments	17,023	16,931
Total	**361,582**	**-102,707**
Total other comprehensive income	**361,582**	**-74,854**
Total comprehensive income	**-515,475**	**615,803**
Total comprehensive income attributable to non-controlling interests	209,588	122,146
Total comprehensive income attributable to owners of the parent	**-725,063**	**493,657**

Earnings per share

		1-6 14	1-6 15
Net result attributable to owners of the parent	in EUR thousand	-929,721	487,230
Dividend on participation capital	in EUR thousand	0	0
Net result for the period attributable to owners of the parent after deduction of the participation capital dividend	in EUR thousand	-929,721	487,230
Weighted average number of outstanding shares		427,571,235	426,774,780
Earnings per share	**in EUR**	**-2.17**	**1.14**
Weighted average diluted number of outstanding shares		427,571,235	426,774,780
Diluted earnings per share	**in EUR**	**-2.17**	**1.14**

Changes in number of shares

	1-6 14	1-6 15
Number of shares		
Shares outstanding at the beginning of the period	415,076,934	409,940,635
Acquisition of treasury shares	-6,221,993	-3,858,761
Disposal of treasury shares	8,186,427	4,013,014
Capital increases due to ESOP and MSOP	0	0
Capital increases	0	0
Shares outstanding at the end of the period	417,041,368	410,094,888
Treasury shares	12,758,632	19,705,112
Number of shares issued at the end of the period	**429,800,000**	**429,800,000**
Weighted average number of outstanding shares	427,571,235	426,774,780
Dilution due to MSOP/ESOP	0	0
Dilution due to options	0	0
Weighted average diluted number of outstanding shares	427,571,235	426,774,780

Quarterly results

in EUR million	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15
Income statement					
Net interest income	1,119.7	1,126.0	1,125.6	1,098.5	1,113.4
Net fee and commission income	454.9	465.8	497.1	461.0	456.3
Dividend income	15.4	33.0	11.3	7.4	24.8
Net trading and fair value result	87.7	28.4	75.8	72.4	64.1
Net result from equity method investments	8.3	0.1	4.2	4.7	5.0
Rental income from investment properties & other operating leases	45.1	42.5	46.5	45.1	46.6
Personnel expenses	-546.1	-515.0	-577.2	-554.0	-559.9
Other administrative expenses	-265.2	-264.2	-315.1	-281.1	-278.5
Depreciation and amortisation	-121.8	-108.0	-111.3	-112.9	-110.4
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	4.9	13.2	4.0	10.9	25.2
Net impairment loss on financial assets not measured at fair value through profit or loss	-431.9	-878.8	-484.3	-183.1	-190.8
Other operating result	-1,152.0	-356.8	-124.3	-153.5	-47.1
Levies on banking activities	-54.3	-54.6	-47.6	-91.8	-45.4
Pre-tax result from continuing operations	**-781.0**	**-414.0**	**152.2**	**415.2**	**548.8**
Taxes on income	-235.9	-98.3	-75.5	-118.6	-154.8
Net result for the period	**-1,016.9**	**-512.3**	**76.7**	**296.6**	**394.0**
Net result attributable to non-controlling interests	16.2	42.0	34.7	70.8	132.6
Net result attributable to owners of the parent	**-1,033.1**	**-554.2**	**42.0**	**225.8**	**261.4**

Statement of comprehensive income					
Net result for the period	**-1,016.9**	**-512.3**	**76.7**	**296.6**	**394.0**
Other comprehensive income					
Items that may not be reclassified to profit or loss					
Remeasurement of net liability of defined benefit plans	0.0	0.0	-188.2	-54.8	105.6
Deferred taxes relating to items that may not be reclassified	0.0	0.0	47.1	5.9	-28.9
Total	**0.0**	**0.0**	**-141.1**	**-48.8**	**76.7**
Items that may be reclassified to profit or loss					
Available for sale reserve (including currency translation)	188.5	98.3	163.1	204.0	-410.9
Gain/loss during the period	196.7	112.6	124.3	214.6	-407.7
Reclassification adjustments	-8.3	-14.3	38.9	-10.6	-3.2
Cash flow hedge reserve (including currency translation)	97.0	36.2	16.8	11.3	-66.5
Gain/loss during the period	121.3	52.1	23.0	21.5	-44.4
Reclassification adjustments	-24.2	-15.9	-6.2	-10.2	-22.1
Currency translation	44.3	-27.6	-65.7	81.7	-1.3
Gain/loss during the period	44.3	-27.6	-65.7	81.7	-1.3
Reclassification adjustments	0.0	0.0	0.0	0.0	0.0
Deferred taxes relating to items that may be reclassified	-57.0	-39.0	-43.3	-41.4	120.4
Gain/loss during the period	-71.6	-38.2	-29.9	-44.8	106.9
Reclassification adjustments	14.6	-0.8	-13.4	3.4	13.5
Total	**272.8**	**67.8**	**70.9**	**255.6**	**-358.3**
Total other comprehensive income	**272.8**	**67.8**	**-70.2**	**206.7**	**-281.6**
Total comprehensive income	**-744.1**	**-444.4**	**6.5**	**503.3**	**112.5**
Total comprehensive income attributable to non-controlling interests	167.5	74.0	-13.3	113.1	9.0
Total comprehensive income attributable to owners of the parent	**-911.6**	**-518.5**	**19.8**	**390.2**	**103.4**

II. Group condensed balance sheet

in EUR thousand	Notes	Dec 14	Jun 15
Assets			
Cash and cash balances	11	7,835,417	7,010,976
Financial assets - held for trading		10,530,878	9,022,004
Derivatives	12	7,173,380	5,613,343
Other trading assets	13	3,357,498	3,408,661
Financial assets - at fair value through profit or loss	14	349,583	269,333
Financial assets - available for sale	15	22,373,356	21,803,642
Financial assets - held to maturity	16	16,877,214	17,949,204
Loans and receivables to credit institutions	17	7,442,288	8,775,356
Loans and receivables to customers	18	120,833,976	123,503,936
Derivatives - hedge accounting	19	2,871,607	2,181,367
Property and equipment		2,264,041	2,329,889
Investment properties		950,168	804,879
Intangible assets		1,440,946	1,395,205
Investments in associates and joint ventures		194,984	193,953
Current tax assets		107,310	150,485
Deferred tax assets		301,469	255,317
Assets held for sale		291,394	429,473
Other assets	20	1,622,702	1,456,524
Total assets		**196,287,334**	**197,531,543**
Liabilities and equity			
Financial liabilities - held for trading		7,746,381	6,632,494
Derivatives	12	7,188,386	5,874,851
Other trading liabilities	21	557,994	757,642
Financial liabilities - at fair value through profit or loss		2,072,725	1,880,958
Deposits from banks		0	0
Deposits from customers		319,960	237,313
Debt securities issued	22	1,752,765	1,643,644
Other financial liabilities		0	0
Financial liabilities measured at amortised cost		166,921,248	168,768,619
Deposits from banks	23	14,802,602	15,704,368
Deposits from customers	23	122,262,612	124,296,421
Debt securities issued	23	29,386,741	28,270,335
Other financial liabilities		469,294	497,495
Derivatives - hedge accounting	19	725,928	638,572
Changes in fair value of portfolio hedged items		1,225,473	961,998
Provisions	24	1,652,688	1,608,329
Current tax liabilities		91,050	121,399
Deferred tax liabilities		98,778	85,008
Liabilities associated with assets held for sale		0	33,171
Other liabilities	25	2,309,605	2,786,478
Total equity		**13,443,457**	**14,014,518**
Equity attributable to non-controlling interests		3,605,371	3,700,630
Equity attributable to owners of the parent		9,838,086	10,313,888
Total liabilities and equity		**196,287,334**	**197,531,543**

III. Group condensed statement of changes in total equity

	Subscribed capital	Capital reserves	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Currency translation	Remeasurement of net liability of defined pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
As of 31 December 2014	**860**	**1,478**	**8,116**	**140**	**580**	**-849**	**-394**	**-92**	**9,838**	**3,605**	**13,444**
Changes in treasury shares	0	0	-4	0	0	0	0	0	-4	0	-4
Dividends paid	0	0	0	0	0	0	0	0	0	-27	-27
Capital increases	0	0	0	0	0	0	0	0	0	0	0
Participation capital	0	0	0	0	0	0	0	0	0	0	0
Changes in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0	0	0	0
Acquisition of non-controlling interest	0	0	-14	0	0	0	0	0	-14	0	-14
Total comprehensive income	0	0	487	-54	-81	77	31	33	494	122	616
Net result for the period	0	0	487	0	0	0	0	0	487	203	691
Other comprehensive income	0	0	0	-54	-81	77	31	33	6	-81	-75
As of 30 June 2015	**860**	**1,478**	**8,585**	**86**	**499**	**-772**	**-363**	**-59**	**10,314**	**3,701**	**14,015**
As of 1 January 2014	**860**	**7,037**	**4,256**	**-33**	**259**	**-785**	**-277**	**2**	**11,319**	**3,466**	**14,785**
Changes in treasury shares	0	0	42	0	0	0	0	0	42	0	42
Dividends paid	0	0	-171	0	0	0	0	0	-171	-96	-266
Capital increases	0	0	0	0	0	0	0	0	0	0	0
Participation capital	0	0	0	0	0	0	0	0	0	0	0
Changes in scope of consolidation	0	0	-12	0	0	0	0	0	-12	47	34
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	-930	118	128	22	0	-64	-725	210	-515
Net result for the period	0	0	-930	0	0	0	0	0	-930	53	-877
Other comprehensive income	0	0	0	118	128	22	0	-64	205	157	362
As of 30 June 2014	**860**	**7,037**	**3,185**	**85**	**387**	**-763**	**-277**	**-62**	**10,453**	**3,626**	**14,080**

IV. Group condensed cash flow statement

in EUR million	1-6 14	1-6 15
Cash and cash equivalents at the end of the previous year	**9,301**	**7,835**
Cash flow from operating activities	-656	453
Cash flow from investing activities	689	-1,303
Cash flow from financing activities	-2,091	-27
Effect of currency translation	24	52
Cash and cash equivalents at the end of period	**7,267**	**7,011**

V. Condensed notes to the group financial statements of Erste Group for the period from 1 January to 30 June 2015

BASIS OF PREPARATION

The condensed consolidated interim financial statements ("interim financial statements") of Erste Group for the period from 1 January to 30 June 2015 were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and are presented in accordance with the requirements of IAS 34 "Interim Financial Reporting". The Group's application of IFRS resulted in no differences between IFRS as issued by the International Accounting Standards Board ("IASB") and IFRS as endorsed by the EU.

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

BASIS OF CONSOLIDATION

Subsidiaries are consolidated from the date 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 number of entities and funds included in Erste Group's IFRS consolidation scope evolved as follows:

As of 31 December 2014	**528**
Additions	
Entities newly added to the scope of consolidation	9
Disposals	
Companies sold or liquidated	-9
Mergers	-9
As of 30 June 2015	**519**

ACCOUNTING AND MEASUREMENT METHODS

The interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Therefore, the interim financial statements should be read in conjunction with Erste Group's consolidated financial statements as of 31 December 2014. The interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' (IAS 34) and are presented in Euro, which is the functional currency of the parent company.

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2014.

In December 2014 as well as during the first half of 2015 some important benchmark interest rates became negative. The move to negative benchmark interest rates has several accounting implications. Special consideration is given to the accounting treatment of zero percent interest rate floors embedded in variable rate financial instruments in the area of customer business in a negative interest rate environment.

According to IAS 39 an interest rate floor embedded in a debt contract has to be bifurcated and accounted for separately as derivative if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Furthermore, the application guidance of IAS 39 stipulates, that an embedded interest rate floor is closely related to the host contract, if the floor is at or below the market rate of interest when the contract is issued, i.e. the floor is at or out of the money at the origination of the debt instrument. Accounting judgement is required to determine whether a zero percent interest rate floor which is above the market rate of interest when the debt instrument was issued is deemed to be closely related to the host contract in the special situation of negative benchmark interest rates.

The basis of conclusions of IAS 39 are pointing out that the rationale for the embedded derivatives requirements is that an entity should not be able to circumvent the recognition and measurement requirements for derivatives merely by embedding a derivative in a non-derivative financial instrument or other contract. It is further outlined that when the embedded derivative bears a close economic relationship to the host contract, such as a cap or a floor on the interest rate of a debt instrument, it is less likely that the derivative was embedded to achieve a desired accounting result. The intention of incorporating a zero percent floor in a debt instrument is done only to emphasize the substance and economic intent of a debt instrument, i.e. to earn interest income for providing money. Therefore in the opinion of Erste Group an interest rate floor of zero percent is closely related to the host contract and therefore need not to be separated from the host contract.

APPLICATION OF AMENDED AND NEW IFRS/IAS

Following standards, interpretations and their amendments which are relevant for the business of Erste Group are applicable for the first time in 2015:
_ Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
_ Annual Improvements to IFRSs 2010 2012 and 2011 2013 Cycle

Compared to the annual group financial statements as of 31 December 2014, no material changes in accounting policies were resulting from new or amended standards.

1. Net interest income

in EUR million	1-6 14	1-6 15
Interest income		
Financial assets - held for trading	160.6	238.3
Financial assets - at fair value through profit or loss	2.0	0.6
Financial assets - available for sale	238.3	236.4
Financial assets - held to maturity	307.3	295.6
Loans and receivables	2,444.5	2,267.0
Derivatives - hedge accounting, interest rate risk	17.0	35.3
Other assets	18.0	20.1
Total interest income	**3,187.7**	**3,093.3**
Interest expenses		
Financial liabilities - held for trading	-38.2	-130.8
Financial liabilities - at fair value through profit or loss	-11.8	-21.2
Financial liabilities measured at amortised cost	-1,116.3	-888.2
Derivatives - hedge accounting, interest rate risk	223.4	179.4
Other liabilities	-1.2	-20.6
Total interest expense	**-944.1**	**-881.4**
Net interest income	**2,243.6**	**2,211.9**

2. Net fee and commission income

in EUR million	1-6 14	1-6 15
Securities	89.1	106.1
Own issues	9.9	8.9
Transfer orders	70.3	90.1
Other	8.9	7.0
Clearing and settlement	1.4	0.1
Asset management	116.2	117.5
Custody	29.0	38.0
Fiduciary transactions	1.1	1.0
Payment services	437.3	445.7
Card business	99.4	106.4
Other	337.9	339.3
Customer resources distributed but not managed	79.2	79.9
Collective investment	2.0	7.7
Insurance products	55.8	52.1
Building society brokerage	8.0	10.8
Foreign exchange transactions	9.4	9.7
Other	4.0	-0.5
Structured finance	0.0	0.0
Servicing fees from securitization activities	0.0	0.0
Lending business	123.5	100.7
Guarantees given, guarantees received	31.1	30.3
Loan commitments given, loan commitments received	24.7	20.8
Other lending business	67.6	49.6
Other	30.0	28.4
Net fee and commission income	**907.0**	**917.4**

The prior year´s (2014) amounts of the position „Lending business" were adapted due to an improved attributability. The total „Net fee and commission income" remained unchanged.

3. Dividend income

in EUR million	1-6 14	1-6 15
Financial assets - held for trading	0.9	0.8
Financial assets - at fair value through profit or loss	2.0	2.1
Financial assets - available for sale	21.8	23.4
Dividend income from equity investments	5.2	5.9
Dividend income	**29.9**	**32.1**

4. Net trading and fair value result

in EUR million	1-6 14	1-6 15
Net trading result	193.7	108.1
Securities and derivatives trading	171.9	-14.7
Foreign exchange transactions	21.8	122.7
Result from financial assets and liabilities designated at fair value through profit or loss	-55.6	28.5
Result from measurement/sale of financial assets designated at fair value through profit or loss	8.2	-0.6
Result from measurement/sale of financial liabilities designated at fair value through profit or loss	-63.8	29.1
Net trading and fair value result	**138.0**	**136.5**

5. Rental income from investment properties & other operating leases

in EUR million	1-6 14	1-6 15
Investment properties	44.1	41.7
Other operating leases	47.6	50.0
Rental income from investment properties & other operating leases	**91.6**	**91.7**

6. General administrative expenses

in EUR million	1-6 14	1-6 15
Personnel expenses	**-1,091.9**	**-1,113.9**
Wages and salaries	-795.5	-833.7
Compulsory social security	-231.2	-218.2
Long-term employee provisions	-32.8	-13.4
Other personnel expenses	-32.4	-48.7
Other administrative expenses	**-557.6**	**-559.6**
Deposit insurance contribution	-46.8	-38.8
IT expenses	-131.6	-138.8
Expenses for office space	-124.5	-124.5
Office operating expenses	-68.0	-58.7
Advertising/marketing	-71.0	-77.2
Legal and consulting costs	-55.0	-59.8
Sundry administrative expenses	-60.7	-61.8
Depreciation and amortisation	**-246.8**	**-223.3**
Software and other intangible assets	-74.7	-80.8
Owner occupied real estate	-38.5	-36.4
Investment properties	-52.1	-54.3
Customer relationships	-32.0	-3.7
Office furniture and equipment and sundry property and equipment	-49.5	-48.0
General administrative expenses	**-1,896.4**	**-1,896.8**

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

in EUR million	1-6 14	1-6 15
From sale of financial assets available for sale	7.7	30.6
From sale of financial assets held to maturity	3.0	1.6
From sale of loans and receivables	-0.3	-1.0
From repurchase of liabilities measured at amortised cost	-9.2	4.8
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	**1.2**	**36.0**

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

in EUR million	1-6 14	1-6 15
Financial assets - available for sale	10.3	-3.3
Loans and receivables	-806.4	-370.8
Allocation to risk provisions	-1,860.2	-1,219.5
Release of risk provisions	1,088.7	819.5
Direct write-offs	-75.1	-60.5
Recoveries recorded directly to the income statement	40.3	89.7
Financial assets - held to maturity	-0.1	0.2
Net impairment loss on financial assets not measured at fair value through profit or loss	**-796.1**	**-373.9**

9. Other operating result

in EUR million	1-6 14	1-6 15
Result from properties/movables/other intangible assets other than goodwill	-542.6	9.2
Allocation to/release of other provisions	-124.5	-65.4
Allocation to/release of provisions for commitments and guarantees given	-27.6	-9.7
Levies on banking activities	-154.1	-137.2
Banking tax	-131.9	-117.7
Financial transaction tax	-22.2	-19.5
Other taxes	-9.3	-10.0
Impairment of goodwill	-420.9	0.0
Result from other operating expenses/income	7.3	12.6
Other operating result	**-1,271.8**	**-200.6**

In the line item "allocation to/release of other provisions" the expected contribution for the full-year 2015 to national resolution funds (according to the Bank Recovery and Resolution Directive) of EUR 55.2 Mio (EUR 0 Mio) is included.

10. Taxes on Income

The consolidated net tax expense for the first six months of 2015 amounted to EUR 273.4 million (EUR 335.6 million), thereof EUR 93.1 million (EUR 164.2 million) net deferred tax expense.

11. Cash and cash balances

in EUR million	Dec 14	Jun 15
Cash on hand	2,467	2,473
Cash balances at central banks	4,509	3,947
Other demand deposits	859	591
Cash and cash balances	**7,835**	**7,011**

12. Derivatives – held for trading

	As of 31 December 2014			As of 30 June 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**	**151,432**	**4,996**	**4,711**
Interest rate	127,497	5,450	5,403	112,232	4,342	4,321
Equity	801	35	5	893	33	7
Foreign exchange	29,981	628	508	37,227	601	363
Credit	362	1	4	402	1	4
Commodity	402	19	21	677	18	16
Other	209	1	0	0	0	0
Derivatives held in the banking book	**34,726**	**1,040**	**1,246**	**31,056**	**961**	**1,576**
Interest rate	18,473	781	928	17,147	710	871
Equity	1,512	83	66	1,666	88	66
Foreign exchange	13,588	127	237	11,178	126	626
Credit	600	13	12	531	12	10
Commodity	74	2	1	65	1	0
Other	478	34	3	469	23	2
Total gross amounts	193,978	7,173	7,188	182,488	5,957	6,287
Offset	0	0	0	0	-343	-412
Total	**193,978**	**7,173**	**7,188**	**182,488**	**5,613**	**5,875**

Since April 2015 Erste Group is applying offsetting for interest rate derivatives and related cash margin balances, which are cleared through a central clearing party (London Clearing House). Financial assets and liabilities are offset, with the net amount presented in the Group Balance sheet in the line items “Derivatives in financial assets – held for trading”, “Derivatives in financial liabilities – held for trading“ as well as “Derivatives – hedge accounting” against cash collateral.

13. Other trading assets

in EUR million	Dec 14	Jun 15
Equity instruments	185	100
Debt securities	3,124	3,232
General governments	2,377	2,441
Credit institutions	333	381
Other financial corporations	154	155
Non-financial corporations	260	255
Loans and advances	49	77
Other trading assets	**3,357**	**3,409**

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

in EUR million	Dec 14	Jun 15
Equity instruments	211	176
Debt securities	139	94
General governments	6	5
Credit institutions	83	62
Other financial corporations	49	12
Non-financial corporations	1	14
Loans and advances	0	0
Financial assets - at fair value through profit or loss	**350**	**269**

15. Financial assets - available for sale

in EUR million	Dec 14	Jun 15
Equity instruments	1,272	1,233
Debt securities	21,102	20,571
General governments	13,814	14,168
Credit institutions	3,658	2,884
Other financial corporations	878	717
Non-financial corporations	2,752	2,802
Loans and advances	0	0
Financial assets - available for sale	**22,373**	**21,804**

16. Financial assets - held to maturity

	Gross carrying amount		Collective allowances		Net carrying amount	
in EUR million	Dec 14	Jun 15	Dec 14	Jun 15	Dec 14	Jun 15
General governments	15,024	15,922	0	0	15,023	15,922
Credit institutions	1,024	1,248	-1	-1	1,023	1,248
Other financial corporations	242	228	0	0	241	228
Non-financial corporations	590	553	-1	-1	590	552
Financial assets - held to maturity	**16,879**	**17,951**	**-2**	**-2**	**16,877**	**17,949**

17. Loans and receivables to credit institutions

Loans and receivables to credit institutions

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 30 June 2015				
Debt securities	410	0	-1	408
Central banks	76	0	0	76
Credit institutions	333	0	-1	332
Loans and receivables	8,383	-15	-1	8,367
Central banks	1,381	0	0	1,380
Credit institutions	7,002	-15	-1	6,987
Total	**8,792**	**-15**	**-2**	**8,775**
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 receivables	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**

Allowances for loans and receivables to credit institutions

in EUR million	As of	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	As of	Amounts written off	Recoveries of amounts previously written off
	Dec 14						Jun 15		
Specific allowances	**-15**	**0**	**0**	**0**	**0**	**0**	**-15**	**-6**	**5**
Debt securities	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Loans and receivables	-15	0	0	0	0	0	-15	-6	5
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-15	0	0	0	0	0	-15	-6	5
Collective allowances	**-3**	**-2**	**0**	**6**	**0**	**-4**	**-2**	**0**	**0**
Debt securities	-1	0	0	0	0	0	-1	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-1	0	0	0	0	0	-1	0	0
Loans and receivables	-2	-2	0	6	0	-3	-1	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-2	-2	0	6	0	-3	-1	0	0
Total	**-17**	**-2**	**0**	**6**	**0**	**-3**	**-17**	**-6**	**5**
	Dec 13						Jun 14		
Specific allowances	**-54**	**-1**	**6**	**23**	**0**	**-20**	**-46**	**0**	**0**
Debt securities	0	0	0	20	0	-20	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	20	0	-20	0	0	0
Loans and receivables	-54	-1	6	3	0	0	-46	0	0
Central banks	0	0	0	1	0	-1	0	0	0
Credit institutions	-54	-1	6	2	0	1	-46	0	0
Collective allowances	**-1**	**-6**	**0**	**4**	**0**	**0**	**-3**	**0**	**0**
Debt securities	0	-2	0	0	0	2	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	-2	0	0	0	2	0	0	0
Loans and receivables	-1	-5	0	4	0	-1	-3	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-1	-5	0	4	0	-1	-3	0	0
Total	**-55**	**-7**	**6**	**27**	**0**	**-20**	**-49**	**0**	**0**

18. Loans and receivables to customers

Loans and receivables to customers

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 30 June 2015				
Debt securities with customers	268	-15	-2	250
General governments	114	0	-1	112
Other financial corporations	26	0	0	26
Non-financial corporations	128	-15	-1	112
Loans and advances to customers	130,123	-6,132	-737	123,254
General governments	7,584	-5	-12	7,568
Other financial corporations	4,957	-138	-67	4,752
Non-financial corporations	55,256	-3,925	-392	50,939
Households	62,325	-2,065	-266	59,994
Total	**130,390**	**-6,147**	**-739**	**123,504**
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**

Allowances for loans and receivables to customers

in EUR million	As of	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	As of	Amounts written off	Recoveries of amounts previously written off
	Dec 14						Jun 15		
Specific allowances	**-6,723**	**-1,031**	**1,009**	**596**	**86**	**-86**	**-6,147**	**-55**	**85**
Debt securities with customers	-13	-1	0	1	0	-1	-15	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	-1	-15	0	0
Loans and advances to customers	-6,710	-1,029	1,009	596	86	-84	-6,132	-55	85
General governments	-6	0	0	1	0	0	-5	0	0
Other financial corporations	-142	-27	11	11	2	8	-138	-2	2
Non-financial corporations	-4,134	-573	460	348	43	-69	-3,925	-37	70
Households	-2,428	-429	538	237	41	-23	-2,065	-15	12
Collective allowances	**-768**	**-187**	**0**	**217**	**0**	**-1**	**-739**	**0**	**0**
Debt securities with customers	-2	0	0	0	0	0	-2	0	0
General governments	-1	0	0	0	0	-1	-1	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-1	0	0	0	0	0	-1	0	0
Loans and advances to customers	-766	-187	0	217	0	0	-737	0	0
General governments	-14	-4	0	7	0	0	-12	0	0
Other financial corporations	-25	-22	0	11	0	-32	-67	0	0
Non-financial corporations	-440	-91	0	106	0	33	-392	0	0
Households	-287	-71	0	93	0	-2	-266	0	0
Total	**-7,491**	**-1,218**	**1,009**	**813**	**86**	**-86**	**-6,887**	**-55**	**85**
	Dec 13						Jun 14		
Specific allowances	**-7,102**	**-1,560**	**811**	**792**	**113**	**-68**	**-7,014**	**-75**	**40**
Debt securities with customers	-9	-27	0	0	0	22	-14	0	1
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-9	-27	0	0	0	22	-14	0	1
Loans and advances to customers	-7,092	-1,534	811	792	113	-90	-7,001	-75	39
General governments	-6	-4	0	4	0	0	-5	0	0
Other financial corporations	-183	-46	87	25	1	-11	-127	-2	0
Non-financial corporations	-4,594	-997	613	414	64	34	-4,467	-54	27
Households	-2,310	-487	111	347	48	-112	-2,402	-20	12
Collective allowances	**-651**	**-293**	**0**	**270**	**0**	**13**	**-659**	**0**	**0**
Debt securities with customers	-2	0	0	1	0	0	-2	0	0
General governments	0	0	0	0	0	-1	-1	0	0
Other financial corporations	0	0	0	1	0	0	0	0	0
Non-financial corporations	-2	0	0	0	0	1	-1	0	0
Loans and advances to customers	-649	-292	0	270	0	13	-657	0	0
General governments	-11	-3	0	2	0	-1	-13	0	0
Other financial corporations	-16	-14	0	3	0	-1	-28	0	0
Non-financial corporations	-363	-96	0	118	0	-10	-352	0	0
Households	-258	-179	0	147	0	26	-264	0	0
Total	**-7,753**	**-1,853**	**811**	**1,062**	**113**	**-55**	**-7,674**	**-75**	**40**

19. Derivatives – hedge accounting

in EUR million	As of 31 December 2014 Notional value	Positive fair value	Negative fair value	As of 30 June 2015 Notional value	Positive fair value	Negative fair value
Fair value hedges	**29,184**	**2,689**	**724**	**27,799**	**2,108**	**654**
Interest rate	29,142	2,689	712	27,799	2,108	654
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**	**5,269**	**139**	**21**
Interest rate	3,760	181	1	4,678	139	2
Equity	0	0	0	0	0	0
Foreign exchange	567	2	1	591	0	19
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**	**33,068**	**2,247**	**675**
Offset	0	0	0	0	-65	-36
Total	**33,511**	**2,872**	**726**	**33,068**	**2,181**	**639**

20. Other assets

in EUR million	Dec 14	Jun 15
Prepayments and accrued income	218	231
Inventories	471	349
Sundry assets	934	877
Other assets	**1,623**	**1,457**

21. Other trading liabilities

in EUR million	Dec 14	Jun 15
Short positions	422	456
Equity instruments	139	219
Debt securities	283	237
Debt securities issued	47	57
Sundry trading liabilities	88	244
Other trading liabilities	**558**	**758**

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

Debt securities issued

in EUR million	Dec 14	Jun 15
Subordinated liabilities	276	274
Subordinated issues	276	274
Supplementary capital	0	0
Hybrid issues	0	0
Other debt securities issued	1,477	1,369
Bonds	1,086	990
Certificates of deposit	0	0
Other certificates of deposits/name certificates	77	74
Mortgage covered bonds	315	306
Public sector covered bonds	0	0
Other	0	0
Debt securities issued	**1,753**	**1,644**

23. Financial liabilities measured at amortised costs

Deposits from banks

in EUR million	Dec 14	Jun 15
Overnight deposits	1,913	3,924
Term deposits	11,975	10,324
Repurchase agreements	914	1,456
Deposits from banks	**14,803**	**15,704**

Deposits from customers

in EUR million	Dec 14	Jun 15
Overnight deposits	**65,103**	**68,873**
Savings deposits	17,314	18,430
General governments	0	0
Other financial corporations	165	200
Non-financial corporations	1,556	1,343
Households	15,592	16,887
Non-savings deposits	47,790	50,444
General governments	3,301	3,722
Other financial corporations	3,396	3,580
Non-financial corporations	14,576	15,056
Households	26,517	28,087
Term deposits	**56,609**	**54,864**
Deposits with agreed maturity	52,013	50,223
Savings deposits	35,725	34,919
General governments	0	0
Other financial corporations	1,221	1,223
Non-financial corporations	1,258	1,452
Households	33,246	32,244
Non-savings deposits	16,289	15,304
General governments	1,260	1,998
Other financial corporations	2,965	2,269
Non-financial corporations	3,930	3,042
Households	8,133	7,995
Deposits redeemable at notice	4,595	4,641
General governments	0	5
Other financial corporations	43	65
Non-financial corporations	108	83
Households	4,444	4,488
Repurchase agreements	**550**	**559**
General governments	290	525
Other financial corporations	213	10
Non-financial corporations	48	24
Households	0	0
Deposits from customers	**122,263**	**124,296**
General governments	**4,851**	**6,249**
Other financial corporations	**8,003**	**7,347**
Non-financial corporations	**21,476**	**21,000**
Households	**87,933**	**89,700**

Debt securities issued

in EUR million	Dec 14	Jun 15
Subordinated liabilities	5,482	5,841
Subordinated issues	4,182	4,515
Supplementary capital	942	962
Hybrid issues	357	364
Other debt securities issued	23,905	22,429
Bonds	13,017	11,822
Certificates of deposit	281	427
Other certificates of deposits/name certificates	591	659
Mortgage covered bonds	6,911	7,471
Public sector covered bonds	2,838	1,831
Other	266	218
Debt securities issued	**29,387**	**28,270**

24. Provisions

in EUR million	Dec 14	Jun 15
Long-term employee provisions	1,158	1,096
Pending legal issues and tax litigation	163	167
Commitments and guarantees given	241	246
Provisions for guarantees - off balance sheet (defaulted customers)	141	136
Provisions for guarantees - off balance sheet (non-defaulted customers)	99	111
Other provisions	91	99
Provisions for onerous contracts	5	4
Other	86	95
Provisions	**1,653**	**1,608**

Effects from the change in material valuation parameters

For the calculation of the defined benefit obligation for pension and severance payment provisions as well as for jubilee provisions, the interest rate used has been increased compared to the previous year to 2.4% (2.0 %) in order to reflect the increasing interest rate levels. All other valuation parameters remained unchanged. According to IAS 19 the resulting measurement adjustments for pension and severance payment provisions amounting to EUR 52.7 million (before tax) have been recognised in other comprehensive income and those for jubilee provisions, an amount of EUR 3.0 million, have been considered in the income statement.

25. Other liabilities

in EUR million	Dec 14	Jun 15
Deferred income and accrued fee expenses	233	242
Sundry liabilities	2,076	2,545
Other liabilities	**2,310**	**2,786**

26. Segment reporting

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

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 factoring, leasing and asset management companies). Retail products and services including current and savings accounts, mortgage and consumer loans, investment products, credit cards and cross selling products such as leasing, insurance, and building society products are offered via various distribution channels (branch networks and digital banking).

SME

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

Asset/Liability Management & Local Corporate Center

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

Savings Banks

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

Large Corporates

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

Commercial Real Estate

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

Other Corporate

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

Group Markets

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

Group Corporate Center

The Group Corporate Center (GCC) segment covers mainly centrally managed activities and items that are not directly allocated to other segments. It comprises the corporate center of Erste Group Bank AG (and thus dividends and the refinancing costs from participations, general administrative expenses), internal non-profit service providers (facility management, IT, procurement), 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).

Intragroup Elimination

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

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

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

The geographical area Austria consists of the following three segments:
_ The **Erste Bank Oesterreich & Subsidiaries** (EBOe & Subsidiaries) segment comprises Erste Bank der oesterreichischen Sparkassen AG (Erste Bank Oesterreich) and its main subsidiaries (e.g. sBausparkasse, Salzburger Sparkasse, Tiroler Sparkasse, Sparkasse Hainburg).
_ The **Savings banks** segment is identical to the business segment Savings banks.
_ The **Other Austria** segment comprises Erste Group Bank AG (Holding) with its Large Corporates, Commercial Real Estate, Other Corporate and Group Markets business, Erste Group Immorent AG and Erste Asset Management GmbH.

The geographical area Central and Eastern Europe (CEE) consists of six segments covering Erste Group's banking subsidiaries located in the respective CEE countries:
_ **Czech Republic** (comprising Česká spořitelna Group)
_ **Slovakia** (comprising Slovenská sporiteľňa Group)
_ **Romania** (comprising Banca Comercială Română Group)
_ **Hungary** (comprising Erste Bank Hungary Group)
_ **Croatia** (comprising Erste Bank Croatia Group), and
_ **Serbia** (comprising Erste Bank Serbia Group).

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

Measurement
The profit and loss statement of the segment report is based on the measures reported to the Erste Group management board for the purpose of allocating resources to the segments and assessing their performance. Management reporting as well as the segment report for Erste Group, is based on IFRS. Accounting standards and methods as well as measurements used in segment reporting are the same as for the consolidated financial statement of accounting.

Capital consumption per segment is regularly reviewed by the management of Erste Group to assess the performance of the segments. The average allocated equity is determined by the credit risk, market risk and operational risk. According to the regular internal reporting to Erste Group management board, total assets and total liabilities as well as risk weighted assets and allocated equity are disclosed per segment. For measuring and assessing the profitability of segments, Erste Group also uses the return on allocated equity defined as net result for the period before minorities in relation to the average allocated equity of the respective segment. In addition the cost/income ratio is calculated for each segment as operating expenses (general administrative expenses) in relation to operating income (total of net interest income, net fee and commission income, dividend income, net trading and fair value result, net result from equity method investments, rental income from investment properties and other operating lease).

Business segments (1)

	Retail		SME		ALM & LCC		Savings Banks		Large Corporates		Commercial Real Estate	
in EUR million	**1-6 14**	**1-6 15**	**1-6 14**	**1-6 15**	**1-6 14**	**1-6 15**	**1-6 14**	**1-6 15**	**1-6 14**	**1-6 15**	**1-6 14**	**1-6 15**
Net interest income	1,083.1	1,103.8	288.5	279.0	86.4	24.1	442.5	450.0	111.7	112.2	77.0	90.9
Net fee and commission income	523.3	514.0	95.7	91.6	-37.9	-32.3	203.1	216.6	46.2	44.4	8.5	6.4
Dividend income	0.8	2.8	2.2	0.5	8.8	8.6	20.5	11.2	0.0	0.0	0.2	0.5
Net trading and fair value result	28.8	17.5	11.9	20.1	12.8	-48.8	3.3	18.3	5.3	7.2	-4.9	1.5
Net result from equity method investments	4.1	2.2	0.0	0.0	0.4	4.6	0.0	0.0	0.0	0.0	0.0	0.3
Rental income from investment properties & other operating leases	11.8	11.7	14.9	15.8	17.3	17.2	21.6	20.3	0.0	0.0	20.1	20.8
General administrative expenses	-881.7	-900.5	-142.0	-148.1	-44.2	-41.4	-470.0	-475.2	-39.3	-44.1	-43.7	-44.0
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.0	0.0	3.3	0.0	-7.2	11.2	3.1	18.7	0.0	0.0	0.0	0.0
Net impairment loss on financial assets not measured at fair value through profit or loss	-179.6	-171.8	-211.1	-48.1	-5.4	-7.7	-90.3	-25.4	-162.8	-33.1	-160.9	-3.4
Other operating result	-165.9	-9.8	14.7	-8.6	-77.8	-127.8	-52.8	-13.4	-0.1	-9.3	-23.7	-40.5
Levies on banking activities	-32.7	-22.0	-5.3	-4.9	-55.6	-55.2	-7.0	-7.2	-1.8	-1.3	-0.2	-0.2
Pre-tax result from continuing operations	**424.9**	**569.9**	**78.1**	**202.2**	**-46.7**	**-192.2**	**81.2**	**221.1**	**-39.0**	**77.2**	**-127.5**	**32.4**
Taxes on income	-105.2	-118.9	-21.4	-44.1	-5.4	40.6	-18.9	-39.2	3.2	-15.2	-1.3	-12.1
Net result for the period	**319.7**	**450.9**	**56.7**	**158.0**	**-52.1**	**-151.6**	**62.3**	**181.9**	**-35.8**	**62.0**	**-128.8**	**20.3**
Net result attributable to non-controlling interests	14.7	13.4	-0.9	6.6	2.7	0.3	55.3	153.6	-3.8	4.5	-1.0	4.7
Net result attributable to owners of the parent	**305.0**	**437.5**	**57.6**	**151.5**	**-54.8**	**-151.9**	**6.9**	**28.3**	**-32.0**	**57.5**	**-127.7**	**15.6**
Operating income	1,652.0	1,652.0	413.2	407.0	88.0	-26.5	691.1	716.3	163.3	163.7	100.9	120.3
Operating expenses	-881.7	-900.5	-142.0	-148.1	-44.2	-41.4	-470.0	-475.2	-39.3	-44.1	-43.7	-44.0
Operating result	**770.3**	**751.5**	**271.2**	**258.9**	**43.7**	**-67.9**	**221.1**	**241.2**	**123.9**	**119.6**	**57.2**	**76.3**
Risk-weighted assets (credit risk, eop)	18,305	18,807	13,881	14,563	4,312	4,454	22,129	22,243	9,267	10,069	9,143	8,506
Average allocated capital	2,068	2,149	1,324	1,182	1,754	1,777	1,992	1,790	802	722	823	752
Cost/income ratio	53.4%	54.5%	34.4%	36.4%	50.3%	>100.0%	68.0%	66.3%	24.1%	26.9%	43.3%	36.6%
Return on allocated capital	31.2%	42.3%	8.6%	27.0%	-6.0%	-17.2%	6.3%	20.5%	-9.0%	17.3%	-31.5%	5.4%
Total assets (eop)	51,015	52,870	22,467	22,524	50,472	48,009	57,162	57,178	9,394	10,440	10,372	9,696
Total liabilities excluding equity (eop)	68,208	70,145	12,607	13,167	54,447	51,870	53,021	53,212	5,600	3,783	4,708	4,619
Impairments and risk provisions	**-182.1**	**-172.4**	**-214.5**	**-49.6**	**1.1**	**-12.8**	**-101.4**	**-21.7**	**-161.5**	**-39.2**	**-196.1**	**-65.3**
Net impairment loss on loans and receivables to credit institutions/customers	-179.6	-171.8	-209.7	-48.2	-7.8	-7.6	-91.0	-24.5	-168.5	-33.1	-160.9	-3.4
Net impairment loss on other financial assets not measured at fair value through profit or loss	0.0	0.0	-1.4	0.1	2.5	0.0	0.7	-0.8	5.8	0.0	0.0	0.0
Allocations/releases of provisions for contingent credit risk liabilities	-2.0	-0.5	0.5	-2.6	1.1	-6.4	-10.7	4.1	1.2	-6.1	-13.0	-56.2
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non-financial assets	-0.5	-0.1	-3.9	1.1	5.4	1.2	-0.3	-0.5	0.0	0.0	-22.1	-5.8

Business segments (2)

in EUR million	Other Corporate 1-6 14	Other Corporate 1-6 15	Group Markets 1-6 14	Group Markets 1-6 15	Group Corporate Center 1-6 14	Group Corporate Center 1-6 15	Intragroup Elimination 1-6 14	Intragroup Elimination 1-6 15	Total group 1-6 14	Total group 1-6 15
Net interest income	37.2	37.8	99.6	85.4	34.9	59.8	-17.4	-31.0	2,243.6	2,211.9
Net fee and commission income	8.7	6.8	51.7	63.2	34.1	18.4	-26.5	-11.7	907.0	917.4
Dividend income	0.0	0.0	1.5	1.2	9.5	7.6	-13.7	-0.2	29.9	32.1
Net trading and fair value result	2.1	0.2	69.6	69.2	-0.5	18.3	9.6	33.1	138.0	136.5
Net result from equity method investments	0.0	0.0	0.0	0.0	7.0	2.5	0.0	0.0	11.5	9.7
Rental income from investment properties & other operating leases	0.0	0.0	0.0	0.0	19.4	18.0	-13.5	-12.0	91.6	91.7
General administrative expenses	-24.4	-28.2	-87.6	-90.5	-371.7	-359.0	208.3	234.1	-1,896.4	-1,896.8
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.4	6.0	0.0	0.0	-1.1	1.2	2.5	-0.9	1.2	36.0
Net impairment loss on financial assets not measured at fair value through profit or loss	4.9	-39.9	-0.1	-2.4	8.9	-42.1	0.2	0.0	-796.1	-373.9
Other operating result	0.5	18.5	-0.2	-4.0	-825.6	205.7	-140.7	-211.4	-1,271.8	-200.6
Levies on banking activities	0.0	0.0	-1.5	-0.9	-50.0	-45.6	0.0	0.0	-154.1	-137.2
Pre-tax result from continuing operations	**29.3**	**1.1**	**134.4**	**122.0**	**-1,085.1**	**-69.6**	**8.8**	**0.0**	**-541.5**	**964.1**
Taxes on income	-6.6	-0.6	-27.1	-25.3	-152.8	-58.6	0.0	0.0	-335.6	-273.4
Net result for the period	**22.7**	**0.5**	**107.4**	**96.8**	**-1,237.9**	**-128.2**	**8.8**	**0.0**	**-877.1**	**690.7**
Net result attributable to non-controlling interests	0.0	0.0	1.5	1.7	-28.3	18.7	12.6	0.0	52.7	203.4
Net result attributable to owners of the parent	**22.7**	**0.6**	**105.9**	**95.1**	**-1,209.6**	**-146.9**	**-3.8**	**0.0**	**-929.7**	**487.2**
Operating income	47.9	44.8	222.4	218.9	104.4	124.6	-61.5	-21.8	3,421.7	3,399.4
Operating expenses	-24.4	-28.2	-87.6	-90.5	-371.7	-359.0	208.3	234.1	-1,896.4	-1,896.8
Operating result	**23.6**	**16.6**	**134.7**	**128.5**	**-267.3**	**-234.4**	**146.8**	**212.3**	**1,525.3**	**1,502.6**
Risk-weighted assets (credit risk, eop)	2,446	2,143	3,118	2,500	2,313	2,445	0	0	84,916	85,729
Average allocated capital	215	192	488	471	5,468	4,872	0	0	14,934	13,907
Cost/income ratio	50.8%	63.0%	39.4%	41.3%	>100.0%	>100.0%	>100.0%	>100.0%	55.4%	55.8%
Return on allocated capital	21.3%	0.6%	44.3%	41.5%	-45.7%	-5.3%			-11.8%	10.0%
Total assets (eop)	3,442	3,095	25,661	18,316	9,012	12,384	-40,601	-36,979	198,398	197,532
Total liabilities excluding equity (eop)	106	124	17,284	12,272	8,932	11,351	-40,595	-37,026	184,318	183,517
Impairments and risk provisions	**4.9**	**-39.9**	**-0.1**	**-2.4**	**-952.2**	**13.1**	**0.2**	**0.0**	**-1,801.6**	**-390.3**
Net impairment loss on loans and receivables to credit institutions/customers	1.5	-39.9	-0.1	-2.4	9.5	-39.8	0.2	0.0	-806.4	-370.8
Net impairment loss on other financial assets not measured at fair value through profit or loss	3.4	0.0	0.0	0.0	-0.6	-2.3	0.0	0.0	10.3	-3.1
Allocations/releases of provisions for contingent credit risk liabilities	0.0	0.0	0.0	0.0	-4.8	57.8	0.1	0.0	-27.6	-9.7
Impairment of goodwill	0.0	0.0	0.0	0.0	-420.9	0.0	0.0	0.0	-420.9	0.0
Net impairment loss on other non-financial assets	0.0	0.0	0.0	0.0	-535.4	-2.7	0.0	0.0	-556.9	-6.6

Geographical segmentation - overview

	Austria		Central and Eastern Europe		Other		Total group	
in EUR million	**1-6 14**	**1-6 15**	**1-6 14**	**1-6 15**	**1-6 14**	**1-6 15**	**1-6 14**	**1-6 15**
Net interest income	945.3	975.3	1,225.4	1,161.0	72.9	75.7	2,243.6	2,211.9
Net fee and commission income	460.7	490.1	456.4	440.2	-10.1	-13.0	907.0	917.4
Dividend income	31.3	21.4	2.8	3.3	-4.2	7.4	29.9	32.1
Net trading and fair value result	18.3	39.3	111.5	83.2	8.3	14.0	138.0	136.5
Net result from equity method investments	0.1	1.2	4.4	6.0	7.0	2.5	11.5	9.7
Rental income from investment properties & other operating leases	51.0	50.9	34.8	34.9	5.8	6.0	91.6	91.7
General administrative expenses	-915.0	-940.5	-809.3	-823.2	-172.1	-133.2	-1,896.4	-1,896.8
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	2.8	24.7	4.5	0.8	-6.1	10.6	1.2	36.0
Net impairment loss on financial assets not measured at fair value through profit or loss	-267.7	-112.2	-537.1	-218.0	8.7	-43.7	-796.1	-373.9
Other operating result	-60.3	-66.3	-246.8	-111.2	-964.7	-23.1	-1,271.8	-200.6
Levies on banking activities	-13.2	-14.4	-90.8	-77.1	-50.0	-45.6	-154.1	-137.2
Pre-tax result from continuing operations	**266.5**	**483.9**	**246.5**	**576.9**	**-1,054.5**	**-96.7**	**-541.5**	**964.1**
Taxes on income	-85.8	-103.8	-92.3	-115.8	-157.5	-53.7	-335.6	-273.4
Net result for the period	**180.7**	**380.1**	**154.3**	**461.1**	**-1,212.1**	**-150.5**	**-877.1**	**690.7**
Net result attributable to non-controlling interests	63.3	165.9	5.0	19.1	-15.6	18.5	52.7	203.4
Net result attributable to owners of the parent	**117.4**	**214.2**	**149.3**	**442.0**	**-1,196.4**	**-168.9**	**-929.7**	**487.2**
Operating income	1,506.7	1,578.1	1,835.3	1,728.6	79.7	92.6	3,421.7	3,399.4
Operating expenses	-915.0	-940.5	-809.3	-823.2	-172.1	-133.2	-1,896.4	-1,896.8
Operating result	**591.7**	**637.7**	**1,026.0**	**905.4**	**-92.4**	**-40.5**	**1,525.3**	**1,502.6**
Risk-weighted assets (credit risk, eop)	49,765	49,974	32,369	32,982	2,781	2,773	84,916	85,729
Average allocated capital	4,508	4,287	4,210	3,860	6,217	5,760	14,934	13,907
Cost/income ratio	60.7%	59.6%	44.1%	47.6%	>100.0%	>100.0%	55.4%	55.8%
Return on allocated capital	8.1%	17.9%	7.4%	24.1%	-39.3%	-5.3%	-11.8%	10.0%
Total assets (eop)	135,619	128,901	76,572	76,983	-13,794	-8,352	198,398	197,532
Total liabilities excluding equity (eop)	112,524	105,839	68,405	69,128	3,390	8,550	184,318	183,517
Impairments and risk provisions	**-314.7**	**-181.1**	**-534.4**	**-216.2**	**-952.4**	**7.1**	**-1,801.6**	**-390.3**
Net impairment loss on loans and receivables to credit institutions/customers	-279.4	-111.3	-536.3	-218.2	9.3	-41.3	-806.4	-370.8
Net impairment loss on other financial assets not measured at fair value through profit or loss	11.7	-0.9	-0.8	0.1	-0.6	-2.3	10.3	-3.1
Allocations/releases of provisions for contingent credit risk liabilities	-24.0	-61.6	1.1	-1.5	-4.8	53.4	-27.6	-9.7
Impairment of goodwill	-0.1	0.0	0.0	0.0	-420.9	0.0	-420.9	0.0
Net impairment loss on other non-financial assets	-23.0	-7.3	1.5	3.3	-535.4	-2.7	-556.9	-6.6

Geographical area - Austria

in EUR million	EBOe & Subsidiaries 1-6 14	EBOe & Subsidiaries 1-6 15	Savings Banks 1-6 14	Savings Banks 1-6 15	Other Austria 1-6 14	Other Austria 1-6 15	Austria 1-6 14	Austria 1-6 15
Net interest income	304.5	317.0	442.5	450.0	198.2	208.3	945.3	975.3
Net fee and commission income	169.3	176.7	203.1	216.6	88.3	96.8	460.7	490.1
Dividend income	9.2	8.7	20.5	11.2	1.6	1.5	31.3	21.4
Net trading and fair value result	3.1	0.2	3.3	18.3	11.9	20.8	18.3	39.3
Net result from equity method investments	0.1	0.9	0.0	0.0	0.0	0.3	0.1	1.2
Rental income from investment properties & other operating leases	9.3	9.8	21.6	20.3	20.1	20.8	51.0	50.9
General administrative expenses	-292.7	-304.4	-470.0	-475.2	-152.3	-160.9	-915.0	-940.5
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	-0.8	0.0	3.1	18.7	0.5	6.0	2.8	24.7
Net impairment loss on financial assets not measured at fair value through profit or loss	-56.8	-13.7	-90.3	-25.4	-120.6	-73.1	-267.7	-112.2
Other operating result	12.2	-24.5	-52.8	-13.4	-19.8	-28.4	-60.3	-66.3
Levies on banking activities	-6.1	-7.2	-7.0	-7.2	-0.2	0.0	-13.2	-14.4
Pre-tax result from continuing operations	**157.3**	**170.8**	**81.2**	**221.1**	**28.0**	**92.0**	**266.5**	**483.9**
Taxes on income	-35.1	-39.1	-18.9	-39.2	-31.7	-25.5	-85.8	-103.8
Net result for the period	**122.2**	**131.6**	**62.3**	**181.9**	**-3.7**	**66.6**	**180.7**	**380.1**
Net result attributable to non-controlling interests	4.2	5.9	55.3	153.6	3.8	6.4	63.3	165.9
Net result attributable to owners of the parent	**118.0**	**125.7**	**6.9**	**28.3**	**-7.5**	**60.1**	**117.4**	**214.2**
Operating income	495.4	513.4	691.1	716.3	320.2	348.4	1,506.7	1,578.1
Operating expenses	-292.7	-304.4	-470.0	-475.2	-152.3	-160.9	-915.0	-940.5
Operating result	**202.7**	**209.0**	**221.1**	**241.2**	**167.9**	**187.5**	**591.7**	**637.7**
Risk-weighted assets (credit risk, eop)	11,809	12,524	22,129	22,243	15,827	15,208	49,765	49,974
Average allocated capital	1,080	1,079	1,992	1,790	1,436	1,418	4,508	4,287
Cost/income ratio	59.1%	59.3%	68.0%	66.3%	47.6%	46.2%	60.7%	59.6%
Return on allocated capital	22.8%	24.6%	6.3%	20.5%	-0.5%	9.5%	8.1%	17.9%
Total assets (eop)	42,390	40,288	57,162	57,178	36,067	31,436	135,619	128,901
Total liabilities excluding equity (eop)	40,151	38,815	53,021	53,212	19,351	13,812	112,524	105,839
Impairments and risk provisions	**-58.4**	**-19.3**	**-101.4**	**-21.7**	**-155.0**	**-140.1**	**-314.7**	**-181.1**
Net impairment loss on loans and receivables to credit institutions/customers	-58.7	-13.6	-91.0	-24.5	-129.7	-73.1	-279.4	-111.3
Net impairment loss on other financial assets not measured at fair value through profit or loss	1.9	-0.1	0.7	-0.8	9.1	0.0	11.7	-0.9
Allocations/releases of provisions for contingent credit risk liabilities	-0.7	-4.4	-10.7	4.1	-12.6	-61.3	-24.0	-61.6
Impairment of goodwill	0.0	0.0	-0.1	0.0	0.0	0.0	-0.1	0.0
Net impairment loss on other non-financial assets	-0.9	-1.1	-0.3	-0.5	-21.8	-5.7	-23.0	-7.3

Geographical area - Central and Eastern Europe

	Czech Republic		Romania		Slovakia		Hungary		Croatia		Serbia		Central and Eastern Europe	
in EUR million	**1-6 14**	**1-6 15**	**1-6 14**	**1-6 15**	**1-6 14**	**1-6 15**	**1-6 14**	**1-6 15**	**1-6 14**	**1-6 15**	**1-6 14**	**1-6 15**	**1-6 14**	**1-6 15**
Net interest income	462.7	450.9	257.6	220.0	220.1	225.7	139.0	110.6	130.1	133.8	16.0	19.9	1,225.4	1,161.0
Net fee and commission income	202.4	186.0	80.7	76.9	60.2	62.5	68.6	70.1	37.7	38.7	6.6	6.0	456.4	440.2
Dividend income	1.7	2.1	0.3	0.5	0.5	0.5	0.1	0.1	0.2	0.2	0.0	0.0	2.8	3.3
Net trading and fair value result	43.5	52.2	45.6	27.7	5.3	2.7	3.9	-3.5	12.3	2.3	0.9	1.9	111.5	83.2
Net result from equity method investments	0.0	0.0	-0.1	0.2	3.6	5.0	0.0	0.0	0.7	0.6	0.2	0.1	4.4	6.0
Rental income from investment properties & other operating leases	15.0	14.6	2.3	4.3	0.9	0.9	0.5	0.4	16.1	14.6	0.0	0.1	34.8	34.9
General administrative expenses	-329.6	-330.3	-158.5	-162.4	-129.9	-130.6	-83.6	-87.1	-89.0	-93.8	-18.8	-19.1	-809.3	-823.2
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	5.0	5.2	0.1	0.0	0.5	0.0	-2.5	-4.7	1.4	0.3	0.0	0.0	4.5	0.8
Net impairment loss on financial assets not measured at fair value through profit or loss	-69.9	-50.5	-292.6	-5.9	-26.2	-31.3	-61.6	-58.8	-82.2	-66.7	-4.7	-4.8	-537.1	-218.0
Other operating result	0.3	-21.0	-21.3	-10.0	-21.7	-18.0	-201.2	-58.5	-2.6	-3.9	-0.3	0.2	-246.8	-111.2
Levies on banking activities	0.0	0.0	0.0	0.0	-20.7	-11.6	-70.1	-65.6	0.0	0.0	0.0	0.0	-90.8	-77.1
Pre-tax result from continuing operations	**331.2**	**309.1**	**-85.7**	**151.2**	**113.3**	**117.4**	**-136.7**	**-31.4**	**24.6**	**26.3**	**-0.1**	**4.2**	**246.5**	**576.9**
Taxes on income	-64.9	-57.7	7.2	-21.8	-25.6	-27.7	-6.3	-3.7	-3.2	-4.9	0.6	0.0	-92.3	-115.8
Net result for the period	**266.2**	**251.4**	**-78.6**	**129.4**	**87.6**	**89.8**	**-142.9**	**-35.1**	**21.4**	**21.4**	**0.5**	**4.2**	**154.3**	**461.1**
Net result attributable to non-controlling interests	2.9	2.4	-5.0	8.3	0.0	0.0	0.0	0.0	7.1	7.5	0.0	0.8	5.0	19.1
Net result attributable to owners of the parent	**263.4**	**249.0**	**-73.6**	**121.1**	**87.6**	**89.8**	**-142.9**	**-35.1**	**14.3**	**13.8**	**0.5**	**3.4**	**149.3**	**442.0**
Operating income	725.3	705.8	386.5	329.4	290.5	297.4	212.2	177.7	197.0	190.3	23.8	28.0	1,835.3	1,728.6
Operating expenses	-329.6	-330.3	-158.5	-162.4	-129.9	-130.6	-83.6	-87.1	-89.0	-93.8	-18.8	-19.1	-809.3	-823.2
Operating result	**395.7**	**375.5**	**228.0**	**167.1**	**160.6**	**166.8**	**128.6**	**90.7**	**108.0**	**96.5**	**5.0**	**8.9**	**1,026.0**	**905.4**
Risk-weighted assets (credit risk, eop)	13,388	14,124	6,706	5,611	4,024	4,688	3,433	3,202	4,270	4,644	548	713	32,369	32,982
Average allocated capital	1,464	1,398	1,221	949	504	530	501	444	446	463	73	76	4,210	3,860
Cost/income ratio	45.4%	46.8%	41.0%	49.3%	44.7%	43.9%	39.4%	49.0%	45.2%	49.3%	79.1%	68.3%	44.1%	47.6%
Return on allocated capital	36.7%	36.3%	-13.0%	27.5%	35.1%	34.2%	-57.5%	-16.0%	9.7%	9.3%	1.3%	11.3%	7.4%	24.1%
Total assets (eop)	32,797	33,889	14,453	13,763	12,251	13,338	7,294	5,878	8,889	9,229	888	886	76,572	76,983
Total liabilities excluding equity (eop)	29,269	30,239	12,796	12,546	10,877	12,083	6,842	5,347	7,863	8,157	759	757	68,405	69,128
Impairments and risk provisions	**-61.7**	**-47.8**	**-295.2**	**-4.3**	**-25.6**	**-33.1**	**-62.4**	**-58.7**	**-84.5**	**-67.7**	**-5.1**	**-4.6**	**-534.4**	**-216.2**
Net impairment loss on loans and receivables to credit institutions/customers	-69.8	-50.7	-292.6	-5.9	-26.2	-31.3	-61.6	-58.8	-81.4	-66.7	-4.7	-4.8	-536.3	-218.2
Net impairment loss on other financial assets not measured at fair value through profit or loss	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	-0.8	0.0	0.0	0.0	-0.8	0.1
Allocations/releases of provisions for contingent credit risk liabilities	2.1	-2.0	0.1	2.2	0.4	-0.8	0.4	0.3	-1.8	-1.5	-0.1	0.3	1.1	-1.5
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non-financial assets	6.1	4.7	-2.7	-0.6	0.2	-1.0	-1.2	-0.2	-0.5	0.5	-0.3	-0.1	1.5	3.3

27. Risk management

It is a core function of every bank to take risks in a conscious and selective manner and to manage such risks professionally. Erste Group's proactive risk policy and strategy aims at achieving balanced risk and return in order to generate a sustainable and adequate return on equity. Concerning risk policy and strategy as well as regarding risk management organisation, reference is made to the chapter of the same name in the annual report 2014.

Current regulatory topics

Regulatory scope of consolidation and institutional protection scheme

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

The Austrian savings banks are included as subsidiaries in Erste Group's regulatory scope of consolidation based on the cross-guarantee contracts 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.

Regulatory capital

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

The disclosure requirements for the regulatory capital and regulatory capital requirements were published in the Official Journal of the European Union on 20 December 2013. Erste Group has adapted the charts accordingly and publishes the details of the regulatory capital and regulatory capital requirements in the Note 32. Positions that are not relevant for Erste Group or do not have any impact on the capital ratios are not shown. With the approval granted by the European Central Bank on 4 August 2015, Erste Group considers the interim profit within its own funds.

Own funds according to CRR consist of common equity tier 1 (CET1), additional tier 1 (AT1) and tier 2 (T2). In order to determine the capital ratios, each respective capital component, after applying 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. No additional capital buffers were required for the reporting date 30 June 2015.

Leverage ratio

The leverage ratio represents the relationship between core capital (tier 1) and the 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.

As of 30 June 2015, the leverage ratio for Erste Group Bank AG at consolidated level amounted to 5.6% (Basel 3 final), comfortably above the required minimum of 3.0%.

Based on the revised framework for the calculation and disclosure of the leverage ratio published by the Basel Committee on Banking Supervision 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 in the European Union will be implemented in Erste Group during the course of 2015.

Credit risk

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

Low risk

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

Management attention

Vulnerable non-retail clients, which may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium-term. Retail clients with limited savings or probable payment problems in the past triggering early collection reminders. These clients typically have a good recent history.

Substandard

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

Non-performing

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

For purposes of analysing non-performing positions, Erste Group applies the 'customer view' in Austria. Accordingly, if a customer defaults on one product then all of that customer's performing products are classified as non-performing. For corporate borrowers in CEE, the customer view is also applied. However, in the Retail and SME segment in some subsidiaries in CEE, Erste Group uses the 'product view', so that only the product actually in default is counted as a NPL whereas the other products of the same customer are considered performing.

Credit risk exposure

Credit risk exposure relates to the following balance sheet items:

- 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,
- Derivatives - hedge accounting, 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 gross carrying amount of the credit risk exposure increased by 1.2% or EUR 2.6 billion from EUR 210.9 billion as of 31 December 2014 to EUR 213.5 billion as of 30 June 2015.

The following table shows the 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	Net carrying amount
As of 30 Jun 2015			
Cash and cash balances - other demand deposits	591	0	591
Loans and receivables to credit institutions	8,792	17	8,775
Loans and receivables to customers	130,390	6,887	123,504
Financial assets - held to maturity	17,951	2	17,949
Financial assets - held for trading	3,251	0	3,251
Financial assets - at fair value through profit or loss	94	0	94
Financial assets - available for sale	20,571	0	20,571
Positive fair value of derivatives	7,795	0	7,795
Contingent credit risk liabilities	24,093	246	--
Total	**213,528**	**7,151**	**182,529**
As of 31 Dec 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 credit risk 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.

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

_ by Basel 3 exposure class and financial instrument,
_ by industry (NACE) and risk category,
_ by country of risk and risk category,
_ by business segment and risk category and
_ by geographical segment and risk category.

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

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

Credit risk exposure

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

Credit risk exposure by Basel 3 exposure class and financial instrument

in EUR million	Cash and cash balances - other demand deposits	Loans and receivables to credit institutions	Loans and receivables to customers	Debt securities: Financial assets - held to maturity	Debt securities: Financial assets - held for trading	Debt securities: Financial assets - at fair value through profit or loss	Debt securities: Financial assets - available-for-sale	Positive fair value of derivatives	Contingent credit risk liabilities	Gross exposure
		At amortised cost			At fair value					
As of 30 Jun 2015										
Sovereigns	58	1,519	7,572	16,650	2,512	16	16,287	416	1,400	46,429
Institutions	524	6,757	273	780	433	51	2,089	7,175	266	18,348
Corporates	9	483	57,214	521	306	26	2,132	202	16,755	77,649
Retail	0	33	65,332	0	0	0	63	2	5,672	71,102
Total	**591**	**8,792**	**130,390**	**17,951**	**3,251**	**94**	**20,571**	**7,795**	**24,093**	**213,528**
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**

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

Credit risk exposure by industry (NACE) and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 30 June 2015					
Agriculture and forestry	1,682	427	47	232	2,388
Mining	637	38	48	37	760
Manufacturing	10,797	1,505	261	1,430	13,993
Energy and water supply	3,478	495	52	172	4,197
Construction	7,224	1,340	103	1,371	10,038
Development of building projects	3,268	548	19	651	4,486
Trade	7,539	1,491	168	1,149	10,347
Transport and communication	5,286	531	59	243	6,119
Hotels and restaurants	2,396	850	203	718	4,168
Financial and insurance services	29,679	878	121	470	31,148
Holding companies	5,070	85	51	312	5,519
Real estate and housing	18,813	2,585	485	1,279	23,162
Services	5,186	951	115	429	6,682
Public administration	38,804	724	3	14	39,544
Education, health and art	2,249	510	50	265	3,074
Households	46,823	6,237	1,234	2,664	56,958
Other	430	75	429	16	950
Total	**181,023**	**18,638**	**3,378**	**10,488**	**213,528**
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
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 country of risk and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 30 June 2015					
Core markets	**148,862**	**16,847**	**3,019**	**9,327**	**178,055**
Austria	79,168	8,777	1,433	2,958	92,335
Czech Republic	29,249	2,590	422	1,013	33,274
Romania	11,292	2,102	443	2,031	15,867
Slovakia	15,969	816	281	573	17,639
Hungary	5,487	1,083	196	945	7,711
Croatia	7,075	1,198	228	1,644	10,146
Serbia	622	280	17	163	1,083
Other EU	**25,321**	**1,176**	**204**	**640**	**27,340**
Other industrialised countries	**3,919**	**237**	**60**	**78**	**4,294**
Emerging markets	**2,921**	**379**	**95**	**443**	**3,838**
Southeastern Europe/CIS	1,375	290	95	413	2,173
Asia	1,036	36	1	14	1,087
Latin America	56	19	0	3	78
Middle East/Africa	455	34	0	12	501
Total	**181,023**	**18,638**	**3,378**	**10,488**	**213,528**
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
Czech Republic	28,309	2,562	426	1,025	32,322
Romania	11,234	1,960	465	2,309	15,967
Slovakia	14,838	775	242	581	16,436
Hungary	5,180	1,059	252	1,352	7,843
Croatia	6,889	1,234	339	1,584	10,045
Serbia	706	313	81	175	1,275
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**
Southeastern 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**

The change in credit risk exposure by EUR 2.6 billion reflects a rise of EUR 2.4 billion, or 1.4%, in the core markets, coupled with an increase of EUR 53 million, or 0.2%, in the other EU member states (EU 28 excluding core markets) and a growth of EUR 177 million, or 4.3%, in other industrialised countries, as well as a decrease of EUR 73 million, or 1.9%, in emerging markets. The Erste Group's core markets and other EU countries account for 96.2% of total credit risk exposure as of 30 June 2015. At 1.8% of the group's total, credit risk exposure in emerging markets remains of minor significance.

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.

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. The following tables show the credit risk exposure of Erste Group broken down by reporting segments and risk category.

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 30 June 2015					
Retail	44,022	5,035	1,152	2,511	52,721
Small and Medium Enterprises	22,830	2,963	321	2,251	28,365
Asset/Liability Management and Local Corporate Center	26,663	362	140	28	27,193
Savings Banks	43,760	7,073	971	2,458	54,262
Large Corporates	16,250	1,244	110	1,242	18,847
Commercial Real Estate	6,098	1,105	416	1,848	9,467
Other Corporate	2,366	317	52	110	2,845
Group Markets	18,212	446	72	25	18,755
Group Corporate Center	821	94	144	15	1,073
Total	**181,023**	**18,638**	**3,378**	**10,488**	**213,528**
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 30 June 2015					
Austria	107,506	11,347	1,886	4,988	125,727
Erste Bank Oesterreich & Subsidiaries	33,386	2,898	418	1,009	37,711
Savings Banks	43,760	7,073	971	2,458	54,262
Other Austria	30,361	1,376	497	1,520	33,754
Central and Eastern Europe	64,486	7,107	1,348	5,451	78,393
Czech Republic	29,933	2,327	324	829	33,413
Romania	9,904	1,946	400	1,922	14,173
Slovakia	12,909	619	211	472	14,212
Hungary	4,122	836	148	824	5,930
Croatia	7,037	1,146	258	1,321	9,762
Serbia	581	233	7	83	904
Other	9,031	184	144	50	9,408
Total	**181,023**	**18,638**	**3,378**	**10,488**	**213,528**
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**

Loans and receivables to customers

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

Loans and receivables to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross customer loans
As of 30 June 2015					
Retail	39,527	4,703	1,125	2,487	47,842
Small and Medium Enterprises	16,595	2,558	289	2,189	21,631
Asset/Liability Management and Local Corporate Center	165	7	1	18	190
Savings Banks	29,819	6,155	764	2,380	39,118
Large Corporates	8,519	899	55	1,072	10,545
Commercial Real Estate	5,531	1,001	380	1,825	8,738
Other Corporate	1,255	142	50	95	1,542
Group Markets	426	34	52	21	532
Group Corporate Center	146	37	55	15	253
Total	**101,982**	**15,537**	**2,769**	**10,102**	**130,390**
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 30 June 2015					
Austria	65,552	9,689	1,466	4,767	81,474
Erste Bank Oesterreich & Subsidiaries	25,862	2,509	262	942	29,575
Savings Banks	29,819	6,155	764	2,380	39,118
Other Austria	9,871	1,025	440	1,445	12,782
Central and Eastern Europe	36,260	5,765	1,248	5,285	48,559
Czech Republic	16,453	1,818	308	806	19,384
Romania	5,033	1,576	349	1,860	8,819
Slovakia	7,848	555	197	413	9,012
Hungary	2,092	716	148	821	3,777
Croatia	4,373	1,021	242	1,303	6,940
Serbia	461	79	6	81	627
Other	171	82	55	50	357
Total	**101,982**	**15,537**	**2,769**	**10,102**	**130,390**
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**

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

in EUR million	Non-performing loans	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (exc collateral)
As of 30 June 2015					
Retail	2,487	47,842	1,926	5.2%	77.5%
Small and Medium Enterprises	2,189	21,631	1,389	10.1%	63.5%
Asset/Liability Management and Local Corporate Center	18	190	12	9.6%	64.5%
Savings Banks	2,380	39,118	1,461	6.1%	61.4%
Large Corporates	1,072	10,545	910	10.2%	84.9%
Commercial Real Estate	1,825	8,738	1,090	20.9%	59.7%
Other Corporate	95	1,542	53	6.2%	55.2%
Group Markets	21	532	8	3.9%	36.3%
Group Corporate Center	15	253	38	5.8%	258.8%
Total	**10,102**	**130,390**	**6,887**	**7.7%**	**68.2%**
As of 31 December 2014					
Retail	2,938	47,044	2,360	6.2%	80.3%
Small and Medium Enterprises	2,275	21,213	1,462	10.7%	64.3%
Asset/Liability Management and Local Corporate Center	21	162	24	13.1%	113.2%
Savings Banks	2,441	38,568	1,561	6.3%	64.0%
Large Corporates	1,170	9,952	898	11.8%	76.7%
Commercial Real Estate	1,942	9,271	1,135	20.9%	58.4%
Other Corporate	72	1,721	43	4.2%	59.4%
Group Markets	0	104	1	0.1%	814.7%
Group Corporate Center	18	290	7	6.2%	38.2%
Total	**10,878**	**128,325**	**7,491**	**8.5%**	**68.9%**

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

in EUR million	Non-performing loans	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (exc collateral)
As of 30 June 2015					
Austria	4,767	81,474	2,966	5.9%	62.2%
Erste Bank Oesterreich & Subsidiaries	942	29,575	583	3.2%	61.9%
Savings Banks	2,380	39,118	1,461	6.1%	61.4%
Other Austria	1,445	12,782	922	11.3%	63.8%
Central and Eastern Europe	5,285	48,559	3,865	10.9%	73.1%
Czech Republic	806	19,384	650	4.2%	80.7%
Romania	1,860	8,819	1,570	21.1%	84.4%
Slovakia	413	9,012	353	4.6%	85.6%
Hungary	821	3,777	404	21.7%	49.2%
Croatia	1,303	6,940	820	18.8%	62.9%
Serbia	81	627	67	13.0%	82.5%
Other	50	357	56	13.9%	111.9%
Total	**10,102**	**130,390**	**6,887**	**7.7%**	**68.2%**
As of 31 December 2014					
Austria	4,936	80,117	3,120	6.2%	63.2%
Erste Bank Oesterreich & Subsidiaries	1,012	28,963	697	3.5%	68.9%
Savings Banks	2,441	38,568	1,561	6.3%	64.0%
Other Austria	1,483	12,585	862	11.8%	58.1%
Central and Eastern Europe	5,883	47,815	4,325	12.3%	73.5%
Czech Republic	821	18,676	654	4.4%	79.7%
Romania	2,138	9,007	1,758	23.7%	82.2%
Slovakia	422	8,383	348	5.0%	82.4%
Hungary	1,157	4,308	740	26.8%	64.0%
Croatia	1,262	6,853	762	18.4%	60.4%
Serbia	83	588	63	14.1%	75.8%
Other	60	392	45	15.2%	75.6%
Total	**10,878**	**128,325**	**7,491**	**8.5%**	**68.9%**

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

Loans and receivables to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Gross customer loans
As of 30 June 2015						
Austria	71,144	0	6,812	1,896	1,622	81,474
Erste Bank Oesterreich & Subsidiaries	26,725	0	2,627	62	160	29,575
Savings Banks	34,247	0	4,012	87	771	39,118
Other Austria	10,172	0	173	1,747	690	12,782
Central and Eastern Europe	21,048	26,046	942	409	113	48,559
Czech Republic	1,666	17,561	4	81	73	19,384
Romania	4,844	3,779	0	189	7	8,819
Slovakia	8,963	0	0	22	27	9,012
Hungary	533	2,891	311	36	6	3,777
Croatia	4,593	1,661	610	76	0	6,940
Serbia	449	154	18	6	0	627
Other	277	17	5	58	0	357
Total	**92,469**	**26,063**	**7,759**	**2,363**	**1,736**	**130,390**
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**

Market risk

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

in EUR million	Dec 14	Jun 15
Interest	1.9	2.7
Currency	0.9	0.8
Shares	2.4	1.2
Commodity	0.2	0.2
Volatility	0.3	0.9
Total	**4.0**	**3.2**

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

Liquidity risk

In Erste Group Group's liquidity strategy for 2015 long-term issuance of EUR 2.5 billion is planned. The issuance plan for 2015 is focused on covered bonds (more than 50%) while the remaining amount is split equally between senior unsecured and Tier 2 bonds. Year-to-date issuance amounts to EUR 1.2 billion consisting of EUR 520 million in covered bonds, EUR 280 million in tier 2 bonds, and around EUR 400 million in senior unsecured debt. The issuance activity slowed considerably in the second quarter of 2015 due to volatile interest rates, the bail-in of Heta Asset Resolution AG and the uncertainty caused by the Greek debt negotiations. The currently good liquidity situation of Erste Group allows us to wait for better market conditions and to issue securities later this year.

28. Related party transactions

The foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung ('Privatstiftung') controls a total of 29.89% interest in Erste Group Bank AG. This makes the Privatstiftung the largest single investor in Erste Group Bank AG. Erste Group had, in relation to Privatstiftung, accounts payable of EUR 30.9 million (EUR 262.6 million) and accounts receivable of EUR 26.5 million (EUR 26.5 million). In addition, standard derivative transactions for hedging purposes were in place between Erste Group and Privatstiftung, namely interest rate swaps with caps in the notional amount of EUR 282.0 million (EUR 282.0 million). Furthermore, Privatstiftung held bonds issued by Erste Group Bank AG in the amount of EUR 9.5 million (EUR 0.2 million). Erste Group held debt securities issued by Privatstiftung in the amount of EUR 2.1 million (EUR 3.7 million). The interest income of Erste Group in the first half year of 2015 amounted to EUR 6.1 million (cumulated in 2014: EUR 12.5 million) while the interest expenses amounted to EUR 3.8 million (cumulated in 2014: EUR 8.6 million), resulting from the above mentioned accounts receivable and accounts payable as well as derivative transactions and debt securities.

29. Contingent liabilities - 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:

Hungarian holocaust litigation

With the United States Court of Appeals for the Seventh Circuit affirming in January 2015 the judgement of the Federal District Court from January 2014 entering judgment in favor of Erste Group Bank by dismissing the claims on forum non conveniens grounds, and the passing of the deadline for the plaintiffs to request Certiorari from the US Supreme Court, Erste Group Bank considers this case as terminated. In 2010 a group of plaintiffs had filed a putative class action complaint, in a Federal court in Chicago, on behalf of alleged victims of the Holocaust or their heirs, alleging that several Hungarian banks improperly benefited from the seizure of assets of Jewish customers during Second World War II. The assets claimed total USD 2 billion in 1944 dollars. Although Erste Group Bank was not alleged to have participated in the alleged misappropriation of Jewish assets, it was nevertheless named as a defendant in the litigation, as plaintiffs alleged that Erste Group Bank is the legal successor to a number of banks that were active during that time in Greater Hungary. Erste Group Bank has denied all of the material allegations against it, including, but not limited to, allegations of successorship.

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 six individual litigation claims filed by the local consumer protection authority, in each case on behalf of several borrowers. In the second quarter of 2015, the court of first instance took a decision in the first of these six cases, and decided in favour of BCR, against which an appeal was filed. Further first instance decisions are expected in some of the other cases over the remainder of the year. 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. BCR has also taken legal steps against the law on which such effect might be grounded. 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 organisation 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.

Corporate Bond investors`s prospectus claims

In 2014 and in the first half of 2015 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. On 24 July 2015 Land Salzburg announced that it is taking legal action against EBOe with a claims amount of EUR 88.6 million. No claim has been served yet.

30. Fair value of assets and liablilities

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

Where 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 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. Yield curves, credit spreads and implied volatilities are typically used as observable market parameters for Level 2 valuations.

In some cases, the fair value cannot be determined on the basis of sufficiently frequent quoted market prices or 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. Besides observable parameters, Level 3 valuations typically use credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures, as unobservable parameters.

Fair values of financial instruments

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

The measurement of fair value at Erste Group is based primarily on external sources of data (stock market prices or broker quotes in highly liquid market segments). Financial instruments for which 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 the valuation models and inputs

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.

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 and loss under the fair value option is determined in consistency with similar instruments held as assets. The spread adjustment for Erste Group's own credit risk is derived from buy-back levels of own issuances. Techniques for equity securities may also include models based on earnings multiples.

OTC-derivative financial instruments. Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps 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 debt value adjustments (DVA) for the own default credit risk are applied to OTC derivatives. For the CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and Erste Group's credit quality. Erste Group has implemented an approach, where the modeling of the expected exposure is based on option replication strategies. 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 cumulative CVA-adjustments amounts to EUR -44.6 million and the total DVA-adjustment amounts to EUR 12.3 million.

Description of the valuation process for fair value measurements categorised as Level 3

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

The responsibility for valuation of a position 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 determination 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

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

in EUR million	Quoted market prices in active markets (Level 1)		Marked to model based on observable market data (Level 2)		Marked to model based on non-observable inputs (Level 3)		Total	
	Dec 14	Jun 15	Dec 14	Jun 15	Dec 14	Jun 15	Dec 14	Jun 15
Assets								
Financial assets - held for trading	2,363	2,764	8,038	6,135	130	123	10,531	9,022
Derivatives	1	4	7,048	5,495	124	115	7,173	5,613
Other trading assets	2,361	2,760	990	640	6	8	3,357	3,409
Financial assets - at fair value through profit or loss	52	91	258	135	39	43	349	269
Financial assets - available for sale	16,915	17,684	4,963	3,661	428	391	22,306	21,736
Derivatives - hedge accounting	0	0	2,866	2,181	6	0	2,872	2,181
Assets held for sale	0	0	53	0	0	0	53	0
Total assets	**19,330**	**20,539**	**16,178**	**12,113**	**603**	**557**	**36,111**	**33,209**
Liabilities								
Financial liabilities - held for trading	340	479	7,407	6,149	0	5	7,746	6,632
Derivatives	4	37	7,184	5,834	0	5	7,188	5,875
Other trading liabilities	336	442	222	316	0	0	558	758
Financial liabilities - at fair value through profit or loss	0	0	2,073	1,881	0	0	2,073	1,881
Deposits from customers	0	0	320	237	0	0	320	237
Debt securities issued	0	0	1,753	1,644	0	0	1,753	1,644
Other financial liabilities	0	0	0	0	0	0	0	0
Derivatives - hedge accounting	0	0	726	638	0	0	726	639
Total liabilities	**340**	**479**	**10,206**	**8,669**	**0**	**5**	**10,545**	**9,152**

According to the chosen method for the allocation of positions to levels all levels and level changes are reflected at the end of the respective reporting period.

Changes in volumes of Level 1 and Level 2

The following table shows the changes in volumes of Level 1 and Level 2 of financial instruments measured at fair value in the asset side of the balance sheet.

in EUR million	As of 31 Dec 2014		As of 30 Jun 2015	
	Level 1	Level 2	Level 1	Level 2
Securities				
Net transfer from Level 1	0	-416	0	-778
Net transfer from Level 2	416	0	778	0
Net transfer from Level 3	64	-152	-1	15
Purchases/sales/expiries	2,049	-3,015	428	-1,750
Changes in derivatives	-14	1,740	3	-1,553
Total year-to-date change	**2,515**	**-1,843**	**1,209**	**-4,066**

In the first half year of 2015 the total amount of level 1 financial assets increased by EUR 1,209 million compared to December 2014. The change in volume of Level 1 securities (increase by EUR 1,205 million) was determined on the one hand by matured assets in the amount of EUR 1,168 million and sold assets in the amount of EUR 117 million, on the other hand by new investments in the amount of EUR 1,653 million. The decrease in volume for securities that were allocated to Level 1 at both reporting dates amounted to EUR 348 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 956 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by financial institutions in the amount of EUR 513 million, securities issued by governments in the amount of EUR 176 million and securities from corporates in the amount of 267 million. Due to lower market activity and change to modelled fair value, securities in total of EUR 178 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by financial institutions in the amount of 96 million and securities from governments in the amount of EUR 66 million. The reclassification of securities of corporates amounted to EUR 16 million.

In the first half of 2015 securities in the amount of EUR 497 million were sold, securities in the amount of EUR 2,731 million matured.

Movements in Level 3 of financial instruments measured at fair value

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

in EUR million	As of	Gain/loss in profit or loss	Gain/loss in other compre-hensive income	Purchases	Sales/ settlements	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	As of
	Dec 14										**Jun 15**
Assets											
Financial assets - held for trading	130	2	0	5	-4	0	0	6	-16	1	123
Derivatives	124	1	0	2	-3	0	0	6	-16	1	115
Other trading assets	6	0	0	2	-1	0	0	0	0	0	8
Financial assets - at fair value through profit or loss	39	0	0	0	-9	0	0	14	-2	0	43
Financial assets - available-for-sale	428	1	11	38	-77	0	-1	30	-40	0	391
Derivatives - hedge accounting	6	-3	0	0	0	0	0	0	-3	0	0
Total assets	**603**	**0**	**11**	**43**	**-90**	**0**	**-1**	**50**	**-61**	**1**	**557**
	Dec 13										**Jun 14**
Assets											
Financial assets - held for trading	96	-5	0	1	-1	0	0	1	0	0	92
Derivatives	96	-5	0	1	-1	0	0	0	0	0	91
Other trading assets	0	0	0	0	0	0	0	1	0	0	1
Financial assets - at fair value through profit or loss	56	-3	0	0	-3	0	0	0	0	0	51
Financial assets - available-for-sale	248	3	4	7	-62	1	0	5	0	2	208
Derivatives - hedge accounting	0	0	0	0	0	0	0	11	0	0	11
Total assets	**400**	-6	**4**	**9**	**-65**	**1**	**0**	**18**	**0**	**2**	**362**

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.

At the end of the second quarter of 2015 a net amount of EUR 11 million was reclassified from Level 3 to Level 2.

The decrease of Level 3 derivatives was mainly caused by lower market values combined with lower CVA Adjustments, based on non-observable inputs in the case of Level 3 Derivatives. Furthermore some Level 3 derivatives matured or were terminated.

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

in EUR million	Gain/loss in profit or loss 1-6 14	Gain/loss in profit or loss 1-6 15
Assets		
Financial assets - held for trading	5.7	5.9
Derivatives	5.5	5.7
Other trading assets	0.3	0.2
Financial assets - at fair value through profit or loss	0.7	0.0
Derivatives - hedge accounting	0.0	0.0
Total	**6.5**	**5.9**

The volume of Level 3 financial assets can be allocated to the following two categories:

_ Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).
_ Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.

Unobservable inputs and sensitivity analysis for Level 3 measurements

The range of unobservable valuation parameters used in Level 3 measurements is shown in the following table:

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
As of 30 June 2015					
Positive fair value of derivatives	Forwards, swaps, options	114.7	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	1.1% - 100% (15. 5%)
				LGD	60%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	18.7	Discounted cash flow	Credit spread	1.1% – 7.3% (5.7%)
Financial assets - available for sale	Fixed and variable coupon bonds	275.3	Discounted cash flow	Credit spread	0.1% – 9.9% (2.1%)
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%)

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

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

	Positive fair value changes when applying alternative valuation parameters		Negative fair value changes when applying alternative valuation parameters	
in EUR million	Dec 14	Jun 15	Dec 14	Jun 15
Derivatives	10.2	9.6	-11.5	-11.0
Income statement	10.2	9.6	-11.5	-11.0
Other comprehensive income	0.0	0.0	0.0	0.0
Debt securities	23.3	20.6	-31.1	-27.5
Income statement	0.9	3.2	-1.2	-4.3
Other comprehensive income	22.4	17.4	-29.9	-23.2
Equity instruments	1.3	1.4	-2.7	-2.8
Income statement	0.4	0.4	-0.8	-0.8
Other comprehensive income	0.9	1.0	-1.9	-2.0
Total	**34.8**	**31.6**	**-45.3**	**-41.3**
Income statement	**11.5**	**13.2**	**-13.5**	**-16.1**
Other comprehensive income	**23.2**	**18.4**	**-31.8**	**-25.2**

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 whose fair value is disclosed in the notes

	As of 31 December 2014		As of 30 June 2015	
in EUR million	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash balances	7,835	7,835	7,011	7,011
Financial assets - held to maturity	16,877	18,876	17,949	19,008
Loans and receivables to credit institutions	7,442	7,974	8,775	8,825
Loans and receivables to customers	120,834	124,560	123,504	123,394
Liabilities				
Financial liabilities measured at amortised cost	166,921	166,976	168,769	168,263
Deposits from banks	14,803	15,035	15,704	15,460
Deposits from customers	122,263	122,087	124,296	125,021
Debt securities issued	29,387	29,372	28,270	27,248
Other financial liabilities	469	482	497	535
Financial guarantees and commitments				
Financial guarantees	n/a	-346	n/a	-199
Irrevocable commitments	n/a	-155	n/a	-57

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

	1-6 14	1-6 15
Domestic	**15,701**	**15,578**
Erste Group, EB Oesterreich and subsidiaries	8,475	8,400
Haftungsverbund savings banks	7,226	7,179
Abroad	**30,348**	**31,037**
Česká spořitelna Group	10,455	10,556
Banca Comercială Română Group	7,062	7,073
Slovenská sporiteľňa Group	4,211	4,280
Erste Bank Hungary Group	2,798	2,942
Erste Bank Croatia Group	2,675	2,817
Erste Bank Serbia Group	986	969
Erste Bank Ukraine	0	0
Savings banks subsidiaries	1,143	1,196
Other subsidiaries and foreign branch offices	1,018	1,204
Total	**46,049**	**46,615**

32. Regulatory capital and capital requirements

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

in EUR million	Article pursuant to CRR	Dec 14		Jun 15	
		Phased-in	Final	Phased-in	Final
Common equity tier 1 capital (CET1)					
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	2,336	2,336	2,336	2,336
Own CET1 instruments	36 (1) (f), 42	-82	-82	-97	-97
Retained earnings	26 (1) (c), 26 (2)	8,130	8,130	8,112	8,112
Interim profit	26 (2)	0	0	385	385
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	-325	-325	-396	-396
Minority interest recognised in CET1	4 (1) (120) 84	3,078	3,078	3,304*	3,304*
Transitional adjustments due to additional minority interests	479, 480	102	0	59	0
Prudential filter: cash flow hedge reserve	33 (1) (a)	-118	-118	-77	-77
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	-54	-54	-48	-48
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	-16	-16
Value adjustments due to the requirements for prudent valuation	34, 105	-113	-113	-106	-106
Regulatory adjustments relating to unrealised gains and losses (60%)	467, 468	-992	-248	-500	-208
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	-587	-587
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	-103	-103	-74	-74
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-249	-249	-269	-269
Other transitional adjustments CET1	469 to 472, 478, 481	1,398	0	1,014	0
Goodwill (60%)		617	0	462	0
Other intangible assets (60%)		523	0	352	0
IRB shortfall of provisions to expected losses (60%)		199	0	161	0
Deferred tax assets that rely on future profitability and do not arise from temporary differences (90%)		58	0	38	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	-944	0	-646	0
Common equity tier 1 capital (CET1)	**50**	**10,623**	**10,811**	**11,623**	**11,488**
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	-13	0
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	0	0	0	0
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484 to 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	-895	0
Goodwill (40%)		-617	0	-462	0
Other intangible assets (40%)		-523	0	-352	0
IRB shortfall of provisions to expected losses (30%)		-100	0	-81	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	944	0	646	0
Additional tier 1 capital (AT1)	**61**	**0**	**0**	**0**	**0**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**10,623**	**10,811**	**11,623**	**11,488**

* includes interim profit of Saving Banks in the amount of EUR 124 million

The table will be continued on the subsequent page.

Continuation of the table:

in EUR million	Article pursuant to CRR	Dec 14 Phased-in	Dec 14 Final	Jun 15 Phased-in	Jun 15 Final
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**10,623**	**10,811**	**11,623**	**11,488**
Tier 2 capital (T2)					
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	4,197	4,197	4,415	4,415
Own T2 instruments	63 (b) (i), 66 (a), 67	-71	-71	-77	-77
Instruments issued by subsidiaries recognised in T2	87, 88	332	332	282	282
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	227	0	172	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	-81	0
IRB shortfall of provisions to expected losses (30%)		-100	0	-81	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	0	0	0	0
Tier 2 capital (T2)	**71**	**5,216**	**5,042**	**5,186**	**5,028**
Total own funds	**4 (1) (118) and 72**	**15,839**	**15,853**	**16,809**	**16,516**
Capital requirement	**92 (3), 95, 96, 98**	**8,047**	**8,150**	**8,022**	**8,121**
CET1 capital ratio	**92 (2) (a)**	**10.6%**	**10.6%**	**11.6%**	**11.3%**
Tier 1 capital ratio	**92 (2) (b)**	**10.6%**	**10.6%**	**11.6%**	**11.3%**
Total capital ratio	**92 (2) (c)**	**15.7%**	**15.6%**	**16.8%**	**16.3%**

The capital structure table above is based on EBA´s final draft for implementing technical standards on disclosure for own funds published in the Official Journal of the European Union on 20 December 2013. Positions not relevant for Erste Group are not shown. Basel 3 final figures (fully loaded) are calculated based on the current requirements according to CRR. Changes are possible due to final Regulatory Technical Standards (RTS) that are not yet available. The percentage rates of the transitional provisions refer to the current year.

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

in EUR million	Article pursuant to CRR	Dec 14 Calculation base/total risk	Dec 14 Capital requirement	Jun 15 Calculation base/total risk (phased-in)	Jun 15 Capital requirement (phased-in)
Total risk exposure amount	92 (3), 95, 96, 98	100,590	8,047	100,270	8,022
Risk-weighted assets (credit risk)	92 (3) (a) (f)	85,556	6,845	84,416	6,753
Standardised approach		17,244	1,379	16,430	1,314
IRB approach		68,313	5,465	67,987	5,439
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), (c) (i) and (iii), 92 (4) (b)	3,209	257	3,632	291
Operational risk	92 (3) (e) 92 (4) (b)	10,277	822	10,909	873
Exposure for CVA	92 (3) (d)	1,548	124	1,313	105
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	0	0	0	0

in EUR million	Article pursuant to CRR	Dec 14 Calculation base/total risk	Dec 14 Capital requirement	Jun 15 Calculation base/total risk (final)	Jun 15 Capital requirement (final)
Total risk exposure amount	92 (3), 95, 96, 98	101,870	8,150	101,516	8,121
Risk-weighted assets (credit risk)	92 (3) (a) (f)	86,836	6,947	85,663	6,853
Standardised approach		17,244	1,379	16,430	1,314
IRB approach		69,593	5,567	69,233	5,539
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), (c) (i) and (iii), 92 (4) (b)	3,209	257	3,632	291
Operational risk	92 (3) (e) 92 (4) (b)	10,277	822	10,909	873
Exposure for CVA	92 (3) (d)	1,548	124	1,313	105
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	0	0	0	0

33. Events after the reporting date

Erste Group has sold on 13 July 2015 its indirectly held minority stake in Österreichische Lotterien GmbH to Novomatic AG. The share purchase agreement has been concluded under the pre-condition of approval to transferability of the other shareholders of Österreichische Lotterien GmbH. Closing of the transaction is expected in August. The pre-tax result from continuing operations will be improved by approx. EUR 38 million in the second half of the year.

Banca Comercială Română has decided to sell significant part of the non-performing loan portfolio together with the part of the work-out unit – establishing new servicing unit. Currently there are negotiations in progress with potential investors regarding scope of the sale and price. Transaction is expected to be concluded till the year end 2015, however it is subject to regulatory approvals (National Bank of Romania and Antimonopoly Authority) which can potentially impact/ increase the execution timeline.

Statement of all legal representatives

We confirm to the best of our knowledge that the interim 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 important events that have occurred during the first six months of the financial year and their impact on the interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Vienna, 7 August 2015

The management board

Andreas Treichl, mp
Chairman

Gernot Mittendorfer, mp
Member

Andreas Gottschling, mp
Member

Peter Bosek, mp
Member

Jozef Síkela, mp
Member

Petr Brávek, mp
Member

Your Notes

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

Note regarding forward-looking statements

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

Shareholder Events

6 November 2015	Interim report Q3 2015
26 February 2016	Full-year preliminary results 2015
11 May 2016	Annual general meeting

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

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TICKER SYMBOLS

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Bloomberg:	EBS AV
Datastream:	O:ERS
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