ERSTE GROUP

Half year financial report 2013

KEY FINANCIAL AND SHARE DATA

in EUR million	1-6 13	1-6 12
Income statement		
Net interest income	2,431.2	2,651.7
Risk provisions for loans and advances	-831.8	-981.8
Net fee and commission income	895.9	865.5
Net trading result	160.5	121.5
General administrative expenses	-1,842.9	-1,887.4
Other result	-443.6	-41.8
Pre-tax profit/loss	369.3	727.7
Attributable to owners of the parent	**301.2**	**453.6**
Profitability ratios		
Net interest margin	2.7%	2.8%
Cost/income ratio	52.8%	51.9%
Return on equity	4.6%	7.2%
Earnings per share	0.59	0.98

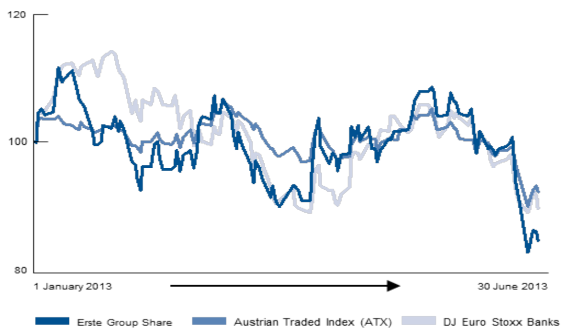
	Jun 13	Dec 12
Balance sheet		
Loans and advances to credit institutions	10,163	9,074
Loans and advances to customers	129,756	131,928
Risk provisions for loans and advances	-7,820	-7,644
Trading assets, derivative financial instruments	17,106	18,467
Financial assets	39,664	42,109
Sundry assets	21,332	19,890
Total assets	**210,201**	**213,824**
Deposits by banks	21,699	21,822
Customer deposits	122,513	123,053
Debt securities in issue	28,826	29,427
Trading liabilities, derivative financial instruments	8,151	11,359
Sundry liabilities	7,615	6,502
Subordinated liabilities	5,161	5,323
Total equity	16,234	16,338
Attributable to non-controlling interests	3,453	3,483
Attributable to owners of the parent	12,781	12,855
Total liabilities and equity	**210,201**	**213,824**
Changes in total qualifying capital		
Risk pursuant to section 22 (1) 1 Banking Act	87,317	90,434
Core tier-1 ratio – total risk (in %)	11.8	11.2
Tier-1 ratio – total risk (in %)	12.2	11.6
Solvency ratio (in %)	16.6	15.5

	1-6 13	1-6 12
Stock market data (Vienna Stock Exchange)		
High (EUR)	26.58	19.76
Low (EUR)	19.99	11.95
Closing price (EUR)	20.40	14.95
Market capitalisation (EUR billion)	8.05	5.89

Ratings as of 30 June 2013

Fitch	
Long term	A
Short term	F1
Outlook	Stable
Moody's Investors Service	
Long term	A3
Short term	P-2
Outlook	Negative
Standard & Poor's	
Long term	A
Short term	A-1
Outlook	Negative

Performance of the Erste Group Share (indexed)



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Highlights

_ **Net interest income decreased to EUR 2,431.2 million in H1 2013 (H1 2012: EUR 2,651.7 million) against the backdrop of a continuing challenging environment with subdued credit demand and low market interest rates. Net fee and commission income rose from EUR 865.5 million in H1 2012 to EUR 895.9 million and the net trading result from EUR 121.5 million to EUR 160.5 million on the back of higher income from the securities business.**

_ **Operating income amounted to EUR 3,487.6 million (-4.2% versus H1 2012: EUR 3,638.7 million). Strict cost management reduced general administrative expenses by 2.4%, from EUR 1,887.4 million to EUR 1,842.9 million in H1 2013. This led to an operating result of EUR 1,644.7 million (H1 2012: 1,751.3 million) and a cost/income ratio of 52.8% (H1 2012: 51.9%).**

_ **Risk costs showed a positive trend and declined by 15.3% to EUR 831.8 million, or 128 basis points of average customer loans in H1 2013, from EUR 981.8 million, or 146 basis points, in H1 2012. The NPL ratio rose to 9.7% as of 30 June 2013 (year-end 2012: 9.2%), driven by the decline in the loan book and NPL inflows in the commercial real estate business. The NPL coverage ratio stood at 61.7% (year-end 2012: 62.6%).**

_ **Other operating result amounted to EUR -397.7 million versus EUR -68.1 million in H1 2012. This development was largely attributable to the non-recurrence of – on balance – positive one-off effects in H1 2012 as well as to negative one-off effects (sale of Ukraine subsidiary, extraordinary tax and advance payment of banking tax in Hungary) in the amount of EUR 115.4 million in H1 2013. Banking and financial transaction taxes levied in Austria, Hungary and Slovakia had a negative impact of EUR 184.6 million (H1 2012: EUR 114.5 million). Taxes on income benefited from a positive one-off effect in the amount of EUR 127.7 million in Romania.**

_ **Net profit after minorities[1] amounted to EUR 301.2 million in H1 2013 versus a profit of EUR 453.6 million in the previous year that had been driven by one-off effects.**

_ **Shareholders' equity[2] remained almost unchanged at EUR 12.8 billion. Core tier 1 capital amounted to EUR 11.9 billion as of 30 June 2013 (year-end 2012: EUR 11.8 billion). The reduction of risk-weighted assets to EUR 100.9 billion (year-end 2012: EUR 105.3 billion) was primarily due to the deconsolidation of the Ukrainian subsidiary and lower exposure. The core tier 1 ratio (total risk; Basel 2.5) stood at 11.8% (year-end 2012: 11.2%); adjusted for the effects of the capital increase and the redemption of the participation capital it amounted to 10.7%.**

_ **The balance sheet total as of 30 June 2013 was EUR 210.2 billion. The slight decline year to date was primarily attributable to valuation changes, but also to declines in the customer business. The deposit base was largely stable at EUR 122.5 billion while loans and advances to customers declined to EUR 129.8 billion year to date. The latter reflected subdued loan demand in most business lines. The loan-to-deposit ratio improved to 105.9% as of 30 June 2013 (year-end 2012: 107.2%).**

[1] The term "net profit/loss for the period after minorities" corresponds to the term "net profit/loss for the period attributable to the owners of the parent".

[2] The term "shareholders' equity" corresponds to the term "total equity attributable to owners of the parent".

Letter from the CEO

Dear shareholders,

In the first half of 2013 Erste Group posted a net profit of EUR 301.2 million. This is a satisfactory result considering an operating environment that has become increasingly challenging for banks which do exactly what politicians and regulators would like them to do, i.e. taking deposits from and lending to real customers. The half year result was supported by the continued decline in risk costs on account of significant improvements in Romania, Austria, the Czech Republic and Slovakia, which more than offset a decline in pre-provision operating profit. A number of one-off effects almost cancelled each other out, hence not materially impacting the bottom line. Outstanding loan volume declined by 1.7% year-to-date, mainly driven by limited demand, while deposits, adjusted for one-off effects, rose year-to-date. Following the successful completion of the capital increase in early July, Erste Group will be the first Austrian bank to repay the participation capital in full in August 2013. Erste Group also strongly improved its capital position. Excluding retained earnings and adjusted for the capital increase and repayment of the participation capital our core tier 1 ratio (Basel 2.5) rose to 10.7%.

I would like to share some thoughts with you, especially on the rationale of early repayment of participation capital. For one, with general elections looming in Austria and bearing in mind the banking tax track record of the country the early repayment simply reduces political risk. Secondly, it immediately removes a significant burden on retained earnings, or put differently, our ability to generate capital improves by some 15 bps per year. This step, of course, also improves our ability to pay dividends in the future. Thirdly, it immediately lifts the stigma of being dependent on what many considered state aid and hence positively sets us apart from other competitors. Finally, we were able to reach an informal agreement with the relevant regulators which required us to commit to a fully loaded Basel 3 common equity tier 1 ratio of 10% by the end of 2014 and to do a partial equity replacement. The management and supervisory boards considered both prerequisites acceptable, in particular in light of the above-mentioned benefits and hence we seized the opportunity for early repayment.

Let's move to the business performance. Many of the operating trends observed in the first quarter of 2013 persisted in the second quarter: limited loan demand across most of our geographies, and if, mainly demand for low margin mortgages, and reinvestments of financial assets at generally lower yields all conspired against an improvement in net interest income, despite continuous liability re-pricing exercises. In terms of business lines, year-on-year declines were most prevalent in the Czech Republic, in Hungary and in the real estate business. In the Czech Republic this was due to lower business volumes, lower asset yields and the changed presentation of the pension fund. In Hungary it was the result of relentless deleveraging in the banking sector and in and in the real estate business it was attributable to planned lower new business volumes. In contrast to net interest income, net fee income advanced by 3.5% in the first half of 2013, mainly driven by the Austrian retail & SME business. The net trading result also improved significantly year-on-year. Overall, operating revenues declined by 4.2% in the first half of 2013. This development was only partially offset by a 2.4% decline in operating expenses.

The weak other operating result in the first half of 2013 was due to a one-off technical booking related to the Ukraine exit in the amount of EUR 75 million (pre-tax) and the following items in Hungary: an extraordinary financial transaction tax of EUR 16 million (pre-tax), the newly introduced and subsequently doubled regular financial transaction tax (EUR 12 million pre-tax) as well as the up-front booking of the full year amount of the regular Hungarian banking tax in the second quarter (additional EUR 25 million). These negative effects were offset by the release of a deferred tax liability in Romania in the amount of EUR 128 million, which shifted the tax line into positive territory.

Risk costs continued to decline, confirming the trends observed in the previous quarter: almost full normalisation in the Austrian, Czech and Slovak retail and SME businesses, strong improvements in Romania and continued high provisioning requirements in Hungary and the commercial real estate business. The NPL ratio increased from 9.2% at year-end 2012 to 9.7%, which resulted from a decline in the loan book despite substantially lower NPL inflows than in the first half of 2012; NPL inflows were mainly registered in the commercial real estate business and to a lesser degree in Romania in the first half of 2013. In Hungary the stock of NPL continued to decline, albeit at a slower rate than the overall loan book. The NPL coverage ratio, at 61.7%, remained above the target level of 60%.

From a macro point of view, it is encouraging that the spill over from the second quarter global emerging markets sell-off was rather limited in Central and Eastern Europe. This is a testament to the much improved macroeconomic fundamentals in the region, with limited external financing needs and mostly balanced current accounts. This was also reflected in broadly stable currencies. We therefore maintain our view that, in terms of GDP performance, a gradual recovery in most of our geographies in the second half of 2013 is still likely, in line with the market consensus expectation for a recovery in Europe overall. Such a trend is expected to underpin a revival in loan growth and lead to better business opportunities in the second half of 2013.

Andreas Treichl mp

Erste Group on the Capital Markets

EQUITY MARKET REVIEW

In the second quarter, international stock markets were once again influenced by the central banks' monetary policies. Early in the quarter, indexes continued their uptrend, albeit with little momentum. Especially the US equity market reached new highs amid a broad market rally and low volatility. Supported by the strength of key US markets and another rate cut by the ECB, European shares also traded higher. The German DAX index recorded a new all-time high and the Euro Stoxx 600 Index, which is composed of the biggest European companies, advanced across all sectors. In June, all stock markets experienced the realisation of capital gains in view of the uncertainty about the future policy of the US central bank (Fed), the lacklustre recovery of the US economy, and the ECB's lowered growth forecast for the euro zone. A number of European bank shares suffered significant losses.

On the positive side, the key drivers of stock market development were a lack of alternatives to equity investments given the low yields of sovereign bonds, the sharp decline in volatility over recent months, injection of liquidity by central banks, lower commodity prices, and stable guidance on corporate earnings. Among the negative factors were persistent uncertainty about the global economic outlook, the unresolved euro crisis and, most importantly, about the future monetary policies of major central banks such as the Fed, the ECB, the Bank of England, the Bank of Japan.

The Dow Jones Industrial Index rose 2.3% over the reporting period, closing at 14,909.60 points or 13.8% higher than at year-end 2012. The broader Standard & Poor's 500 Index was up 2.4% at 1,606.28 points in the second quarter, exceeding its previous highs and gaining 12.6% year to date. European shares kept lagging behind US markets due to the weakness of the euro zone economy and the unresolved euro crisis. The Euro Stoxx 600 Index declined by 3.0% in the second quarter to 285.02 points, which left it up only 1.9% year to date. In contrast to the positive performance of international markets, the Austrian Traded Index (ATX) dropped by 5.4% in the second quarter and 7.4% year to date to 2,223.98 points, which was partly attributable to the heavy weighting of Austrian banking shares in the index.

After the marked decline in valuations in the first quarter, European banking stocks initially benefited when the European Central Bank (ECB) cut its key interest rate to a record low of 0.5%. The possibility of the Fed's tapering its ultra-loose monetary policy and the EU finance ministers' negotiations about the introduction of a banking union including a tighter single supervisory mechanism and a single resolution mechanism for winding down failed banks, sent prices of European banking stocks lower. The Dow Jones Euro Stoxx Bank Index, which is composed of the leading European bank shares, declined by 13.0% to 101.39 points in June and closed the first half of 2013 on a loss of 9.8%.

PERFORMANCE OF THE ERSTE GROUP SHARE

As European bank stocks recovered in the first two months of the second quarter, the Erste Group share likewise snapped back to EUR 26.00, more than offsetting the losses sustained in the first quarter. After the announcement that Erste Group would fund part of the redemption of its participation capital through a capital increase and the release of a slightly weaker outlook for 2013, its share price came under downward pressure even though analysts left their mostly positive assessments (15 out of 26 analysts issued buy recommendations) unchanged and only adjusted their target prices. The Erste Group share closed the first half of the year at EUR 20.505, down 14.7% versus year-end 2012.

Erste Group's shares accounted for the largest volume traded on the Vienna Stock Exchange in the first half of 2013. Erste Group has also been traded on the Prague and Bucharest Stock Exchanges while over-the-counter (OTC) and electronic systems trades were also substantial.

FUNDING

Contrary to the past years Erste Group has not transacted a benchmark issue in the first half of the year. Considering the comfortable liquidity situation Erste Group decided to concentrate on retail issuances, the total amount of funding was approximately EUR 1 billion until end of June 2013.

INVESTOR RELATIONS

In the second quarter 2013, Erste Group's management and its investor relations team had a large number of one-on-one and group meetings and attended international banking and investor conferences. In talks and conferences, Erste Group presented its strategy and plans against the backdrop of the current economic environment. The presentation of the first-quarter results was followed by the spring road show in Europe and in the US.

Erste Group's investor relations team won the IR Magazine Europe's award for best investor relations in Austria for the third consecutive year.

Interim Management Report

In the interim management report, financial results from the first half of 2013 are compared with those from the first half of 2012. Unless stated otherwise, terms such as “in the previous year”, “2012” or “as of the first half of 2012” accordingly relate to the first half of 2012, and terms such as “this year”, “2013” or “as of the first half of 2013” relate to the first half of 2013. The term “net profit/ loss after minorities” corresponds with “net profit/ loss attributable to owners of the parent”.

EARNINGS PERFORMANCE IN BRIEF

Despite a reduction of operating costs, the **operating result** declined to EUR 1,644.7 million in the first half of 2013 (-6.1% versus EUR 1,751.3 million in H1 2012) due to lower operating income.

Operating income amounted to EUR 3,487.6 million in the first half of 2013 (H1 2012: EUR 3,638.7 million). The 4.2% decline was mainly due to lower net interest income (-8.3% to EUR 2,431.2 million), which was not fully offset by a rise in the net trading result (+32.1% to EUR 160.5 million) and higher net fee and commission income (+3.5% to EUR 895.9 million).

General administrative expenses were down 2.4% to EUR 1,842.9 million (H1 2012: EUR 1,887.4 million). This resulted in a cost/income ratio of 52.8% (H1 2012: 51.9%).

Net profit after minorities declined from EUR 453.6 million in the first half of 2012, which had benefited from – on balance – positive one-off effects, to EUR 301.2 million.

Cash return on equity, i.e. return on equity adjusted for non-cash expenses such as goodwill impairments and straight-line amortisation of customer relationships, stood at 5.3% (reported ROE: 4.6% versus 10.4% in the first half of 2012 (reported ROE: 7.2%). Cash earnings per share for the first half of 2013 amounted to EUR 0.71 (reported EPS: EUR 0.59) versus EUR 1.51 (reported EPS: EUR 0.98) in the first half of 2012.

Total assets, at EUR 210.2 billion, were down 1.7% versus year-end 2012. Risk-weighted assets declined by 4.2% to EUR 100.9 billion (year-end 2012: EUR 105.3 billion).

The **solvency ratio** improved to 16.6% as of 30 June 2013 (year-end 2012: 15.5%), well above the legal minimum requirement. The **core tier 1 ratio** relating to total risk and as defined by Basel 2.5, was 11.8% as of 30 June 2013 (year-end 2012: 11.2%).

OUTLOOK

Erste Group expects a slight improvement in economic performance for Central and Eastern Europe in the second half of 2013, even though growth rates in the region are expected to remain moderate. Erste Group expects the operating result to decline by up to 5% in 2013, due to expected lower operating income only being partially off-set by lower operating cost. The risk costs of Erste Group are estimated to decrease by approximately 10-15% in 2013, mainly due to the expected improvement of the risk situation in Romania. Banking taxes (excluding financial transaction taxes) in Austria, Slovakia and Hungary in the amount of approximately EUR 260 million pre-tax (approximately EUR 200 million post-tax) are expected to continue to adversely impact net profit in 2013. Erste Group continues to expect that its Romanian subsidiary BCR will return to profitability in 2013 (irrespective of the extraordinary tax effect).

PERFORMANCE IN DETAIL

in EUR million	1-6 13	1-6 12	Change
Net interest income	2,431.2	2,651.7	-8.3%
Risk provisions for loans and advances	-831.8	-981.8	-15.3%
Net fee and commission income	895.9	865.5	3.5%
Net trading result	160.5	121.5	32.1%
General administrative expenses	-1,842.9	-1,887.4	-2.4%
Other result	-443.6	-41.8	>100.0%
Pre-tax profit/loss	**369.3**	**727.7**	**-49.3%**
Net profit/loss for the period	**394.3**	**531.1**	**-25.8%**
Attributable to non-controlling interests	93.1	77.5	20.1%
Attributable to owners of the parent	**301.2**	**453.6**	**-33.6%**

Net interest income

Net interest income declined from EUR 2,651.7 million in the first half of 2012 to EUR 2,431.2 million in the first half of 2013, mainly due to the low interest rate environment and continuing subdued credit demand. At the same time, the net interest margin (net interest income as a percentage of average interest-bearing assets) contracted from 2.83% to 2.67%. Net interest income was also negatively impacted by the changed presentation of the result of the Czech pension fund, which since 2013 is no longer consolidated line by line in the P&L, but shown as one consolidated item in the other operating result. In the first half of 2013, the Czech pension fund would have made a contribution of EUR 20.0 million to net interest income (H1 2012: EUR 19.3 million).

Net fee and commission income

in EUR million	1-6 13	1-6 12	Change
Lending business	130.1	141.6	-8.1%
Payment transfers	438.4	427.0	2.7%
Card business	100.2	103.0	-2.7%
Securities transactions	203.1	173.4	17.1%
Investment fund transactions	99.3	92.8	7.0%
Custodial fees	34.3	15.5	>100.0%
Brokerage	69.5	65.1	6.8%
Insurance brokerage	47.5	45.1	5.3%
Building society brokerage	16.8	15.2	10.5%
Foreign exchange transactions	11.1	12.6	-11.9%
Investment banking business	8.8	5.7	54.4%
Other	40.1	44.9	-10.7%
Total	**895.9**	**865.5**	**3.5%**

Net fee and commission income grew primarily on the back of an improved securities business from EUR 865.5 million to EUR 895.9 million in the first half of 2013.

Net trading result

The **net trading result** improved from EUR 121.5 million in the first half of 2012 to EUR 160.5 million in the first half of 2013, mainly on the back of a significant improvement in securities trading.

General administrative expenses

in EUR million	1-6 13	1-6 12	Change
Personnel expenses	-1,126.5	-1,138.6	-1.1%
Other administrative expenses	-538.3	-565.0	-4.7%
Depreciation and amortisation	-178.1	-183.8	-3.1%
Total	**-1,842.9**	**-1,887.4**	**-2.4%**

General administrative expenses decreased by 2.4% (currency-adjusted: -1.9%) from EUR 1,887.4 million to EUR 1,842.9 million.

Personnel expenses declined by 1.1% (currency-adjusted -0.7%) from EUR 1,138.6 million to EUR 1,126.5 million due to a lower headcount. **Other administrative expenses** were reduced significantly, by 4.7% (currency-adjusted: -4.2%), from EUR 565.0 million to EUR 538.3 million. **Depreciation and amortisation** decreased by 3.1% (currency-adjusted -2.6%) from EUR 183.8 million to EUR 178.1 million.

The **headcount** declined by 6.1% versus year-end 2012 to 46,379 employees, mainly as a result of the sale of Erste Bank Ukraine and reorganisation measures.

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Headcount as of end of the period

	Jun 13	Dec 12	Change
Employed by Erste Group	**46,379**	**49,381**	**-6.1%**
Erste Group, EB Oesterreich and subsidiaries	8,492	8,612	-1.4%
Haftungsverbund savings banks	7,350	7,448	-1.3%
Česká spořitelna Group	10,621	11,014	-3.6%
Banca Comercială Română Group	7,313	8,289	-11.8%
Slovenská sporiteľňa Group	4,207	4,185	0.5%
Erste Bank Hungary Group	2,750	2,690	2.2%
Erste Bank Croatia Group	2,600	2,629	-1.1%
Erste Bank Serbia	931	944	-1.4%
Erste Bank Ukraine	0	1,530	na
Savings banks subsidiaries & foreign branch offices	1,124	1,145	-1.8%
Other subsidiaries and foreign branch offices	991	895	10.7%

Operating result

Driven by the decline in net interest income, operating income, at EUR 3,487.6 million, was down 4.2% in the first half of 2013 (H1 2012: EUR 3,638.7 million). General administrative expenses were reduced by 2.4% from EUR 1,887.4 million to EUR 1,842.9 million. This led to an **operating result** of EUR 1,644.7 million (H1 2012: EUR 1,751.3 million).

Risk provisions

Risk provisions (i.e. 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) decreased by 15.3% versus the first half of 2012, from EUR 981.8 million to EUR 831.8 million. This was mostly attributable to a significant decline in risk costs in Romania and further improvements of the risk situation in the Czech Republic, Slovakia and Austria, which more than offset the deterioration in the commercial real estate business. In the first half of 2013, risk costs in relation to average customer loans were 128 basis points (H1 2012: 146 basis points).

Other operating result

Other operating result declined from EUR -68.1 million in the first half of 2012 to EUR -397.7 million in the first half of 2013. In the previous year, this item had been mainly driven by one-off income of EUR 413.2 million from the buyback of tier 1 and tier 2 instruments and a goodwill adjustment for Banca Comerciala Romana in the amount of EUR 210.0 million. In the first half of 2013, a goodwill adjustment for Erste Bank Croatia was recognised in the amount of EUR 21.9 million.

Other taxes rose from EUR 127.5 million to EUR 197.1 million in the first half of 2013. A large proportion – EUR 80.4 million – of these was levied in Hungary and comprised the following items: an extraordinary financial transaction tax of EUR 16.3 million (H1 2012: EUR 0 million) , the regular financial transaction tax introduced in 2013 and subsequently doubled in the amount of EUR 11.8 million, the advance payment of total banking tax for the year 2013 in the amount of EUR 49.0 million, and the programme subsidising repayment of foreign-currency loans in the amount of EUR 3.3 million. In the first half of 2012, banking tax was only paid for the first six months of 2012 in the amount of EUR 24.5 million. Other taxes also included banking levies charged in Austria in the amount of EUR 83.3 million (H1 2012: EUR 82.9 million) and in Slovakia in the amount of EUR 21.0 million (H1 2012: EUR 7.1 million).

In the first half of 2013, this item was also negatively impacted in the amount of EUR 74.6 million by effects related to the sale of the Ukrainian subsidiary, mainly the negative currency translation effect related to capital and goodwill which was recycled through the income statement. This technical booking did not affect the capital position.

Other operating result also included straight-line amortisation of intangible assets (i.e. customer relationships) of EUR 32.7 million (H1 2012: EUR 33.4 million) as well as deposit insurance contributions of EUR 38.7 million (H1 2012: EUR 43.7 million).

Results from financial instruments

The result from **all categories of financial instruments** declined from EUR 26.3 million in the first half of 2012 to EUR -45.9 million in the first half of 2013. The positive results in the available-for-sale and held-to-maturity portfolios did not offset the negative valuation effects from the credit spread tightening of own issues in the fair-value portfolio.

Pre-tax profit and net profit attributable to owners of the parent

Pre-tax profit for the first half of 2013 amounted to EUR 369.3 million, reflecting negative one-off effects (Ukraine, Hungary), versus EUR 727.7 million in the first half of 2012, which had benefited from – on balance – positive extraordinary effects.

In the first half of 2013, taxes on income benefited from a positive extraordinary effect in the amount of EUR 127.7 million attributable to the release of a deferred tax liability in Romania. The deferred tax liability resulted from the difference between local regulatory and IFRS loan loss provisions upon transition to IFRS.

Net profit after minorities Net profit after minorities declined by EUR 33.6% from EUR 453.6 million in the first half of 2012, which had benefited from – on balance – positive one-off effects, to EUR 301.2 million in the first half of 2013.

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Net interest income decreased by 4.0% versus the previous quarter, from EUR 1,240.6 million to EUR 1,190.6 million, against the backdrop of a low interest rate environment, continuing subdued credit demand and the deconsolidation of the Ukrainian subsidiary.

Net fee and commission income, at EUR 447.7 million, was almost unchanged versus the previous quarter (Q1 2013: EUR 448.2 million).

The **net trading result** was up 6.3% from EUR 77.8 million in the first quarter of 2013 to EUR 82.7 million in the second quarter of 2013. This was mainly attributable to an improvement in securities and derivatives trading, which more than offset the decline in foreign exchange trading.

General administrative expenses declined from EUR 931.2 million in the first quarter to EUR 911.7 million in the second quarter, as the decrease in other administrative expenses (by 6.2% from EUR 277.7 million to EUR 260.6 million) and in personnel expenses (by 0.5% from EUR 564.6 million to EUR 561.9 million) offset the rise in amortisation and depreciation (by 0.3% from EUR 88.9 million to EUR 89.2 million).

The **cost/income ratio** was almost stable in the second quarter of 2013 at 53.0% versus 52.7% in the first quarter of 2013.

Risk provisions for loans and advances were up 6.8% quarter on quarter from EUR 402.2 million to EUR 429.6 million, mainly as a result of higher provisions in Austria, while the first quarter had benefited from releases.

Other operating result declined to EUR -294.4 million in the second quarter of 2013 versus EUR -103.3 million in the first quarter of 2013. This was partly attributable to the negative one-off impact from the sale of Erste Bank Ukraine in the amount of EUR 74.6 million. Tax measures in Hungary, comprising an extraordinary financial transaction tax in the amount of EUR 16.3 million, the regular financial transaction tax introduced in 2013 and subsequently doubled, in the amount of EUR 6.1 million, the advance payment of the entire banking tax remaining for the year of 2013 in the amount of EUR 36.8 million, and the programme for subsidising repayment of foreign-currency loans in the amount of EUR 1.7 million, all had an adverse effect in the second quarter of 2013. In the first quarter of 2013, banking tax and financial transactions tax had amounted to EUR 12.2 million and EUR 5.7 million, respectively as well as EUR 1.6 million for the programme for subsidising repayment of foreign-currency loans. This item also included banking levies charged in Austria in the amount of EUR 41.6 million (Q1 2013: EUR 41.6 million) and in Slovakia in the amount of EUR 10.5 million (Q1 2013: EUR 10.5 million) as well as a goodwill adjustment for Erste Bank Croatia in the amount of EUR 21.9 million.

The overall result from **all categories of financial assets and instruments** improved from EUR -28.5 million in the first quarter of 2013 to EUR -17.4 million in the second quarter of 2013. This was mainly attributable to the result from financial assets – at fair value through profit or loss.

Pre-tax profit for the second quarter of 2013 amounted to EUR 67.9 million, reflecting negative one-off effects (Ukraine, Hungary), versus EUR 301.4 million in the first quarter of 2013.

In the second quarter of 2013, the taxes on income item benefited from a positive one-off effect in the amount of EUR 127.7 million attributable to the release of a deferred tax liability in Romania. The deferred tax liability resulted from the difference between local regulatory and IFRS loan loss provisions upon transition to IFRS accounting.

Net profit after minorities amounted to EUR 125.0 million in the second quarter of 2013 versus EUR 176.2 million in the first quarter of 2013.

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DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Jun 13	Dec 12	Change
Loans and advances to credit institutions	10,163	9,074	12.0%
Loans and advances to customers	129,756	131,928	-1.6%
Risk provisions for loans and advances	-7,820	-7,644	2.3%
Trading assets, derivative financial instruments	17,106	18,467	-7.4%
Financial assets	39,664	42,109	-5.8%
Sundry assets	21,332	19,890	7.2%
Total assets	**210,201**	**213,824**	**-1.7%**

in EUR million	Jun 13	Dec 12	Change
Deposits by banks	21,699	21,822	-0.6%
Customer deposits	122,513	123,053	-0.4%
Debt securities in issue	28,826	29,427	-2.0%
Trading liabilities, derivative financial instruments	8,151	11,359	-28.2%
Sundry liabilities	7,615	6,502	17.2%
Subordinated liabilities	5,161	5,323	-3.0%
Total equity	16,234	16,338	-0.6%
Attributable to non-controlling interests	3,453	3,483	-0.9%
Attributable to owners of the parent	12,781	12,855	-0.6%
Total liabilities and equity	**210,201**	**213,824**	**-1.7%**

Please note that this table may contain rounding differences.

Loans and advances to credit institutions rose from a low level of EUR 9.1 billion as of 31 December 2012 to EUR 10.2 billion as of 30 June 2013. This increase was largely attributable to increased interbank activities.

Loans and advances to customers decreased slightly from EUR 131.9 billion as of 31 December 2012 to EUR 129.8 billion as of 30 June 2013. This reflected primarily subdued loan demand in most business lines as well as FX translation effects.

Risk provisions increased from EUR 7.6 billion to EUR 7.8 billion in the first half of 2013 due to additional allocations. The NPL ratio (non-performing loans as a percentage of loans to customers) rose to 9.7% as of 30 June 2013 (year-end 2012: 9.2%), driven by the decline in the loan book and NPL inflows in the commercial real estate business. The NPL coverage ratio stood at 61.7% versus 62.6% at year-end 2012.

Investment securities held within the various categories of financial assets were down 5.8% from EUR 42.1 billion at year-end 2012 to EUR 39.7 billion primarily related to the changed reporting of the Czech pension fund – shown as one consolidated item in "other assets" from 2013 onwards – and reduced sovereign exposures in the core markets.

Other assets, included in the line item sundry assets,increased from EUR 2.3 billion to EUR 4.6 billion as of 30 June 2013. EUR 1.5 billion thereof are due to a change in reporting of the Czech pension fund. From 2013 onwards, it is shown as one consolidated item in "other assets".

Customer deposits declined by 0.4%, from EUR 123.1 billion as of 31 December 2012 to EUR 122.5 billion as of 30 June 2013. The underlying increase in customer deposits by EUR 1.1 billion is not reflected in the reported figure due to the change in reporting of the Czech pension fund. **The loan-to-deposit ratio** stood at 105.9% as of 30 June 2013 (31 December 2012: 107.2%).

Debt securities in issue, in particular bonds and certificates of deposit, declined by 2.0% from EUR 29.4 billion to EUR 28.8 billion as of 30 June 2013. Subordinated liabilities also decreased slightly, from EUR 5.3 billion to EUR 5.2 billion.

Other liabilities, included in the line item sundry liabilities, were up from EUR 3.1 billion to EUR 5.0 billion as of 30 June 2013 due to a change in reporting of the Czech pension fund. Up to year-end 2012, the fund had been presented in various line items of the balance sheet. Since 2013, a consolidated total is shown in "other liabilities", in the amount of EUR 1.8 billion.

Erste Group's **shareholders' equity** remained almost unchanged at EUR 12.8 billion as of 30 June 2013. Tier 1 capital after the deductions defined in the Austrian Banking Act amounted to EUR 12.3 billion (year-end 2012: EUR 12.2 billion). **Core tier 1 capital** increased slightly to EUR 11.9 billion (year-end 2012: EUR 11.8 billion).

Total **risk-weighted assets** (RWA) declined to EUR 100.9 billion as of 30 June 2013 versus EUR 105.3 billion as of 31 December 2012, primarily due to the deconsolidation of the Ukrainian subsidiary and exposure reductions.

As of 2013, Erste Group has switched from Austrian GAAP to IFRS in the calculation of consolidated regulatory capital. The forecast negative impact of EUR 350 million (January 2012) was offset mainly by the improvement in the AfS reserve. Total eligible qualifying capital of the Erste Group credit institution group, as defined by the Austrian Banking Act, increased from EUR 16.3 billion as of 31 December 2012 to EUR 16.8 billion as of 30 June 2013. The **solvency ratio** in relation to total risk (total eligible qualifying capital as a percentage of the assessment base for total risk pursuant to section 22 par. 1 Austrian Banking Act) was 16.6% as of 30 June 2013 (year-end 2012: 15.5%), well above the legal minimum requirement.

The **tier 1 ratio** (total risk), which includes the capital requirements for market and operational risk, stood at 12.2% (year-end 2012: 11.6%). The **core tier 1 ratio** increased to 11.8% as of 30 June 2013 (year-end 2012: 11.2%).

SEGMENT REPORTING

Retail & SME

Erste Bank Oesterreich

In addition to the retail and SME business of Erste Bank Oesterreich itself, this sub-segment comprises the subsidiaries of Erste Bank Oesterreich, including all the savings banks in which Erste Bank Oesterreich holds majority ownerships (savings banks in Salzburg, Tirol, and Hainburg), as well as s Bausparkasse. The Erste Bank Oesterreich sub-segment comprises the retail and SME business of Erste Bank Oesterreich and its subsidiaries, including all the savings banks in which Erste Bank Oesterreich holds majority ownerships (savings banks in Salzburg, Tirol, and Hainburg), as well as s Bausparkasse.

The decline in net interest income from EUR 312.2 million in the first half of 2012 by EUR 14.2 million, or 4.6%, to EUR 298.0 million in the first half of 2013 was mainly attributable to lower income from deposits as well as to a decline in contributions from the banking book due to interest rate developments. Net fee and commission income improved from EUR 163.2 million in the first half of 2012 by EUR 9.2 million, or 5.6%, to EUR 172.4 million on the back of positive developments in the securities business. The rise in the net trading result from EUR -3.1 million in the first half of 2012 by EUR 10.5 million to EUR 7.4 million in the first half of 2013 was attributable to valuation gains. Operating expenses fell from EUR 306.0 million by EUR 4.6 million, or 1.5%, to EUR 301.4 million. The operating result improved from EUR 166.3 million in the first half of 2012 by EUR 10.0 million, or 6.0%, to EUR 176.3 million. The cost/income ratio stood at 63.1% versus 64.8% in the first half of 2012. Risk provisions declined from EUR 54.3 million in the first half of 2012 by EUR 16.7 million, or 30.8%, to EUR 37.6 million in the first half of 2013.

The decline in “other result” by EUR 24.6 million to EUR -6.9 million in the first half of 2013 was mainly due to proceeds from the sale of securities held in the available-for-sale portfolio and from the sale of real estate recorded in the first half of 2012. Banking tax amounted to EUR 4.8 million in the first half of 2013 (H1 2012: EUR 4.7 million). Net profit after minorities declined from EUR 97.9 million in the first half of 2012 by EUR 1.1 million, or 1.1%, to EUR 96.8 million. Return on equity deteriorated marginally from 15.1% in the first half of 2012 to 14.6% in the first half of 2013.

Savings Banks

The decline in net interest income from EUR 476.7 million in the first half of 2012 by EUR 37.2 million, or 7.8%, to EUR 439.5 million in the first half of 2013 was mainly attributable to a decline in retail business volumes as well as lower income from financial assets. Net fee and commission income increased by EUR 16.8 million, or 8.7%, to EUR 210.3 million in the first half of 2013. This development was mainly due to higher income from the securities business and payment transfers. The net trading result rose marginally from EUR 8.7 million in the first half of 2012 by EUR 0.8 million, or 8.7%, to EUR 9.5 million in the first half of 2013, driven by valuations gains. Operating expenses decreased from EUR 469.5 million by EUR 3.8 million, or 0.8%, to EUR 465.7 million due to a decline in other administrative expenses and lower amortisation and depreciation. The operating result was down by EUR 15.7 million, or 7.5%, from EUR 209.4 million to EUR 193.7 million. The cost/income ratio deteriorated from 69.2% to 70.6%.

The reduction of risk provisions from EUR 110.8 million by EUR 40.6 million to EUR 70.2 million was driven by a decline in defaults in the first half of 2013. The item “other result” declined from EUR -3.4 milllion by EUR 1.0 million to EUR -4.4 million. Banking tax amounted to EUR 4.5 million in the first half of 2013 (first half of 2012: EUR 4.2 million). Net profit after minorities rose from EUR 7.2 million in the first half of 2012 by EUR 7.7 million to EUR 14.9 million in the first half of 2013.

Central and Eastern Europe

The Central and Eastern Europe region includes the retail and SME business of Česká spořitelna, Slovenská sporiteľňa, Erste Bank Hungary, Banca Comercială Română, Erste Bank Croatia, Erste Bank Serbia, and Erste Bank Ukraine (due to the bank's sale in late April, only the first quarter 2013). Contributions from the divisionalised business units – Group Corporate & Investment Banking and Group Markets – are reported in the respective segments.

Czech Republic

Net interest income in the Czech Republic sub-segment declined from EUR 570.6 million by EUR 71.3 million, or 12.5% (currency-adjusted: -10.7%), to EUR 499.3 million. This development was mainly attributable to falling market interest rates and subdued credit demand, especially for consumer loans. In addition, from 2013, the contribution from the Czech pension fund is no longer allocated to individual line items but is shown in the "other result" on a net basis. This resulted in a decline in net interest income by EUR 20.0 million versus the previous year. Net fee and commission income declined by EUR 18.9 million, or 8.2% (currency-adjusted: -6.3%), from EUR 229.8 million in the first half of 2012 to EUR 210.9 million, mainly as a result of lower income from payment transfers and from lending. The net trading result improved from EUR -8.4 million in the first half of 2012 by EUR 26.8 million to EUR 18.4 million in the first half of 2013 on the back of a better result from the derivatives business. Cost-cutting measures, in particular, reduced operating expenses by EUR 29.7 million, or 8.3% (currency-adjusted: -6.3%), to EUR 329.2 million in the first half of 2013.

The operating result declined from EUR 433.1 million in the first half of 2012 by EUR 33.7 million, or 7.8% (currency-adjusted: -5.8%), to EUR 399.4 million. As portfolio quality continued to improve, risk provisions fell by EUR 22.0 million, or 25.8% (currency-adjusted: -24.3%), to EUR 63.3 million in the first half of 2013. The improvement in "other result" from EUR -20.8 million by EUR 10.9 million to EUR -9.9 million in the first half of 2013 was largely due to changed reporting of the result of the Czech pension fund. Net profit after minorities rose in the first half of 2013 by EUR 6.5 million, or 2.6% (currency-adjusted: +4.7%), from EUR 252.7 million to EUR 259.2 million. The cost/income ratio remained stable at 45.2%. Return on equity amounted to 39.2%.

Romania

Net interest income in the Romania sub-segment rose from EUR 284.3 million by EUR 12.2 million, or 4.3% (currency-adjusted: +4.3%) to EUR 296.5 million in the first half of 2013. This development was due to higher income from financial assets. The increase in net fee and commission income by EUR 4.6 million, or 7.6% (currency-adjusted: +7.6%), from EUR 60.6 million in the first half of 2012 to EUR 65.2 million in the first half of 2013 was mainly attributable to higher income from payment transfers. The net trading result declined from EUR 37.9 million in the first half of 2012 by EUR 9.0 million, or 23.8% (currency-adjusted: -23.8%), to EUR 28.9 million in the first half of 2013, reflecting lower income from foreign exchange business. Comprehensive optimisation measures reduced operating expenses, especially on personnel, by EUR 14.1 million, or 8.2% (currency-adjusted: -8.1%), from EUR 173.0 million in the first half of 2012 to EUR 158.9 million in the first half of 2013. As a result, the operating result improved by EUR 21.8 million, or 10.4% (currency-adjusted: +10.5%), to EUR 231.6 million in the first half of 2013.

Due to extensive provisioning in previous years, risk provisions declined by EUR 159.9 million, or 43.8% (currency-adjusted: -43.8%), from EUR 364.9 million in the first half of 2012 to EUR 205.0 million in the first half of 2013. The NPL coverage ratio improved to 60.4%. The "other result" declined from EUR -16.5 million by EUR 16.4 million to EUR -32.9 million in the first half of 2013. The item "taxes on income" amounted to EUR 128.8 million versus EUR 22.6 million in the first half of 2012, reflecting a positive one-off impact – the release of a deferred tax liability – in the amount of EUR 127.7 million. Net profit/loss after minorities improved from EUR -140.5 million by EUR 257.2 million to EUR 116.7 million in the first half of 2013. The cost/income ratio improved from 45.2% to 40.7%.

Slovakia

Net interest income in the Slovak Republic sub-segment improved slightly from EUR 211.0 million in the first half of 2012 by EUR 0.7 million, or 0.3%, to EUR 211.7 million in the first half of 2013. Net fee and commission income decreased by EUR 3.3 million, or 6.0%, to EUR 52.7 million due to legislation limiting commissions for payment transfers. The net trading result improved slightly from EUR 1.0 million in the first half of 2012 by EUR 0.9 million to EUR 1.9 million in the first half of 2013. The inclusion of the subsidiary Erste Group IT SK and a moderate increase in personnel expenses, mostly in connection with statutory social insurance, caused operating expenses to rise from EUR 113.4 million by EUR 2.0 million, or 1.8%, to EUR 115.4 million.

Risk provisions fell from EUR 31.8 million in the first half of 2012 by EUR 10.1 million, or 31.6%, to EUR 21.7 million in the first half of 2013, reflecting lower allocations to the corporate and real estate businesses. The deterioration in the "other result" from EUR -11.1 million by EUR 9.7 million to EUR -20.8 million was due to the higher banking tax, which amounted to EUR 19.0 million in the first half of 2013 (first half of 2012: EUR 5.0 million). Net profit after minorities declined from EUR 89.0 million in the first half of 2012 by EUR 1.8 million, or 2.0%, to EUR 87.2 million in the first half of 2013. The cost/income ratio rose from 42.3% to 43.4% in the first half of 2013. Return on equity equalled 41.2% (first half of 2012: 41.0%).

Hungary

Net interest income in the Hungary sub-segment declined from EUR 175.9 million in the first half of 2012 by EUR 39.3 million, or 22.4% (currency-adjusted: -22.1%), to EUR 136.6 million in the first half of 2013. This development was driven by higher refinancing costs for the foreign-currency business, a declining loan portfolio and falling market interest rates. Net fee and commission income improved on the back of higher income from payment transfers, from EUR 45.3 million by EUR 10.6 million, or +23.4% (currency-adjusted: +23.8 %), to EUR 55.9 million in the first half of 2013. The improvement in the net trading result from EUR -6.7 million in the first half of 2012 by EUR 3.5 million, or 52.2% (currency-adjusted: +52.0%), to EUR -3.2 million in the first half of 2013 was achieved on the back of valuation gains. Operating expenses rose marginally from EUR 82.0 million in the first half of 2012 by EUR 0.5 million, or 0.6% (currency-adjusted: +0.9%), to EUR 82.5 million in the first half of 2013. The cost/income ratio increased to 43.6% from 38.2% in the first half of 2012.

Increased risk provisioning requirements in the corporate business led to a rise in risk costs from EUR 106.6 million by EUR 7.6 million, or 7.1% (currency-adjusted: +7.4%), to EUR 114.2 million in the first half of 2013. The item “other result” improved from EUR -92.9 million in the first half of 2012 by EUR 3.2 million, or 3.4% (currency-adjusted: +3.1%) to EUR -89.7 million in the first half of 2013. The first half of 2013 reflects additional expenses of EUR 27.0 million resulting from the financial transaction tax introduced in 2013 (including EUR 16.3 million one-off extraordinary financial transaction tax), while the first half of 2012 had been affected by provisions for expected future taxes in the amount of EUR 60.6 million. In addition, the entire banking tax for the full year 2013 amounting to EUR 49.0 million was already booked in the first half of 2013 while the figure for the first half of 2012 reflected only the pro-rata amount of EUR 24.5 million. The net loss after minorities amounted to EUR 98.9 million versus EUR 72.7 million in the first half of 2012.

Croatia

Net interest income in the Croatia sub-segment declined from EUR 128.9 million in the first half of 2012 by EUR 10.0 million, or 7.7% (currency-adjusted: -7.4%), to EUR 118.9 million. This was partly attributable to narrower margins. Net fee and commission income decreased from EUR 33.1 million in the first half of 2012 by EUR 3.0 million, or 9.1% (currency-adjusted: -8.7°%), to EUR 30.1 million due to lower income from the card business. The net trading result was nearly unchanged versus the previous year at EUR 4.5 million. Due to synergies with the Erste Card Club credit card company and additional cost-cutting measures, operating expenses dropped by EUR 5.2 million, or 7.6% (currency-adjusted: -7.3%), from EUR 68.1 million in the first half of 2012 to EUR 62.9 million in the first half of 2013.

The operating result decreased by EUR 7.9 million, or 8.0% (currency-adjusted: -7.7%) from EUR 98.5 million to EUR 90.6 million. The cost/income ratio was nearly unchanged at 41.0%. Increased risk provisioning requirements in the corporate business (partly due to new legislation regarding pre-bankruptcy proceedings) caused provisions to rise by EUR 6.4 million, or 9.0% (currency-adjusted: +9.4%), from EUR 71.0 million to EUR 77.4 million in the first half of 2013. Net profit after minorities declined from EUR 12.6 million in the first half of 2012 by EUR 9.2 million to EUR 3.4 million.

Serbia

Net interest income of Erste Bank Serbia rose from EUR 18.1 million by EUR 1.3 million, or 7.0% (currency-adjusted: +7.9%) to EUR 19.4 million in the first half of 2013. This improvement was driven by a rise in lending volumes to corporate clients and wider margins in the retail business. Net fee and commission income declined slightly from EUR 6.6 million by EUR 0.4 million, or 5.9% (currency-adjusted: -5.0%) to EUR 6.2 million in the first half of 2013. The net trading result improved from EUR 0.8 million by EUR 0.5 million, or 57.1% (currency-adjusted: +58.5%), to EUR 1.3 million in the first half of 2013 on the back of higher income from foreign exchange business. Operating expenses were up from EUR 16.5 million in the first half of 2012 by EUR 1.1 million, or 6.5% (currency-adjusted: +7.5%), to EUR 17.6 million in the first half of 2013. The cost/income ratio increased to 65.5% from 64.7% in the first half of 2012.

Risk costs rose from EUR 4.3 million by EUR 1.8 million, or 42.4% (currency-adjusted: +43.7%), to EUR 6.1 million due to higher allocations in the corporate business. Net profit after minorities declined by EUR 0.6 million, from EUR 2.8 million in the first half of 2012 to EUR 2.2 million.

Ukraine

On 29 April 2013, Erste Group finalised the sale of 100% of Erste Bank Ukraine to the owners of FIDOBANK. The subsidiary has been deconsolidated. In all further interim reports of the financial year 2013, the Ukraine sub-segment will therefore include only the results of the first quarter 2013.

Group Corporate & Investment Banking

The Group Corporate & Investment Banking (GCIB) segment includes the large corporate business, the real estate business of Erste Group with large corporate customers, equity capital markets (from the second quarter of 2012 onwards) as well as the investment banking subsidiaries in CEE and the International Business (excluding treasury activities). The leasing subsidiary Erste Group Immorent is also included in this segment.

Net interest income declined from EUR 257.2 million in the first half of 2012 by EUR 55.0 million, or 21.4%, to EUR 202.2 million in the first half of 2013. This development was attributable to the large corporate business and the commercial real estate business as well as to sharply lower volumes in the International Business unit, where risk-weighted assets were reduced by 25.4% versus the previous year. Net fee and commission income improved versus the first half of 2012 by EUR 7.8 million, or 18.1%, to EUR 51.2 million. This development was mainly driven by higher income from the large corporate business in Austria and new syndicated lending activities in the Czech Republic. The net trading result rose in the first half of 2013 by EUR 7.3 million to EUR 13.9 million, mostly on the back of positive foreign currency effects in the real estate business. Operating expenses declined from EUR 96.2 million in the first half of 2012 by EUR 5.1 million, or 5.3%, to EUR 91.1 million in the first half of 2013 as a result of a cost-cutting programme in the real estate business and lower expenses in the International Business unit. The operating result decreased in the first half of 2013 by EUR 34.8 million, or 16.5%, to EUR 176.2 million.

Risk provisions increased versus the first half of 2012 by EUR 97.4 million, or 66.2%, to EUR 244.5 million. This was mainly due to higher risk provisions in the commercial real estate business and in the large corporate business in Austria and Romania. The item “other result” improved in the first half of 2013 versus the first half of 2012 by EUR 41.5 million, or 72.7%, to EUR -15.5 million, which was largely attributable to negative valuation results and losses on disposals of securities in the International Business unit in the previous year. Net result after minorities declined from EUR -0.9 million in the first half of 2012 by EUR 68.8 million to EUR -69.7 million in the first half of 2013. The cost/income ratio rose from 31.3% in the first half of 2012 to 34.1%.

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, the foreign branch offices in Hong Kong, New York, Berlin and Stuttgart as well as the result of Erste Asset Management.

Net interest income was down by EUR 11.5 million, or 10.8%, to EUR 95.8 million in the first half of 2013, which in the current low-interest rate environment was mainly attributable to lower contributions from fixed income securities (bonds and T-bills in the trading book) and from Money Market activities. Net commission income was nearly unchanged at EUR 65.2 million versus the first half of 2012 (EUR 65.1 million), with an improvement in the result of Erste Asset Management. The net trading result declined by EUR 53.7 million, or 38.8%, to EUR 84.9 million, which was mainly attributable to the business areas Global Money Market & Government Bonds, Credit Trading and Rates Trading, which had posted extraordinarily good results in the first half of 2012.

Operating expenses rose slightly from EUR 107.7 million in the first half of 2012 by EUR 1.5 million, or 1.4%, to EUR 109.2 million in the first half of 2013. The operating result declined by EUR 66.6 million, or 32.8%, to EUR 136.7 million. The cost/income ratio stood at 44.4% versus 34.6%in the first half of 2012. Net profit after minorities decreased by EUR 47.0 million, or 29.3%, to EUR 113.8 million. Return on equity stood at 57.3% (H1 2012: 92.2%).

Corporate Center

The Corporate Center segment comprises Group services such as marketing, organisation, information technology as well as other departments supporting the group-wide implementation of the strategy. In addition, intragroup consolidation effects and one-off non-operating effects are allocated to this segment. Group balance sheet management is also allocated to the Corporate Center. The results of the local asset/liability management units are allocated to the corresponding sub-segments.

Net interest income rose from EUR 95.1 million to EUR 107.2 million, which was mainly attributable to the improved result from balance sheet management. The net trading result improved from EUR -55.1 million to EUR -3.5 million on the back of better valuation results in asset/liability management.

The increase in operating expenses was largely due to intra-group consolidation of banking support operations and the rising cost of meeting regulatory requirements. The item “other result” included amortisation of customer relationships in the amount of EUR 32.7 million as well as banking tax paid by the Holding (Erste Group Bank AG) in the amount of EUR 73.7 million (H1 2012: EUR 73.5 million). In addition, the item was adversely impacted in the first half of 2013 by a goodwill adjustment for Erste Bank Croatia in the amount of EUR 21.9 million and a negative one-off impact from the sale of Erste Bank Ukraine in the amount of EUR 74.6 million. In the first half of 2012, the main contribution to the positive result had come from the proceeds of the buy-back of tier 1 and tier 2 instruments (hybrid capital and subordinated bonds) in the amount of EUR 413.2 million, which more than offset a goodwill adjustment for Banca Comerciala Romana in the amount of EUR 210.0 million.

Group Condensed Consolidated Financial Statements

I. Group Condensed Statement of Comprehensive Income – 1 January to 30 June 2013

Income statement

in EUR million	Notes	1-6 13	1-6 12
Interest and similar income		3,923.5	4,538.8
Interest and similar expenses		-1,504.5	-1,893.1
Income from equity method investments		12.2	6.0
Net interest income	(1)	2,431.2	2,651.7
Risk provisions for loans and advances	(2)	-831.8	-981.8
Fee and commission income		1,165.0	1,112.8
Fee and commission expenses		-269.1	-247.3
Net fee and commission income	(3)	895.9	865.5
Net trading result	(4)	160.5	121.5
General administrative expenses	(5)	-1,842.9	-1,887.4
Other operating result	(6)	-397.7	-68.1
Result from financial instruments – at fair value through profit or loss	(7)	-59.0	42.4
Result from financial assets – available for sale	(8)	10.5	3.7
Result from financial assets – held to maturity	(9)	2.6	-19.8
Pre-tax profit/loss		**369.3**	**727.7**
Taxes on income	(10)	25.0	-196.6
Net profit/loss for the period		**394.3**	**531.1**
Attributable to non-controlling interests		93.1	77.5
Attributable to owners of the parent		**301.2**	**453.6**

Statement of comprehensive income

in EUR million		1-6 13		1-6 12
Net profit/loss for the period		**394.3**		**531.1**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement of net liability of defined pension plans		0.0		0.0
Deferred taxes relating to items that will not be reclassified		0.0		0.0
Total items that will not be reclassified to profit or loss		**0.0**		**0.0**
Items that may be reclassified to profit or loss				
Available for sale - reserve (including currency translation)		-99.6		516.2
Gain / loss during the year	-97.9		568.6	
Reclassification adjustments	-1.7		-52.4	
Cash flow hedge-reserve (including currency translation)		-68.3		0.2
Gain / loss during the year	-72.5		-1.7	
Reclassification adjustments	4.2		1.9	
Currency translation		-63.5		-30.5
Deferred taxes relating to items that might be reclassifiable		53.8		-121.3
Gain / loss during the year	55.2		-130.8	
Reclassification adjustments	-1.4		9.5	
Total items that may be reclassified to profit or loss		**-177.6**		**364.6**
Total other comprehensive income		**-177.6**		**364.6**
Total comprehensive income		**216.7**		**895.7**
Attributable to non-controlling interests		2.7		232.3
Attributable to owners of the parent		**214.0**		**663.4**

Earnings per share

		1-6 13	1-6 12
Net profit/loss for the year attributable to owners of the parent	in EUR million	301.2	453.6
Dividend on participation capital		-70.6	-70.6
Net profit/loss for the year attributable to owners of the parent after deduction of dividend on participation capital		230.6	383.0
Weighted average number of shares outstanding	Number	392,327,723	391,059,048
Earnings per share	**in EUR**	**0.59**	**0.98**
Weighted average number of shares taking into account the effect of dilution	Number	394,520,049	393,251,375
Diluted earnings per share	in EUR	0.58	0.97

Changes in number of shares and participation capital securities

Shares in units	1-6 13	1-6 12
Shares outstanding as of 1 January	**375,715,367**	**371,443,804**
Acquisition of treasury shares	-3,432,649	-13,859,693
Disposal of treasury shares	3,897,208	14,011,873
Capital increases due to ESOP and MSOP	0	0
Capital increase November/December 2011	0	3,801,385
Shares outstanding as of 30 June	**376,179,926**	**375,397,369**
Treasury shares	18,388,721	19,171,278
Number of shares as of 30 June	**394,568,647**	**394,568,647**
Weighted average number of shares outstanding	392,327,723	391,059,048
Dilution due to MSOP/ESOP	2,192,326	2,192,326
Dilution due to options	0	0
Weighted average number of shares taking into account the effect of dilution	394,520,049	393,251,375

Participation capital securities in units	1-6 13	1-6 12
Participation capital securities outstanding as of 1 January	**1,763,694**	**1,763,274**
Acquisition of own participation capital securities	-4,543	-3,510
Disposal of own participation capital securities	3,503	3,958
Participation capital securities outstanding as of 30 June	**1,762,654**	**1,763,722**
Participation capital securities	1,090	22
Number of participation capital securities as of 30 June	**1,763,744**	**1,763,744**

Quarterly results

in EUR million	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13
Net interest income	1,314.8	1,317.2	1,266.4	1,240.6	1,190.6
Risk provisions for loans and advances	-401.2	-483.5	-514.7	-402.2	-429.6
Net fee and commission income	435.2	418.8	436.5	448.2	447.7
Net trading result	27.9	69.9	82.0	77.8	82.7
General administrative expenses	-942.3	-938.7	-930.6	-931.2	-911.7
Other operating result	-199.3	-145.9	-510.3	-103.3	-294.4
Result from financial instruments – at fair value through profit or loss	0.9	-6.1	-39.9	-46.5	-12.5
Result from financial assets – available for sale	18.4	15.5	37.0	11.4	-0.9
Result from financial assets – held to maturity	-13.8	0.5	-0.6	6.6	-4.0
Pre-tax profit/loss	**240.6**	**247.7**	**-174.2**	**301.4**	**67.9**
Taxes on income	-89.4	-54.5	80.9	-66.4	91.4
Net profit/loss for the period	**151.2**	**193.2**	**-93.3**	**235.0**	**159.3**
Attributable to non-controlling interests	44.1	49.5	20.5	58.8	34.3
Attributable to owners of the parent	**107.1**	**143.7**	**-113.8**	**176.2**	**125.0**
Other comprehensive income					
Available for sale - reserve (including currency translation)	119.8	382.0	77.7	5.2	-104.8
Cash flow hedge - reserve (including currency translation)	-2.9	4.1	-7.7	-7.3	-61.0
Remeasurement of net liability of defined pension plans	0.0	0.0	-45.9	0.0	0.0
Currency translation	-154.7	23	23.7	-131.9	68.4
Deferred taxes on items recognised directly in equity	-29.3	-88.3	25.7	8.6	45.2
Other comprehensive income – total	**-67.1**	**320.8**	**73.5**	**-125.4**	**-52.2**
Total comprehensive income	**84.1**	**514**	**-19.8**	**109.6**	**107.1**
Attributable to non-controlling interests	75.3	188.4	58.4	37.5	-34.8
Attributable to owners of the parent	**8.8**	**325.6**	**-78.2**	**72.1**	**141.9**

II. Group Condensed Balance Sheet of Erste Group as of 30 June 2013

in EUR thouand	Notes	Jun 13	Dec 12
ASSETS			
Cash and balances with central banks	(11)	9,625,567	9,740,458
Loans and advances to credit institutions	(12)	10,162,619	9,074,069
Loans and advances to customers	(13)	129,755,828	131,927,528
Risk provisions for loans and advances	(14)	-7,819,761	-7,643,724
Derivative financial instruments	(15)	9,355,099	13,289,392
Trading assets	(16)	7,751,389	5,177,984
Financial assets - at fair value through profit or loss	(16)	641,700	715,800
Financial assets - available for sale	(16)	20,446,679	22,417,659
Financial assets - held to maturity	(16)	18,575,270	18,974,725
Equity method investments		219,753	174,099
Intangible assets		2,806,903	2,893,886
Property and equipment		2,115,729	2,227,859
Investment properties		941,589	1,022,911
Current tax assets		92,708	127,634
Deferred tax assets		811,562	657,508
Assets held for sale		94,865	708,119
Other assets	(17)	4,623,204	2,338,089
Total assets		**210,200,703**	**213,823,996**
LIABILITIES AND EQUITY			
Deposits by banks	(18)	21,699,387	21,822,081
Customer deposits	(19)	122,513,380	123,052,912
Debt securities in issue	(20)	28,826,442	29,427,347
Value adjustments from Portfolio fair value hedges		905,480	1,219,997
Derivative financial instruments	(15)	7,661,992	10,878,380
Trading liabilities		489,170	480,995
Provisions	(21)	1,466,081	1,487,745
Current tax liabilities		84,360	53,022
Deferred tax liabilities		208,249	323,507
Liabilities associated with assets held for sale		0	338,870
Other liabilities	(22)	4,951,118	3,077,264
Subordinated liabilities	(23)	5,161,332	5,323,358
Total equity attributed to		16,233,712	16,338,518
non-controlling interests		3,452,873	3,483,213
owners of the parent		12,780,839	12,855,305
Total liabilities and equity		**210,200,703**	**213,823,996**

III. Group Condensed Statement of Changes in Total Equity

GROUP STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE PERIOD ENDED 30 JUNE 2013

in EUR million	Subscribed capital	Capital reserves	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Currency translation	Remeasurement of net liability of defined pension plans	Deferred tax	Total owners of the parent	Non-controlling interests	Total equity
Total equity as of 1 January 2013	**2,547**	**6,472**	**4,395**	**41**	**227**	**-555**	**-268**	**-4**	**12,855**	**3,483**	**16,338**
Changes in treasury shares			15						15		15
Dividends			-299						-299	-33	-332
Capital increases									0		0
Participation capital									0		0
Change in interest in subsidiaries			-4						-4		-4
Other changes	-1		1						0		0
Acquisition of non-controlling interest									0	0	0
Total comprehensive income			301	-65	11	-64		31	214	3	217
Net profit/loss for the period			301						301	93	394
Other comprehensive income				-65	11	-64		31	-87	-90	-177
Total equity as of 30 June 2013	**2,546**	**6,472**	**4,409**	**-24**	**238**	**-619**	**-268**	**27**	**12,781**	**3,453**	**16,234**

GROUP STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE PERIOD ENDED 30 JUNE 2012

in EUR million	Subscribed capital	Capital reserves	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Currency translation	Remeasurement of net liability of defined pension plans	Deferred tax	Total owners of the parent	Non-controlling interests	Total equity
Total equity as of 1 January 2012	**2,539**	**6,413**	**3,830**	**35**	**-316**	**-541**	**0**	**77**	**12,037**	**3,143**	**15,180**
Restatement[1)]			242				-242		0		0
Restatement total equity as of January 2012	2,539	6,413	4,072	35	-316	-541	-242	77	12,037	3,143	15,180
Changes in treasury shares			-3						-3	0	-3
Dividends			-141						-141	-28	-169
Capital increases[2]	8	59							67		67
Participation capital									0		0
Change in interest in subsidiaries									0		0
Acquisition of non-controlling interest			2						2	-80	-78
Total comprehensive income			454	5	297	-26		-67	663	232	895
Net profit/loss for the period			454						454	77	531
Other comprehensive income				5	297	-26		-67	209	155	364
Total equity as of 30 June 2012	**2,547**	**6,472**	**4,384**	**40**	**-19**	**-567**	**-242**	**10**	**12,625**	**3,267**	**15,892**

1) Restatement due to IAS 19 revised

2) Capital increase in connection with issuance of new ordinary shares related to acquisition of additional shares in Banca Comerciala Romana SA amounted to EUR 67mn

IV. Group Condensed Cash Flow Statement

in EUR million	1-6 13	1-6 12
Cash and cash equivalents at end of the previous year	**9,740**	**9,413**
Cash flow from operating activities	216	-417
Cash flow from investing activities	178	-1,942
Cash flow from financing activities	-476	-1,260
Effect of currency translation	-32	-57
Cash and cash equivalents at the end of period	**9,626**	**5,737**

V. Condensed Notes to the Group Financial Statements of Erste Group for the period from 1 January to 30 June 2013

BASIS OF PREPARATION

The condensed consolidated interim financial statements ("interim financial statements") of Erste Group for the period from 1 January to 30 June 2013 were prepared in accordance with International Financial Reporting Standards ("IFRSs") 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 IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

The interim financial statements, which include Erste Group Bank AG and its subsidiaries ("Erste Group"), are presented in euro, the functional and presentation currency of Erste Group. Unless stated otherwise, all numbers are rounded to millions of euro.

ACCOUNTING POLICIES

In the interim financial statements, the same recognition and measurement principles and consolidation methods are applied as in the preparation of the consolidated financial statements as of 31 December 2012. 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 2012.

Pension reform in Czech Republic, effective as of 1 January 2013, led to establishing Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s. (Transformed pension fund) covering the original pension funds' assets and liabilities. The assets and liabilities of the transformed fund continue to be fully consolidated and are presented in the balance sheet in the lines Other assets and Other liabilities, respectively.

Standards and interpretations which are mandatory to be applied in the EU as of 1 January 2013 were reflected in these interim financial statements. As regards new standards and interpretations and their amendments only those which are relevant for the business of Erste Group are listed below.

Following standards and amendments are applicable for the first time in 2013:

_Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income
_IAS 19 (revised 2011) Employee Benefits
_Amendments to IFRS 7- Offsetting Financial Assets and Liabilities
_IFRS 13 Fair Value Measurement
_Annual Improvements to IFRSs (issued in 2012)

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

_Amendments to IAS 1 require separate presentation of OCI items and their tax effects in the statement of comprehensive income
_Application of IAS 19 (revised 2011) leads to a new column "Remeasurement of net liability of defined pension plans" in the statement of changes in equity
_Application of IFRS 13 results in enhanced disclosures about fair value measurements

In comparison with the annual financial statements, there were no other material changes in accounting policies.

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

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

SCOPE OF CONSOLIDATION

Except for the sale of its Ukranian subsidiary – Public Company "Erste Bank" (hereafter referred to as Erste Bank Ukraine), changes in the scope of consolidation in first six months of 2013 do have neither material impact on the financial position nor on the financial performance of the Group. The number of legal entities included in Erste Group's IFRS consolidation scope evolved during the first six months of 2013 as follows:

31 December 2012	**557**
Additions	
Entities newly added to the consolidation scope	7
Disposals	
Entities sold or liquidated	-13
Mergers	-9
30 June 2013	**542**

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

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

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

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

The income statement of Erste Group for the financial year 2013 is affected by further negative EUR 74.6 million, resulting mainly from the reclassification of the cumulated negative currency translation reserve in relation to Erste Bank Ukraine from other comprehensive income to income statement. This impact is recognized in ‘other operating result’.

1. Net interest income

in EUR million	1-6 13	1-6 12
Interest income		
Lending and money market transactions with credit institutions	680.3	496.8
Lending and money market transactions with customers	2,571.2	3,056.1
Bonds and other interest-bearing securities	449.3	699.6
Other interest and similar income	19.1	4.4
Current income		
Equity-related securities	27.0	28.7
Investments	15.9	19.4
Investment properties	39.3	39.0
Interest and similar income	**3,802.1**	**4,344.0**
Interest income from financial assets - at fair value through profit or loss	121.4	194.8
Total interest and similar income	**3,923.5**	**4,538.8**
Interest expenses		
Deposits by banks	-231.1	-363.8
Customer deposits	-702.6	-913.0
Debt securities in issue	-437.5	-475.1
Subordinated liabilities	-102.1	-108.0
Other	-3.9	-5.1
Interest and similar expenses	**-1,477.2**	**-1,865.0**
Interest expenses from financial liabilities - at fair value through profit or loss	-27.3	-28.1
Total interest and similar expenses	**-1,504.5**	**-1,893.1**
Income from equity method investments	**12.2**	**6.0**
Total	**2,431.2**	**2,651.7**

2. Risk provisions for loans and advances

in EUR million	1-6 13	1-6 12
Allocation to risk provisions for loans and advances	-1,662.8	-1,436.3
Release of risk provisions for loans and advances	872.9	571.7
Direct write-offs of loans and advances	-71.5	-143.7
Recoveries on written-off loans and advances	29.6	26.5
Total	**-831.8**	**-981.8**

3. Net fee and commission income

in EUR million	1-6 13	1-6 12
Lending business	130.1	141.6
Payment transfers	438.4	427.0
Card business	100.2	103.0
Securities transactions	203.1	173.4
Investment fund transactions	99.3	92.8
Custodial fees	34.3	15.5
Brokerage	69.5	65.1
Insurance brokerage	47.5	45.1
Building society brokerage	16.8	15.2
Foreign exchange transactions	11.1	12.6
Investment banking business	8.8	5.7
Other	40.1	44.9
Total	**895.9**	**865.5**

4. Net trading result

in EUR million	1-6 13	1-6 12
Securities and derivatives trading	104.0	22.8
Foreign exchange transactions	56.5	98.7
Total	**160.5**	**121.5**

5. General administrative expenses

in EUR million	1-6 13	1-6 12
Personnel expenses	-1,126.5	-1,138.6
Other administrative expenses	-538.3	-565.0
Depreciation and amortisation	-178.1	-183.8
Total	**-1,842.9**	**-1,887.4**

6. Other operating result

in EUR million	1-6 13	1-6 12
Other operating income	191.1	520.6
Other operating expenses	-588.8	-588.7
Total	**-397.7**	**-68.1**
Result from real estate/movables/properties/software	-17.7	37.3
Allocation/release of other provisions/risks	22.6	1.8
Expenses for deposit insurance contributions	-38.7	-43.7
Amortisation of customer relationships	-32.7	-33.4
Other taxes	-197.1	-127.5
Impairment of goodwill	-21.9	-210.0
Result from repurchase of liabilities measured at amortised cost	4.7	413.2
Result from other operating expenses/income	-116.9	-105.8
Total	**-397.7**	**-68.1**

Following common practice in the Hungarian market, the full amount of EUR 49.0 million Hungarian bank tax for 2013 was recognised in the first half year 2013. Moreover, additional transaction tax in the amount of EUR 16.3 million was imposed by Hungarian government in the second quarter and recognised in full in the first half year 2013.

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

in EUR million	1-6 13	1-6 12
Gain / (loss) from measurement / sale of financial instruments at fair value through profit or loss	-59.0	42.4

8. Result from financial assets – available for sale

in EUR million	1-6 13	1-6 12
Gain / (loss) from sale of financial assets available for sale	7.2	20.1
Impairment / reversal of impairment of financial assets available for sale	3.3	-16.4
Total	**10.5**	**3.7**

9. Result from financial assets – held to maturity

in EUR million	1-6 13	1-6 12
Income		
Income from sale of financial assets held to maturity	8.3	5.4
Reversal of impairment loss of financial assets held to maturity	0.0	0.0
Expenses		
Loss from sale of financial assets held to maturity	-0.2	-14.3
Impairment of financial assets held to maturity	-5.5	-10.9
Total	**2.6**	**-19.8**

10. Taxes on income

At individual entity level, income tax expense is recognized based on the best estimate of the average annual income tax expected for the full financial year, after factoring-in the expected recoverability rate of any temporary deductible differences and carried-forward fiscal losses.

At Group consolidated level, the year-to-date effective tax rate is further influenced by any consolidation adjustments or entries that affect the consolidated accounting profit of the group without a corresponding impact in the consolidated tax expense. Also, the consolidated year-to-date effective tax rate might be further impacted by one-off adjustments of the opening current/deferred income tax positions at subsidiary level, as a result of intervening changes in relevant fiscal legislation. Thus, as at the end of June 2013, deferred tax liabilities in amount of EUR 127.7 million have been released by Banca Comerciala Romana, as a result of risk provision-related taxable differences converting from temporary to permanent due to updates in local fiscal regulations and interpretations.

As a combined result of the aforedescribed factors, Group's consolidated effective tax rate for the six months ended 30 June 2013 amounts to -6.8% (the six months ended 30 June 2012: 27.0%).

11. Cash and balances with central banks

in EUR million	Jun 13	Dec 12
Cash in hand	2,106	2,342
Balances with central banks	7,520	7,398
Total	**9,626**	**9,740**

12. Loans and advances to credit institutions

in EUR million	Jun 13	Dec 12
Loans and advances to domestic credit institutions	1,062	1,029
Loans and advances to foreign credit institutions	9,101	8,045
Total	**10,163**	**9,074**

13. Loans and advances to customers

Loans and advances to customers classified regionally

in EUR million	Jun 13	Dec 12
Domestic	62,529	65,615
Abroad	67,227	66,313
Total	**129,756**	**131,928**

Loans and advances to customers breakdown into asset classes

in EUR million	Jun 13	Dec 12
Loans and advances to customers		
Public sector	6,655	6,493
Commercial customers	67,173	69,855
Private customers	55,356	54,792
Unlisted securities	572	788
Total	**129,756**	**131,928**

14. Risk provisions

Development in risk provisions as of 30 June 2013

in EUR million	Dec12	Acquisition/ disposal of subsidiaries	Currency translation	Allocations[2]	Use	Releases[2]	Interest income from impaired loans	Reclassi- fication	Jun13
Specific loan loss provisions	6,940	1	-30	1,317	-405	-633	-123	3	7,070
Loans to credit institutions	61	1	0	0	-7	0	0	-1	54
Loans and advances to customers	6,879	0	-30	1,317	-398	-633	-123	4	7,016
Portfolio loan loss provisions	704	1	-7	214	0	-158	0	-4	750
Loans to credit institutions	6	0	0	0		0	0	0	6
Loans and advances to customers	695	1	-7	214	0	-158	0	-4	741
Financial assets - held to maturity	3	0	0	0	0	0	0	0	3
Risk provisions for loans and advances[1]	**7,644**	**2**	**-37**	**1,531**	**-405**	**-791**	**-123**	-1	**7,820**

1) Risk provisions for loans and advances are recognised in the balance sheet as a deduction from assets.
2) Allocations and releases are not directly reconciliable with Note 2. Note 2 contains also allocations and releases in connection with provisions for contingent credit risk liabilities.
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Development in risk provisions as of 30 June 2012

in EUR million	Dec11	Acquisition/ disposal of subsidiaries	Currency translation	Allocations[2]	Use	Releases[2]	Interest income from impaired loans	Reclassi- fication	Jun12
Specific loan loss provisions	6,113	12	59	1,278	-289	-281	-89	0	6,803
Loans to credit institutions	64	0	0	4	-1	-4	0	0	63
Loans and advances to customers	6,049	12	59	1,274	-288	-277	-89	0	6,740
Portfolio loan loss provisions	914	1	7	129	0	-243	0	1	809
Loans to credit institutions	9	0	1	1	0	-3	0	0	8
Loans and advances to customers	891	1	6	128	0	-231	0	1	796
Financial assets - held to maturity	14	0	0	0	0	-9	0	0	5
Risk provisions for loans and advances[1]	**7,027**	**13**	**66**	**1,407**	**-289**	**-524**	**-89**	**1**	**7,612**

1) Risk provisions for loans and advances are recognised in the balance sheet as a deduction from assets.
2) Allocations and releases are not directly reconciliable with Note 2. Note 2 contains also allocations and releases in connection with provisions for contingent credit risk liabilities.

Loans and receivables and investment held to maturity as of 30 June 2013

in EUR million	Balance sheet positions (gross carrying amount)	Specific loan loss provisions	Portfolio loan loss provisions	Net carrying amount
Loans and advances to credit institutions	10,163	-54	-6	10,103
Loans and advances to customers	129,756	-7,016	-741	121,999
Financial assets - held to maturity	18,575	0	-3	18,572
Risk provisions for loans and advances	-7,820	7,070	750	0
Total	**150,674**	**0**	**0**	**150,674**

Loans and receivables and investment held to maturity as of 31 December 2012

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

15. Derivative financial instruments

in EUR million	Jun 13 Fair value Positive	Jun 13 Fair value Negative	Dec 12 Fair value Positive	Dec 12 Fair value Negative
Derivatives held for trading				
Interest rate	5,687	5,545	8,655	8,517
Equity	23	9	22	7
Foreign exchange	987	534	1,083	688
Credit	4	7	6	9
Commodity	10	9	5	8
Other	2	1	4	0
Total derivatives held for trading	**6,713**	**6,105**	**9,775**	**9,229**
Derivatives held in banking book				
Fair value hedges				
Interest rate	1,777	562	2,394	695
Equity	0	0	0	0
Foreign exchange	2	14	11	12
Credit	1	1	0	0
Commodity	0	0	0	0
Other	2	1	3	0
Total fair value hedges	**1,782**	**578**	**2,408**	**707**
Cash flow hedges				
Interest rate	66	42	102	0
Equity	0	0	0	0
Foreign exchange	2	0	2	0
Credit	0	0	0	0
Commodity	0	0	0	0
Other	0	0	0	0
Total cash flow hedges	**68**	**42**	**104**	**0**
Other derivatives				
Interest rate	552	533	853	719
Equity	38	37	37	40
Foreign exchange	127	207	89	165
Credit	6	4	10	4
Commodity	5	5	13	13
Other	64	151	0	1
Total other derivatives	**792**	**937**	**1,002**	**942**
Total derivatives in banking book	**2,642**	**1,557**	**3,514**	**1,649**
Total derivatives	**9,355**	**7,662**	**13,289**	**10,878**

16. Securities

in EUR million	Loans and advances to CI and NCI		Trading assets		Financial assets: At fair value through profit or loss		Financial assets: Available for Sale		Financial assets: Held to maturity		Total	
	Jun 13	Dec 12	Jun 13	Dec 12	Jun 13	Dec 12	Jun 13	Dec 12	Jun 13	Dec 12	Jun 13	Dec 12
Bonds and other interest-bearing securities	**1,045**	**1,312**	**7,466**	**4,872**	**400**	**526**	**18,319**	**20,226**	**18,575**	**18,975**	**45,805**	**45,911**
Listed	0	0	5,231	4,404	363	467	16,381	18,924	17,791	18,216	39,766	42,011
Unlisted	1,045	1,312	2,235	468	37	59	1,938	1,302	784	759	6,039	3,900
Equity-related securities	**0**	**0**	**285**	**306**	**242**	**190**	**1,678**	**1,725**	**0**	**0**	**2,205**	**2,221**
Listed	0	0	110	104	228	190	556	573	0	0	894	867
Unlisted	0	0	175	202	14	0	1,122	1,152	0	0	1,311	1,354
Equity holdings	0	0	0	0	0	0	450	467	0	0	450	467
Total	**1,045**	**1,312**	**7,751**	**5,178**	**642**	**716**	**20,447**	**22,418**	**18,575**	**18,975**	**48,460**	**48,599**

17. Other assets

in EUR million	Jun 13	Dec 12
Accrued commissions	132	119
Deferred income	230	198
Sundry assets	4,261	2,021
Total	**4,623**	**2,338**

Assets in amount of EUR 1,501 million of the transformed pension fund are presented on the line "other assets – sundry assets".

18. Deposits by bank

in EUR million	Jun 13	Dec 12
Deposits by domestic credit institutions	5,203	8,770
Deposits by foreign credit institutions	16,496	13,052
Total	**21,699**	**21,822**

19. Customer deposits

in EUR million	Jun 13	Dec 12
Domestic	62,213	61,466
Abroad	60,300	61,587
Total	**122,513**	**123,053**

in EUR million	Jun 13	Dec 12
Savings deposits	52,915	56,289
Other deposits		
Public sector	6,317	4,338
Commercial customers	25,180	26,177
Private customers	38,101	36,249
Total other deposits	69,598	66,764
Total	**122,513**	**123,053**

20. Debt securities in issue

in EUR million	Jun 13	Dec 12
Bonds	16,140	16,117
Certificates of deposit	543	376
Other certificates of deposits/name certificates	1,980	2,199
Mortgage and municipal bonds	10,163	10,732
Other	0	3
Total	**28,826**	**29,427**

21. Provisions

in EUR million	Jun 13	Dec 12
Long-term employee provisions	1,083	1,096
Provisions for contingent credit risk liabilities	221	186
Other risk provisions	46	29
Other provisions	116	177
Total	**1,466**	**1,488**

1) Other provisions consist mainly of provisions for litigation.

22. Other liabilities

in EUR million	Jun 13	Dec 12
Deferred income	330	326
Accrued commissions	41	17
Sundry liabilities	4,580	2,734
Total	**4,951**	**3,077**

Liabilities in amount of EUR 1,810 million of the transformed pension fund are presented on the line “other liabilities – sundry liabilities”.

23. Subordinated liabilities

in EUR million	Jun 13	Dec 12
Subordinated issues and deposits	3,584	3,653
Supplementary capital	1,197	1,292
Hybrid issues	380	378
Total	**5,161**	**5,323**

24. Segment reporting

The segment reporting of Erste Group follows the presentation and measurement requirements of IFRS.

Segment structure

Following the structure of Erste Group, the segment reporting is divided into the segments: Retail & SME, Group Corporate & Investment Banking, Group Markets and Corporate Center. The latter is split into the Corporate Center excluding intra-group eliminations and the intra-group eliminations between the segments.

The regional information regarding segments is based on the internal reporting structure. The Retail & SME segment is split into two regions of which one shows the business in Austria (consisting of the subsegments Erste Bank Oesterreich and Savings Banks) and the other one shows the business in CEE countries (consisting of the subsegments Czech Republic, Romania, Slovakia, Hungary, Croatia, Serbia and Ukraine). The remaining segments are analysed from the Group's perspective and thus are not split into regions.

The basis for Erste Group's management of individual segments and subsegments is the average attributed equity as well as the average risk-weighted assets (credit risk). For measuring and assessing the profitability of segments and subsegments, return on equity as well as cost/income ratio is used.

The return on equity is calculated as net profit/loss attributable to owners of the parent divided by the average attributed shareholder's equity allocated to the segment.

The average attributed equity of each segment represents the economic capital of the segment, which is assigned on the basis of credit risk, market risk and operational risk.

Retail & SME

The Retail & SME segment includes the individual, retail and SME-focused regional banks of Erste Group. To enhance transparency, the region Austria consists of the two subsegments, Erste Bank Oesterreich (including local subsidiaries) and Savings Banks. The latter subsegment includes those savings banks which as a result of their membership are consolidated into the Haftungsverbund. In the region Central and Eastern Europe, the individual subsidiaries are reported separately as subsegments.

Group Corporate & Investment Banking

The Group Corporate & Investment Banking (GCIB) segment includes the large corporate business, the real estate business of Erste Group with large corporate customers, equity capital markets (from the second quarter of 2012 onwards) as well as the investment banking subsidiaries in CEE and the International Business (excluding treasury activities). The leasing subsidiary Erste Group Immorent is also included in this segment. In Erste Group, those corporate customers with turnover of at least EUR 175 million are classified as large corporates.

Group Markets

The Group Markets segment comprises the business Group Treasury and Capital Markets and includes the treasury activities of Erste Group Bank AG, the CEE subsidiaries, the foreign branch offices in Hong Kong, New York, Berlin, and Stuttgart as well as the result of Erste Asset Management.

Corporate Center segment

The segment Corporate Center is split into two parts, whereas the effects from intra-group eliminations between segments and subsegments are disclosed in the segment "Intra-group eliminations".

The segment 'Intra-group eliminations' consists of internal revenues and expenses charged between subsegments and must be eliminated again on group level. These transactions mainly relate to internal services from IT, Procurement and Facility Management to the banking subsidiaries, rental income from operating lease and investment properties, and the derivatives business. Intra-group elimination between business units within the same subsegment is allocated to the respective subsegment.

The segment Corporate Center excluding 'Intra-group eliminations' includes the results of the central business areas of Erste Group Bank AG. This segment consists mainly of the balance sheet management as well as the dividends (elimination of dividends on group level is also allocated to this segment) and refinancing costs of fully consolidated subsidiaries, general administrative expenses for group center functions that cannot be directly allocated to another subsegment and the banking tax of Erste Group Bank AG. In addition, this segment includes the results of non-profit companies (especially service units) and subsidiaries that cannot be directly allocated to another subsegment, straight-line amortization of customer relationships (especially for Banca Comercială Română, Erste Card Club, and Ringturm KAG), as well as one-off effects which are not allocated to any subsegment for the sake of consistency and to assist like-for-like comparisons. Moreover, this segment includes the equity which is not allocated to the other segments/subsegments.

in EUR million	Retail & SME 1-6 13	Retail & SME 1-6 12	GCIB 1-6 13	GCIB 1-6 12	Group Markets 1-6 13	Group Markets 1-6 12	Corporate Center excl. Intragroup elimination 1-6 13	Corporate Center excl. Intragroup elimination 1-6 12	Intragroup elimination 1-6 13	Intragroup elimination 1-6 12	Total Group 1-6 13	Total Group 1-6 12
Net interest income	2,026.1	2,192.1	202.2	257.2	95.8	107.3	129.1	127.6	-21.9	-32.5	2,431.2	2,651.7
Risk provisions for loans and advances	-599.4	-834.7	-244.5	-147.1	11.9	0.0	0.2	0.0	0.0	0.0	-831.8	-981.8
Net fee and commission income	804.9	790.7	51.2	43.4	65.2	65.1	39.5	130.0	-65.0	-163.7	895.9	865.5
Net trading result	65.2	31.4	13.9	6.6	84.9	138.6	-10.8	-64.5	7.3	9.4	160.5	121.5
General administrative expenses	-1,543.6	-1,611.4	-91.1	-96.2	-109.2	-107.7	-274.5	-272.5	175.5	200.4	-1,842.9	-1,887.4
Other result[1]	-170.4	-128.0	-15.5	-57.0	-1.5	2.5	-160.4	154.3	-95.8	-13.6	-443.7	-41.8
Pre-tax profit/loss	**582.8**	**440.1**	**-83.8**	**6.9**	**147.1**	**205.8**	**-276.8**	**74.9**	**0.0**	**0.0**	**369.3**	**727.7**
Taxes on income	-21.6	-131.9	13.4	-2.9	-30.4	-41.1	63.6	-20.7	0.0	0.0	25.0	-196.6
Net profit/loss for the period	**561.2**	**308.2**	**-70.5**	**4.0**	**116.7**	**164.7**	**-213.2**	**54.2**	**0.0**	**0.0**	**394.3**	**531.1**
Attributable to non-controlling interests	89.1	77.0	-0.8	4.9	2.9	3.9	1.8	-8.3	0.0	0.0	93.1	77.5
Attributable to owners of the parent	**472.1**	**231.2**	**-69.7**	**-0.9**	**113.8**	**160.8**	**-215.0**	**62.5**	**0.0**	**0.0**	**301.2**	**453.6**
Average risk-weighted assets	68,416.8	71,068.9	20,160.3	21,772.0	2,557.0	2,687.6	-1,465.8	15.6	0.0	0.0	89,668.4	95,544.1
Average attributed equity	4,985.3	4,958.2	1,995.6	2,178.4	397.3	349.0	5,594.7	5,066.3	0.0	0.0	12,972.9	12,551.9
Cost/income ratio	**53.3%**	**53.5%**	**34.1%**	**31.3%**	**44.4%**	**34.6%**	**173.9%**	**141.2%**	**na**	**na**	**52.8%**	**51.9%**
Return on equity[2]	**18.9%**	**9.3%**	**na**	**na**	**57.3%**	**92.2%**	**na**	**2.5%**	**na**	**na**	**4.6%**	**na**

1) Other result consists of four income statement items: other operating result, result from financial instruments at fair value through profit or loss, result from financial assets available for sale, and result from financial assets held to maturity.

2) ROE=return on equity=Net profit/loss attributable to the owners of the parent divided by the average attributed equity allocated to subsegment/segment. For the purposes of this calculation, net profit/loss for the six-month periods ended 30 June 2013 and 2012 is annualized through multiplication by two

in EUR million	EB Oesterreich 1-6 13	EB Oesterreich 1-6 12	Savings banks 1-6 13	Savings banks 1-6 12	Austria 1-6 13	Austria 1-6 12	CEE 1-6 13	CEE 1-6 12	Retail & SME 1-6 13	Retail & SME 1-6 12
Net interest income	298.0	312.2	439.5	476.7	737.5	788.9	1,288.5	1,403.2	2,026.1	2,192.1
Risk provisions for loans and advances	-37.6	-54.3	-70.2	-110.8	-107.8	-165.1	-491.7	-669.6	-599.4	-834.7
Net fee and commission income	172.4	163.2	210.3	193.5	382.7	356.7	422.2	434.0	804.9	790.7
Net trading result	7.4	-3.1	9.5	8.7	16.8	5.6	48.3	25.8	65.2	31.4
General administrative expenses	-301.4	-306.0	-465.7	-469.5	-767.1	-775.5	-776.5	-835.9	-1,543.6	-1,611.4
Other result[1]	-6.9	17.7	-4.4	-3.4	-11.3	14.3	-159.1	-142.3	-170.4	-128.0
Pre-tax profit/loss	**131.8**	**129.7**	**119.1**	**95.2**	**250.9**	**224.9**	**331.8**	**215.2**	**582.8**	**440.1**
Taxes on income	-31.2	-28.6	-28.9	-24.0	-60.1	-52.6	38.6	-79.3	-21.6	-131.9
Net profit/loss for the period	**100.6**	**101.1**	**91.2**	**71.2**	**190.8**	**172.3**	**370.4**	**135.9**	**561.2**	**308.2**
Attributable to non-controlling interests	3.8	3.2	75.3	64.0	79.1	67.2	10.0	9.8	89.1	77.0
Attributable to owners of the parent	**96.8**	**97.9**	**15.9**	**7.2**	**111.7**	**105.1**	**360.4**	**126.1**	**472.1**	**231.2**
Average risk-weighted assets	12,776.9	13,203.4	22,560.6	23,744.7	35,337.5	36,948.1	33,079.3	34,120.8	68,416.8	71,068.9
Average attributed equity	1,330.1	1,298.7	401.0	367.9	1,731.2	1,666.6	3,254.2	3,291.6	4,985.3	4,958.2
Cost/income ratio	**63.1%**	**64.8%**	**70.6%**	**69.2%**	**67.5%**	**67.4%**	**44.1%**	**44.9%**	**53.3%**	**53.5%**
Return on equity[2]	**14.6%**	**15.1%**	**7.9%**	**3.9%**	**12.9%**	**12.6%**	**22.1%**	**7.7%**	**18.9%**	**9.3%**

1) Other result consists of four income statement items: other operating result, result from financial instruments at fair value through profit or loss, result from financial assets available for sale, and result from financial assets held to maturity.

2) ROE=return on equity=Net profit/loss attributable to the owners of the parent divided by the average attributed equity allocated to subsegment/segment. For the purposes of this calculation, net profit/loss for the six-month periods ended 30 June 2013 and 2012 is annualized through multiplication by two.

in EUR million	Czech Republic 1-6 13	Czech Republic 1-6 12	Romania 1-6 13	Romania 1-6 12	Slovakia 1-6 13	Slovakia 1-6 12	Hungary 1-6 13	Hungary 1-6 12	Croatia 1-6 13	Croatia 1-6 12	Serbia 1-6 13	Serbia 1-6 12	Ukraine 1-6 13	Ukraine 1-6 12	CEE 1-6 13	CEE 1-6 12
Net interest income	499.3	570.6	296.5	284.3	211.7	211.0	136.6	175.9	118.9	128.9	19.4	18.1	6.2	14.4	1,288.5	1,403.2
Risk provisions for loans and advances	-63.3	-85.3	-205.0	-364.9	-21.7	-31.8	-114.2	-106.6	-77.4	-71.0	-6.1	-4.3	-4.0	-5.7	-491.7	-669.6
Net fee and commission income	210.9	229.8	65.2	60.6	52.7	56.0	55.9	45.3	30.1	33.1	6.2	6.6	1.2	2.6	422.2	434.0
Net trading result	18.4	-8.4	28.9	37.9	1.9	1.0	-3.2	-6.7	4.5	4.6	1.3	0.8	-3.3	-3.4	48.3	25.8
General administrative expenses	-329.2	-358.9	-158.9	-173.0	-115.4	-113.4	-82.5	-82.0	-62.9	-68.1	-17.6	-16.5	-10.1	-24.0	-776.5	-835.9
Other result[1]	-9.9	-20.8	-32.9	-16.5	-20.8	-11.1	-89.7	-92.9	-5.8	1.7	-0.5	-1.0	0.5	-1.7	-159.1	-142.3
Pre-tax profit/loss	**326.2**	**327.0**	**-6.3**	**-171.6**	**108.3**	**111.7**	**-97.1**	**-67.0**	**7.4**	**29.2**	**2.7**	**3.7**	**-9.4**	**-17.8**	**331.8**	**215.2**
Taxes on income	-65.6	-68.6	128.8	22.6	-21.1	-22.5	-1.8	-5.7	-1.4	-5.1	-0.2	0.0	0.0	0.0	38.6	-79.3
Net profit/loss for the period	**260.6**	**258.4**	**122.5**	**-149.0**	**87.2**	**89.2**	**-98.9**	**-72.7**	**6.0**	**24.1**	**2.4**	**3.7**	**-9.4**	**-17.8**	**370.4**	**135.9**
Attributable to non-controlling interests	1.4	5.7	5.8	-8.5	0.0	0.2	0.0	0.0	2.6	11.5	0.2	0.9	0.0	0.0	10.0	9.8
Attributable to owners of the parent	**259.2**	**252.7**	**116.7**	**-140.5**	**87.2**	**89.0**	**-98.9**	**-72.7**	**3.4**	**12.6**	**2.2**	**2.8**	**-9.4**	**-17.8**	**360.4**	**126.1**
Average risk-weighted assets	12,717.1	12,595.5	7,200.1	8,408.4	4,009.4	4,202.0	4,136.5	3,489.2	3,921.0	4,162.8	601.8	488.1	493.5	774.8	33,079.3	34,120.8
Average attributed equity	1,320.7	1,276.3	698.2	804.0	423.1	434.3	424.6	357.4	280.2	296.6	53.1	41.1	54.3	81.9	3,254.2	3,291.6
Cost/income ratio	**45.2%**	**45.3%**	**40.7%**	**45.2%**	**43.4%**	**42.3%**	**43.6%**	**38.2%**	**41.0%**	**40.9%**	**65.5%**	**64.7%**	**247.1%**	**176.5%**	**44.1%**	**44.9%**
Return on equity[2]	**39.2%**	**39.6%**	**33.4%**	**na**	**41.2%**	**41.0%**	**na**	**na**	**2.4%**	**8.5%**	**8.4%**	**13.6%**	**na**	**na**	**22.1%**	**7.7%**

1) Other result consists of four income statement items: other operating result, result from financial instruments at fair value through profit or loss, result from financial assets available for sale, and result from financial assets held to maturity.

2) ROE=return on equity=Net profit/loss attributable to the owners of the parent divided by the average attributed equity allocated to subsegment/segment. For the purposes of this calculation, net profit/loss for the six-monts periods ended 30 June 2013 and 2012 is annualized through multiplication by two

25. Risk management

It is a core function of every bank to take risks in a conscious and selective manner and to professionally manage such risks. In addition to meeting the internal goal of effective and efficient risk management, Erste Group's control and risk management systems have been developed to fulfil external and, in particular, regulatory requirements.

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 2012.

Current regulatory topics

Activities in the context of changes in regulatory requirements

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

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

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

Erste Group calculated as well the Basel 3 compliant liquidity ratios which also will be collected within the scope of the planned exercises. The Group has made several calculations to assess the status of the entities with regards to these ratios, and the preparation for the future regulatory reporting is currently underway.

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

Implementation of Basel 3 in the European Union

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

The new regulatory requirements for credit institutions and investment firms will enter into force on 1 January 2014. Beginning in 2014, the regulatory capital (own funds) and the regulatory capital requirements will be calculated and published in accordance to Basel 3. The Leverage Ratio has to be disclosed starting 2015.

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

From 31 March 2013 the consolidated regulatory capital (own funds) and the consolidated regulatory capital requirements of Erste Group are calculated based on IFRS. In addition to the legal requirements applied so far in determining the regulatory capital and the regulatory capital requirement, the regulations defined in article 29a Austrian Banking Act take effect in regard to the application of IFRS.

Capital increase and repayment of participation capital

Management board and supervisory board of Erste Group agreed to redeem all outstanding participation capital in the amount of EUR 1.76 billion; the transaction itself will take place in August 2013.

In July 2013 Erste Group's share capital was increased by EUR 660.6 mio by the issuance of 35,231.353 new shares. As a consequence, the regulatory Tier-1 capital will increase by around EUR 630 mio after deduction of costs related to the capital increase in the amount of around EUR 30 mio.

The increase in share capital will support Erste Group to achieve a solid capital base in accordance with new capital requirements that come into effect in 2014 and to reach a CET-1 ratio of more than 10% in relation to total risk under Basel 3.

Current economic topics

The tables below illustrate that Erste Group's net exposure to European countries which are particularly affected by the sovereign debt crisis further decreased in the course of the first half of 2013. The net exposure to Greece, Ireland, Italy, Portugal and Spain decreased from EUR 1.89 billion at year-end 2012 to EUR 172 billion as of 30 June 2013. The net exposure to Greece remained stable at EUR 2 million, while the net exposures to Italy, Ireland, Portugal and Spain decreased. The net exposure to the sovereign of Italy increased slightly as of 30 June 2013 to EUR 110 million.

As of 30 June 2013, Erste Group exhibited a net exposure of EUR 260 million to the Slovenian sovereign and EUR 18 million to Slovenian banks. In total, Erste Group thus reduced the net exposure to the Slovenian sovereign and the Slovenian banking sector by EUR 76 million since 31 December 2012.

The following tables show the net exposure to sovereigns and institutions in selected European countries as of 30 June 2013 and 31 December 2012, respectively. The net exposure includes all on- and off-balance-sheet positions after counterparty netting and risk transfer to guarantors. Derivatives are netted (ISDA Master Agreement with netting agreement) and collateral for derivatives reduces the exposure, provided that respective contracts are in force (Credit Support Annex to ISDA Master Agreement). In the case of repo transactions, the book value of the securities sold under repurchase agreements is recognised as exposure to the issuer. Moreover, an exposure of the counterparty amounting to the difference between the funds received and a potentially higher market value of the securities sold plus a percentage of the nominal value is considered in order to take into account price fluctuations. In the case of reverse repurchase agreements, the respective counterparty risk is considered as for repurchase agreements (the difference between the funds placed and a potentially lower market value of the securities purchased plus a percentage of the nominal value in order to account for price fluctuations), but the issuer risk is not considered. The net exposure represents the net risk view. It differs from the credit risk exposure, which is treated in the 'Credit risk' chapter, primarily by applying the risk transfer to guarantors, by the deduction of collateral and by taking into consideration of netting agreements. Therefore, the two are not comparable. The sovereign net exposure includes central banks, central governments and institutions which are explicitly guaranteed by the central government.

Net exposure to selected European countries

Total	Sovereign		Bank		Other[1]		Total	
in EUR million	Jun 13	Dec 12	Jun 13	Dec 12	Jun 13	Dec 12	Jun 13	Dec 12
Greece	0	0	0	0	2	5	2	5
Ireland	63	74	17	29	35	36	115	139
Italy	110	100	461	411	558	656	1,129	1,167
Portugal	5	3	15	48	9	10	29	61
Spain	13	13	175	249	260	253	448	515
Total	**191**	**190**	**667**	**737**	**865**	**960**	**1,723**	**1,887**

1) Other includes securisations and claims against corporates

Sovereign	Fair Value		Available for Sale		At amortised cost		Total	
in EUR million	Jun 13	Dec 12	Jun 13	Dec 12	Jun 13	Dec 12	Jun 13	Dec 12
Greece	0	0	0	0	0	0	0	0
Ireland	0	0	63	59	0	15	63	74
Italy	-11	-11	117	100	0	0	110	100
Portugal	-9	-16	5	3	0	0	5	3
Spain	-22	-22	13	11	2	2	13	13
Total	**-42**	**-49**	**198**	**173**	**2**	**17**	**191**	**190**

Most of the short positions relating to sovereigns in Italy, Portugal and Spain as of 30 June 2013 either mature before the corresponding long positions or are booked in a different legal entity. Therefore, these positions are not offset in the exposure figures above. If these were considered in the calculations, total exposure would accordingly be lower. The short positions originate from CDS transactions and are stated in the fair value section in the table above.

Bank	Fair Value		Available for Sale		At amortised cost		Total	
in EUR million	Jun 13	Dec 12	Jun 13	Dec 12	Jun 13	Dec 12	Jun 13	Dec 12
Greece	0	0	0	0	0	0	0	0
Ireland	13	16	1	5	3	8	17	29
Italy	91	44	144	149	226	218	461	411
Portugal	-3	2	2	16	15	30	15	48
Spain	22	69	36	34	116	146	175	249
Total	**123**	**131**	**183**	**204**	**361**	**402**	**667**	**737**

Credit risk

The classification of credit assets into risk grades is based on Erste Group's internal ratings. For the purpose of external reporting, Erste Group has developed a framework to map the risk grades into four different risk categories, as follows:

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

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

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

Non-performing: One or more of the default criteria under Basel II 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 an Austrian customer defaults on one product then all of that customer's performing products are classified as non-performing. For corporate borrowers in CEE, the customer view is also applied. However, in the retail and SME segment in 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: loans and advances to credit institutions; loans and advances to customers; debt securities held for trading, at fair value through profit or loss, available for sale and held-to-maturity; derivatives andcredit risks held off balance sheet (primarily financial guarantees and undrawn credit commitments).

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

The credit risk exposure of Erste Group decreases by 2.1% or nearly EUR 4.7 billion from EUR 219.7 billion as of 31 December 2012 to EUR 215.0 billion as of 30 June 2013

Erste Group's credit risk exposure is presented below divided into the following classes:
-by Basel II exposure class and financial instrument,
-by industry and risk category,
-by region and risk category and
-by business segment and risk category.

Furthermore, a breakdown of loans and advances to customers is presented as follows:
-loans and advances to customers by business segment and risk category,
-non-performing loans and advances to customers by business segment and coverage by loan loss provisions, and
-loans and advances to customers by business segment and currency.

Credit risk exposure by Basel II exposure class and financial instrument

The following tables include Erste Group's credit risk exposure broken down by Basel 2 exposure class and financial instrument as of 30 June 2013 and 31 December 2012, respectively. The assignment of obligors to Basel 2 exposure classes is based on legal regulations. For reasons of clarity, individual Basel 2 exposure classes are presented in aggregated form in the tables below and in other tables in the chapter 'credit risk'. The aggregated exposure class 'sovereigns' also contains regional and local governments as well as public sector entities in addition to central governments, central banks, international organisations and multinational development banks.

Credit risk exposure by Basel 2 exposure class and financial instrument as of 30 June 2013

			Debt instruments						
in EUR million	Loans and advances to credit institutions	Loans and advances to customers	Held to maturity	Trading assets	At fair value through profit or loss	Available for Sale	Positive fair value of derivative financial instruments	Contingent credit liabilities	Credit risk exposure
	At amortised cost			Fair Value					
Sovereigns	749	7,329	16,524	6,784	204	12,053	557	1,139	**45,337**
Institutions	9,394	54	1,232	309	129	3,544	8,200	275	**23,137**
Corporates	20	59,346	802	375	67	2,730	589	14,443	**78,372**
Retail	0	63,027	17	0	0	0	9	5,101	**68,154**
Total	**10,163**	**129,756**	**18,575**	**7,467**	**400**	**18,327**	**9,355**	**20,957**	**215,000**

Credit risk exposure by Basel 2 exposure class and financial instrument as of 31 December 2012

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

Credit risk category by industry and risk category

The following tables present the credit risk exposure of Erste Group broken down by industry and risk category as of 30 June 2013 and 31 December 2012, respectively.

Credit risk exposure by industry and risk category as of 30 June 2013

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Agriculture and forestry	1,485	544	73	278	2,380
Mining	362	98	11	80	551
Manufacturing	9,153	2,251	561	1,805	13,769
Energy and water supply	2,871	432	64	268	3,635
Construction	6,282	1,778	265	1,800	10,125
Trade	7,247	1,728	491	1,388	10,854
Transport and communication	4,089	772	100	383	5,344
Hotels and restaurants	2,396	904	302	828	4,429
Financial and insurance services	36,074	1,131	112	359	37,677
Real estate and housing	17,544	2,958	623	1,376	22,501
Services	4,424	920	177	497	6,019
Public administration	38,353	439	28	29	38,849
Education, health and art	2,010	518	46	265	2,839
Private customers	43,511	6,546	1,265	3,582	54,904
Sundry	514	40	539	31	1,124
Total	**176,315**	**21,059**	**4,657**	**12,969**	**215,000**

Credit risk exposure by industry and risk categoy as of 31 December 2012

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

Credit risk exposure by region and risk category

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

The following tables present the credit risk exposure of Erste Group divided by region as of 30 June 2013 and 31 December 2012, respectively.

Credit risk exposure by region and risk category as of 30 June 2013

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Core market	**144,565**	**19,388**	**4,370**	**12,112**	**180,436**
Austria	74,808	8,153	1,663	3,376	88,000
Croatia	6,557	1,549	493	1,481	10,080
Romania	10,802	3,122	636	3,610	18,170
Serbia	742	318	39	120	1,219
Slovakia	13,110	1,103	287	449	14,949
Slovenia	1,005	396	184	227	1,812
Czech Republic	29,779	3,307	673	1,085	34,843
Hungary	7,762	1,440	396	1,765	11,363
Other EU	**27,180**	**855**	**153**	**503**	**28,690**
Other industrialised countries	**2,171**	**131**	**18**	**125**	**2,445**
Emerging markets	**2,399**	**685**	**117**	**229**	**3,429**
Southeastern Europe / CIS	1,468	611	110	201	2,390
Asia	574	12	0	19	605
Latin America	50	18	0	3	71
Middle East / Africa	307	44	6	6	363
Total	**176,315**	**21,059**	**4,657**	**12,969**	**215,000**

Credit risk exposure by region and risk category as of 31 December 2012

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

The decline in credit risk exposure by almost EUR 4.7 billion from 31 December 2012 to 30 June 2013 reflects a decrease of nearly EUR 2.4 billion, or 1.3%, in the core markets, coupled with a decline of EUR 592 million, or 2.0%, in the other EU member states (EU 27 excluding core markets) and a significant reduction of almost EUR 2 billion, or 44.4%, in other industrialised countries, as well as an increase of EUR 245 million, or 7.7%, in emerging markets. The countries of Erste Group's core market and the EU account for roughly 97% of total credit risk exposure as of 30 June 2013. At 1.6%, credit risk exposure in emerging markets remains of minor significance.

Credit risk exposure by business segment and risk category

The following tables show the credit risk exposure of Erste Group broken down by reporting segment and risk category as of 30 June 2013 and 31 December 2012, respectively.

Credit risk exposure by business segment and risk category as of 30 June 2013

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Retail & SME	**125,776**	**17,453**	**3,373**	**11,128**	**157,730**
Austria	72,361	9,032	1,486	3,826	86,704
EB Oesterreich	31,370	2,363	372	1,125	35,230
Savings Banks	40,992	6,668	1,114	2,701	51,475
Central and Eastern Europe	53,414	8,421	1,887	7,303	71,025
Czech Republic	26,790	2,500	583	913	30,785
Romania	8,195	2,533	401	3,171	14,299
Slovakia	9,479	867	218	377	10,941
Hungary	2,698	1,210	317	1,513	5,738
Croatia	5,759	1,100	355	1,253	8,467
Serbia	494	212	14	76	795
GCIB	**19,218**	**3,169**	**927**	**1,831**	**25,145**
Group Markets	**23,034**	**156**	**20**	**6**	**23,217**
Corporate Center	**8,287**	**280**	**338**	**3**	**8,908**
Total Group	**176,315**	**21,059**	**4,657**	**12,969**	**215,000**

Credit risk exposure by business segment and risk category as of 31 December 2012

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

Loans and advances to customers by business segment and risk category

The following tables present the customer loan book as of 30 June 2013 and 31 December 2012, broken down by business segment and risk category.

Loans and advances to customers by business segment and risk category as of 30 June 2013

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total loan book
Retail & SME	**82,679**	**15,497**	**2,947**	**10,910**	**112,033**
Austria	52,339	8,101	1,182	3,661	65,283
EB Oesterreich	24,503	2,077	243	1,050	27,872
Savings Banks	27,836	6,024	939	2,611	37,410
Central and Eastern Europe	30,340	7,396	1,765	7,250	46,751
Czech Republic	14,045	2,092	540	901	17,578
Romania	4,544	2,212	347	3,158	10,262
Slovakia	5,357	834	215	370	6,776
Hungary	2,533	1,181	314	1,510	5,539
Croatia	3,477	985	336	1,236	6,034
Serbia	384	92	12	75	563
GCIB	**12,052**	**2,676**	**818**	**1,656**	**17,203**
Group Markets	**111**	**15**	**0**	**3**	**130**
Corporate Center	**238**	**124**	**25**	**3**	**390**
Total	**95,081**	**18,313**	**3,790**	**12,573**	**129,756**

Loans and advances to customers by business segment and risk category as of 31 December 2012

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

In the tables below the non-performing loans and advances (NPL) to customers subdivided by business segment are contrasted with risk provisions as of 30 March 2013 and 31 December 2012, respectively.

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

Non-performing loans and advances to customers by business segment and coverage by risk provisions as of 30 June 2013

in EUR Mio	Non-performing	Total loans and advances to customers	Risk provisions	NPL Ratio	NPL coverage ratio
Retail & SME	**10,910**	**112,033**	**6,814**	**9.7%**	**62.5%**
Austria	3,661	65,283	2,249	5.6%	61.4%
EB Oesterreich	1,050	27,872	699	3.8%	66.5%
Savings Banks	2,611	37,410	1,551	7.0%	59.4%
Central and Eastern Europe	7,250	46,751	4,565	15.5%	63.0%
Czech Republic	901	17,578	683	5.1%	75.8%
Romania	3,158	10,262	1,908	30.8%	60.4%
Slovakia	370	6,776	355	5.5%	95.9%
Hungary	1,510	5,539	961	27.3%	63.6%
Croatia	1,236	6,034	597	20.5%	48.3%
Serbia	75	563	61	13.3%	81.9%
GCIB	**1,656**	**17,203**	**942**	**9.6%**	**56.9%**
Group Markets	**3**	**130**	**1**	**2.7%**	**18.9%**
Corporate Center	**3**	**390**	**1**	**0.7%**	**32.5%**
Total Group	**12,573**	**129,756**	**7,757**	**9.7%**	**61.7%**

Non-performing loans and advances to customers by business segment and coverage by risk provisions as of 31 December 2012

in EUR Mio	Non-performing	Total loans and advances to customers	Risk provisions	NPL Ratio	NPL coverage ratio
Retail & SME	**10,766**	**113,573**	**6,681**	**9.5%**	**62.1%**
Austria	3,643	65,738	2,251	5.5%	61.8%
EB Oesterreich	1,058	28,052	696	3.8%	65.7%
Savings Banks	2,585	37,687	1,556	6.9%	60.2%
Central and Eastern Europe	7,123	47,834	4,429	14.9%	62.2%
Czech Republic	956	17,891	690	5.3%	72.2%
Romania	3,021	10,682	1,771	28.3%	58.6%
Slovakia	437	6,598	369	6.6%	84.3%
Hungary	1,572	6,185	1,008	25.4%	64.1%
Croatia	1,069	5,909	534	18.1%	50.0%
Serbia	68	569	58	12.0%	84.1%
GCIB	**1,330**	**17,928**	**893**	**7.4%**	**67.2%**
Group Markets	**0**	**77**	**0**	**0.0%**	**na**
Corporate Center	**2**	**350**	**0**	**0.5%**	**26.9%**
Total Group	**12,098**	**131,928**	**7,574**	**9.2%**	**62.6%**

The following tables show the loans and advances to customers broken down by business segment and currency as of 30 June 2013 and 31 December 2012, respectively.

Loans and advances to customers by business segment and currency as of 30 June 2013

in EUR Mio	EUR	Local Currencies	CHF	USD	Other currencies	Total loans and advances to customers
Retail & SME	**75,649**	**23,805**	**11,208**	**328**	**1,043**	**112,033**
Austria	56,296	0	7,805	156	1,026	65,283
EB Oesterreich	24,615	0	2,902	54	300	27,872
Savings Banks	31,680	0	4,903	102	726	37,410
Central and Eastern Europe	19,353	23,805	3,403	172	17	46,751
Czech Republic	719	16,835	2	20	2	17,578
Romania	6,236	3,892	0	124	10	10,262
Slovakia	6,767	0	0	7	2	6,776
Hungary	1,244	1,558	2,731	5	0	5,539
Croatia	3,969	1,398	653	12	3	6,034
Serbia	419	122	17	4	0	563
GCIB	**13,613**	**1,150**	**266**	**1,292**	**882**	**17,203**
Group Markets	**42**	**32**	**1**	**42**	**13**	**130**
Corporate Center	**327**	**0**	**0**	**59**	**3**	**390**
Total Group	**89,632**	**24,987**	**11,475**	**1,721**	**1,941**	**129,756**

Loans and advances to customers by business segment and currency as of 31 December 2012

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

Analysis of market risk

Value at risk of trading book

The following table show the Value at Risk amounts as of 30 June 2013 and 31 December 2012 at the 99% confidence level using equally weighted market data and with a holding period of one day:

in EUR thousand	Total	Interest	Currency	Shares	Commodity	Volatility
Jun 13						
Trading book	5,397	2,998	890	2,538	377	744

in EUR thousand	Total	Interest	Currency	Shares	Commodity	Volatility
Dec 12						
Trading book	4,097	1,994	776	3,516	471	502

The method used is subject to limitations that may result in the information's 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.

Analysis of liquidity risk

In Erste Group's liquidity strategy for 2013 long term issuance is planned to reach only EUR 1.5 billion in 2013, a significantly lower amount than in recent years. Year-to-date issuance is in line with the plan, amounting to EUR 935 million, consisting of EUR 539 million in senior bonds, EUR 145 million in Pfandbriefe (covered bonds), and EUR 251 million in subordinated debt.

Due to the rapidly improving liquidity position resulting form a significantly declining loan-to-deposit ratio, by the end of February 2013 Erste Group fully repaid the LTRO funds (Long-term Refinancing Operation) of the European Central Bank amounting to EUR 4 billion which had been taken by its core group entities.

26. Related party transactions

As of 30 June 2013, Erste Group had accounts payable of EUR 63.5 million (31 December 2012: EUR 200.7 million) and accounts receivable of EUR 60.2 million (31 December 2012: EUR 84.2 million) in relation to DIE ERSTE österreichische Spar-Casse Privatstiftung. In addition, as of 30 June 2013 standard derivative transaction for hedging purposes on usual market term-were in place between Erste Group and DIE ERSTE österreichische Spar-Casse Privatstiftung. These were interest rate swaps with caps in the notional amount of EUR 282.0 million (31 December 2012: EUR 282.0 million) as well as cross currency swaps in the notional amount of EUR 9.1 million (31 December 2012: EUR 30.0 million).

27. Contingent liabilities – litigations

There have not been any material changes since year-end 2012 in the assessment of the influence of the outcome of the litigation cases in which Erste Group Bank and some of its subsidiaries are involved with respect of the financial and/or earnings situation of Erste Group.

28. Fair value hierarchy

Financial instruments for which fair value is determined on the basis of quoted market prices are mainly listed securities and derivatives as well as liquid OTC bonds.

Erste Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

The best indication of a financial instrument's fair value is provided by quoted market prices in an active market. Where quoted market prices in an active market are available, they are used to measure the financial instrument's value (Level 1 of the fair value hierarchy). 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). If all the significant inputs in the valuation model are observable the instrument is classified as Level 2 of the fair value hierarchy. In some cases, the fair value of financial instruments can be determined neither on the basis of market prices nor of valuation models that rely entirely on observable market data. In such 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 the instrument is classified as Level 3 of the fair value hierarchy.

Erste Group employs only generally accepted, standard valuation models. Fair value is determined for non-option derivatives (e.g. interest rate swaps, cross currency swaps, foreign exchange forwards and forward rate agreements) by discounting the respective cash flows. OTC options are valued using appropriate market standard option pricing. Erste Group uses only valuation models which have been tested internally and for which the valuation parameters (such as interest rates, exchange rates and volatility) have been determined independently.

As a consequence of changed market standards for the valuation of collateralized OTC derivatives, Erste Group changed in 2012 the valuation method for OTC derivatives from Euribor-discounting to Eonia/OIS-discounting. The effect on valuation of the derivative portfolio was immaterial.

Credit value adjustments (CVA) for counterparty credit risk are to be applied to all derivatives which are marked to model. The adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. Erste Group model is based on exposures (market value plus add-on) and probability of default (PD). For counterparties with liquid bond or CDS markets a market based PD was used. For determining the exposure, netting was generally disregarded as this had a non-material impact on the results. For counterparties with CSA-agreements in place no CVA was taken into account for all cases with small threshold amounts..

The table below details the valuation methods used to determine the fair value of financial instruments measured at fair value:

June 2013 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
Financial assets - available for sale	13,898	6,036	137	20,071
Financial assets - at fair value through profit or loss	264	344	34	642
Trading assets - securities	2,325	5,426	0	7,751
Positive market value - derivatives	114	9,107	134	9,355
Total assets	**16,601**	**20,913**	**305**	**37,819**
Customer deposits	0	527	0	527
Debt securities in issue	0	1,620	0	1,620
Subordinated liabilities	0	272	0	272
Trading liabilities	427	62	0	489
Negative market value - derivatives	94	7,568	0	7,662
Total liabilities and equity	**521**	**10,049**	**0**	**10,570**

December 2012 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
Financial assets - available for sale	14,879	7,016	147	22,042
Financial assets - at fair value through profit or loss	329	364	23	716
Trading assets - securities	2,509	2,660	9	5,178
Positive market value - derivatives	1	13,149	139	13,289
Total assets	**17,718**	**23,189**	**318**	**41,225**
Customer deposits	0	633	0	633
Debt securities in issue	79	1,562	0	1,641
Subordinated liabilities	0	279	0	279
Trading liabilities	0	481	0	481
Negative market value - derivatives	0	10,878	0	10,878
Total liabilities and equity	**79**	**13,833**	**0**	**13,912**

The volume of products whose fair values are determined using valuation models based on non-observable market data is driven in large part by illiquid bonds and securities not quoted in an active market and derivatives where credit value adjustment (CVA) has a material impact and is based on unobservable parameters (i.e. internal estimates of PDs and LGDs). The allocation of positions to level is done at the end of the reporting period.

Movements in Level 3 of financial instruments measured at fair value

The following tables show the development of fair value of securities for which valuation models are based on non-observable inputs:

in EUR million	Dec 2012	Gain/loss in profit or loss	Gain/loss in other comprehensive income	Purchases	Sales/ Settlements	Addition to Group	Transfer into Level 3	Transfers out of Level 3	Currency translation	Jun 13
Financial assets - available for sale	147	4	1	1	-46	18	28	-15	0	137
Financial assets - at fair value through profit or loss	23	-1	0	3	0	0	10	0	0	34
Trading assets - securities	9	1	0	11	-21	0	0	0	0	0
Positive market value - derivatives	139	-5	0	0	0	0	0	0	0	134
Total assets	**318**	**-1**	**1**	**14**	**-67**	**18**	**38**	**-15**	**0**	**306**

Gains or losses on Level 3 securities held at the reporting period's end and which are included in comprehensive income are as follow:

	Jun 13	
in EUR million	Gain/loss in profit or loss	Gain/loss in other comprehensive income
Financial assets - available for sale	-1.6	-8.0
Financial assets - at fair value through profit or loss	-1.1	0.0
Trading assets	0.0	0.0
Positive market value - derivatives	12.7	0.0
Negative market value - derivatives	0.0	0.0
Total	**10.0**	**-8.0**

Movements in Level 1 and Level 2

The share of Level 2 assets decreased compared to 2012 by EUR 2.3 billion. The change is mainly due to a decrease in (positive and negative) market values of derivatives and a positive net contribution from maturities, sales and new purchases of securities. The contribution of reclassifications to the overall change is immaterial.

Sensitivity analysis of unobservable parameters

Unobservable valuation parameters for the fair value of derivatives due to CVA-adjustment are probability of default (PD) and loss given Default (LGD). The range of this parameters used for valuation is between a minimum (maximum) PD of 0.64% (39.6%) and a minimum (maximum) value for LGD of (10% (75%).

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 judgement consistent with prevailing market evidence. Had all these unobservable parameters been moved simultaneously to the extremes of their ranges as of 30 June 2013, it could have increased fair value by as much as EUR 28.8 million (2012: EUR 14.4 million) or decreased fair value by as much as EUR -29.1 million (2012: EUR -20.3 million). In estimating these impacts, mainly changes in credit spread (for Bonds), probabilities of default, loss given defaults (for CVA of derivatives) and market values of comparable equities were considered. An increase (decrease) of spreads, PDs and LGDs result in a decrease of the corresponding market values. Positive correlation effects between PDs and LGDs are taken into account in the sensitivity analysis. For debt securities the range of credit spreads is between +100 basis points and – 75 basis points, for equity related instruments the price range is between -10% and +5%, for CVA on derivatives PDs where allocated to a rating upgrade/downgrade by one notch, the range for LGD is between -5% and +10%.

The following table shows the sensitivity analysis per product type:

	Positive	Negative
	Fair Value changes from using reasonable alternatives	
Derivatives	18.6	-13.8
Debt instruments	7.6	-10.1
Equity instruments	2.6	-5.2
Total	**28.8**	**-29.1**

Fair values of financial instruments not measured at fair value

The following table shows fair values of financial instruments not measured at fair value:

in EUR million	Jun 13 Fair value	Jun 13 Carrying amount	Dec 12 Fair value	Dec 12 Carrying amount
ASSETS				
Cash and balances with central banks	9,626	9,626	9,740	9,740
Loans and advances to credit institutions	10,042	10,103	9,054	9,007
Loans and advances to customers	121,263	121,999	127,170	124,354
Financial assets - held to maturity	19,590	18,572	20,292	18,972
LIABILITIES				
Deposits by banks	21,755	21,699	22,042	21,822
Customer deposits	122,302	121,986	122,286	122,421
Debt securities in issue	28,700	27,206	29,340	27,786
Subordinated liabilities	5,233	4,889	5,394	5,044

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest effects. Loans and advances were grouped into homogeneous portfolios based on maturity.

For liabilities without contractual maturities, the carrying amount represents its fair value. The fair value of the other liabilities is estimated by taking into consideration the actual interest rate environment and changes in own credit risk.

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

Average	1-6 13	1-6 12
Employed by Erste Group	**47,904**	**49,651**
Domestic	15,999	16,130
Erste Group, EB Oesterreich and subsidiaries	8,585	8,691
Haftungsverbund savings banks	7,414	7,439
Abroad	31,905	33,521
Česká spořitelna Group	10,925	10,643
Banca Comercială Română Group	7,729	8,893
Slovenská sporiteľňa Group	4,190	4,223
Erste Bank Hungary Group	2,741	2,631
Erste Bank Croatia Group	2,541	2,601
Erste Bank Serbia	931	926
Erste Bank Ukraine	748	1,593
Savings banks subsidiaries & foreign branch offices	1,135	1,114
Other subsidiaries and foreign branch offices	965	897

30. Regulatory Capital and regulatory Capital Requirements according to IFRS

CHANGES IN TOTAL QUALIFYING CAPITAL

in EUR million	Jun 13 IFRS	Dec 12 Austrian GAAP
Paid up capital	789	
Share premium	5,823	
Participation capital - State	1,200	
Participation capital - Private	557	
Retained earnings	4,253	
Accumulated Other Comprehensive Income	127	
Deductions of Erste Group Bank shares (directly held)	-332	
Regulatory deductions of financed Erste Group Bank shares and participation capital	-219	
Minority interests	3,200	
Deduction of Goodwill	-1,599	
Deduction of Customer Relationship	-308	
Deduction of Brand	-290	
Deduction of other intangible assets	-573	
50% deduction for non-consolidated credit and financial institutions pursuant to section 23 (13) 3 and 4 of the Austrian Banking Act	-121	
50% deduction for non-consolidated insurances pursuant to section 23 (13) 4a of the Austrian Banking Act (1)	-82	
50% deduction of IRB-shortfall pursuant to section 23 (13) 4c of the Austrian Banking Act	0	
50% deduction of securitisations pursuant to section 23 (13) 4d of the Austrian Banking Act	-34	
Prudential filter on net positive AfS reserves (eligible with 70% within tier-2)	-435	
Prudential filter on gains and losses due to changes on own credit standing	-33	
Prudential filter for Cash flow hedges, excluding those for AfS-instruments	5	
Core tier-1 capital	**11,927**	**11,848**
Hybrid tier-1 capital pursuant to section 23 (4a) and (4b) of the Austrian Banking Act	377	
Direct holdings of own hybrid tier-1 capital pursuant to section 23 (4a) and (4b) Austrian Banking Act	-2	
Tier-1 capital	**12,302**	**12,223**
Eligible supplementary capital	474	
Eligible subordinated liabilies	3,577	
70% of AfS-reserve deducted from Core Tier-1 eligible within tier-2	305	
IRB - surplus	67	
Qualifying supplementary capital (tier-2)	**4,423**	**4,074**
50% deduction for non-consolidated credit and financial institutions pursuant to section 23 (13) 3 and 4 of the Austrian Banking Act	-121	-107
50% deduction for non-consolidated insurances pursuant to section 23 (13) 4a of the Austrian Banking Act (1)	-82	-164
50% deduction of IRB-shortfall pursuant to section 23 (13) 4c of the Austrian Banking Act	0	0
50% deduction of securitisations pursuant to section 23 (13) 4d of the Austrian Banking Act	-34	-12
Short-term subordinated capital (tier-3)	**278**	**297**
Total eligible qualifying capital	**16,766**	**16,311**
Total Capital Requirement	8,073	8,426
Surplus capital	8,693	7,885
Core tier-1 ratio – total risk (in %) (2)	11.8	11.2
Tier-1 ratio – total risk (in %) (3)	12.2	11.6
Solvency ratio (in %) (4)	16.6	15.5

1) 50% tier 1 capital deduction starting with January 2013.

2) Core tier-1 ratio – total risk is the ratio of core tier-1 capital (excluding hybrid capital pursuant to section 23 (4a) and (4b) of the Austrian banking Act) to the calculation base for the capital requirement pursuant to section 22 (1) of the Austrian Banking Act.

3) Tier-1 ratio – total risk is the ratio of tier-1 capital (including hybrid capital pursuant to section 23 (4a) and (4b) of the Austrian banking Act) to the calculation base for the capital requirement pursuant to section 22 (1) of the Austrian Banking Act.

4) Solvency ratio is the ratio of total eligible qualifying capital to the calculation base for the capital requirement pursuant to section 22 (1) of the Austrian Banking Act.

Risk-weighted basis pursuant to section 22 (1) of the Banking Act and the resulting capital requirement

in EUR million	June 2013 IFRS Calculation base/total risk[1]	June 2013 IFRS Capital requirement[2]	Dec 2012 Austrian GAAP Calculation base/total risk[1]	Dec 2012 Austrian GAAP Capital requirement[2]
Risk pursuant to section 22 (1) 1 Banking Act[3]	87,317	6,985	90,434	7,235
a) Standardised approach	20,245	1,620	22,936	1,835
b) Internal ratings based approach	67,073	5,366	67,498	5,400
Risk pursuant to section 22 (1) 2 Banking Act[4]	3,355	268	3,583	287
Risk pursuant to section 22 (1) 3 Banking Act[5]	118	9	131	10
Risk pursuant to section 22 (1) 4 Banking Act[6]	10,108	809	11,175	894
Total	**100,899**	**8,073**	**105,323**	**8,426**

1) Internal calculation base used for calculation of the tier-1 ratio, core tier-1 ratio and the solvency ratio (capital requirement multiplied by 12.5).
2) Capital requirement pursuant to the Banking Act.
3) Risk weighted assets – credit risk.
4) Market risk (trading book).
5) Commodities risk and foreign exchange-risk, including the risk arising from gold positions, each for positions outside the trading book.
6) Operational risk.

31. Events after the Reporting Date

Redemption of participation capital and implementation of a capital increase

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

Against this backdrop, a capital increase against cash contributions was implemented with gross proceeds of approximately EUR 660 million. This capital increase has further strengthened Erste Group's capital base so that Erste Group expects to meet its targeted 10% fully loaded Basel 3 common equity tier-1 ratio (CET 1) by 31 December 2014. The capital increase was carried out by offering qualified institutional investors new shares by way of an accelerated bookbuilding offer ("pre-placement to institutional investors") followed by a subscription offering to existing shareholders of Erste Group Bank AG ("subscription offering").

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

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

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, 30 July 2013

The Management Board

Andreas Treichl, mp
Chairman

Franz Hochstrasser, mp
Vice Chairman

Herbert Juranek, mp
Member

Gernot Mittendorfer, mp
Member

Manfred Wimmer, mp
Member

Your Notes

Your Notes

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

30 October 2013	Results for the first three quarters of 2013
28 February 2014	Full-year preliminary results 2013

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TICKER SYMBOLS

Reuters:	ERST.VI
Bloomberg:	EBS AV
Datastream:	0:ERS
ISIN:	AT0000652011