Interim Report

First Quarter 2016

ERSTE Group

Key financial data

Income statement

in EUR million	Q1 15	Q4 15	Q1 16	1-3 15	1-3 16
Net interest income	1,098.5	1,120.4	1,092.2	1,098.5	1,092.2
Net fee and commission income	461.0	489.2	443.1	461.0	443.1
Net trading and fair value result	72.4	17.2	43.5	72.4	43.5
Operating income	1,689.1	1,680.9	1,629.3	1,689.1	1,629.3
Operating expenses	-948.1	-1,016.5	-1,008.8	-948.1	-1,008.8
Operating result	**741.0**	**664.4**	**620.5**	**741.0**	**620.5**
Net impairment loss on non-fair value financial assets	-183.1	-210.7	-56.4	-183.1	-56.4
Post-provision operating result	**557.8**	**453.7**	**564.1**	**557.8**	**564.1**
Other operating result	-153.5	-258.2	-139.5	-153.5	-139.5
Levies on banking activities	-91.8	-48.5	-62.8	-91.8	-62.8
Pre-tax result from continuing operations	415.2	237.6	427.0	415.2	427.0
Taxes on income	-118.6	-1.6	-104.5	-118.6	-104.5
Net result for the period	**296.6**	**236.0**	**322.6**	**296.6**	**322.6**
Net result attributable to non-controlling interests	70.8	32.0	47.8	70.8	47.8
Net result attributable to owners of the parent	**225.8**	**204.0**	**274.7**	**225.8**	**274.7**
Earnings per share	0.53	0.48	0.64	0.53	0.64
Cash earnings per share	0.53	0.48	0.65	0.53	0.65
Return on equity	9.0%	7.5%	9.8%	9.0%	9.8%
Cash return on equity	9.1%	7.6%	9.9%	9.1%	9.9%
Net interest margin (on average interest-bearing assets)	2.55%	2.59%	2.51%	2.55%	2.51%
Cost/income ratio	56.1%	60.5%	61.9%	56.1%	61.9%
Provisioning ratio (on average gross customer loans)	0.57%	0.64%	0.17%	0.57%	0.17%
Tax rate	28.6%	0.7%	24.5%	28.6%	24.5%

Balance sheet

in EUR million	Mar 15	Dec 15	Mar 16	Dec 15	Mar 16
Cash and cash balances	8,223	12,350	14,641	12,350	14,641
Trading, financial assets	52,285	47,542	48,680	47,542	48,680
Loans and receivables to credit institutions	8,345	4,805	6,680	4,805	6,680
Loans and receivables to customers	123,437	125,897	126,740	125,897	126,740
Intangible assets	1,415	1,465	1,447	1,465	1,447
Miscellaneous assets	8,865	7,685	8,182	7,685	8,182
Total assets	**202,570**	**199,743**	**206,369**	**199,743**	**206,369**
Financial liabilities - held for trading	8,988	5,867	6,612	5,867	6,612
Deposits from banks	16,389	14,212	17,330	14,212	17,330
Deposits from customers	124,752	127,946	128,640	127,946	128,640
Debt securities issued	30,852	29,654	30,060	29,654	30,060
Miscellaneous liabilities	7,635	7,257	8,509	7,257	8,509
Total equity	13,956	14,807	15,218	14,807	15,218
Total liabilities and equity	**202,570**	**199,743**	**206,369**	**199,743**	**206,369**
Loan/deposit ratio	98.9%	98.4%	98.5%	98.4%	98.5%
NPL ratio	8.1%	7.1%	6.7%	7.1%	6.7%
NPL coverage (exc collateral)	67.7%	64.5%	66.5%	64.5%	66.5%
CET 1 ratio (phased-in)	10.5%	12.3%	12.1%	12.3%	12.1%

Ratings	Mar 15	Dec 15	Mar 16
Fitch			
Long-term	A	BBB+	BBB+
Short-term	F1	F2	F2
Outlook	Negative	Stable	Stable
Moody´s			
Long-term	Baa2	Baa2	Baa2
Short-term	P-2	P-2	P-2
Outlook	Under Review	Positive	Positive
Standard & Poor´s			
Long-term	A-	BBB+	BBB+
Short-term	A-2	A-2	A-2
Outlook	Watch Neg	Negative	Negative

Letter from the CEO

Dear shareholders,

Erste Group posted a net profit of EUR 274.7 million in the first quarter of 2016, translating into a return on tangible equity of 11.3%. This strong start to the year was primarily attributable to extraordinarily low risk costs, while the upfront booking of almost all deposit insurance and resolution fund contributions for the full year weighed on operating expenses and other result, respectively. Capital remained strong with a clean common equity tier 1 ratio (Basel 3 fully loaded) – including retained earnings of the first quarter of 2016 – of 12.3%. Asset quality improved again to levels last seen at the end of 2009: the NPL ratio was down to 6.7%, the NPL coverage ratio advanced to 66.5% and the share of low risk loans surpassed 80%, the highest level since mid-2008. Business volumes also grew in the first quarter of 2016, with net customer loans rising by 0.7% year-to-date and customer deposits increasing by 0.5%. The liquidity position of Erste Group remained excellent with a liquidity coverage ratio in excess of 120%.

The operating environment of the first quarter was influenced by a number of conflicting factors: the macroeconomic environment in Central and Eastern Europe continued to be a clear positive. After weighted GDP growth in our key CEE markets of the Czech Republic, Slovakia, Romania, Croatia, Hungary and Serbia averaged 3.4% in 2015, similar growth of about 3% is expected for 2016. This development is accompanied by declining unemployment rates across the region: a case in point is Hungary, where this metric has improved to 5.8% in the first quarter of 2016, the lowest level since 2001. Positive trends can also be observed in relation to current account balances, which are in positive territory across our markets, except Romania, but even in the latter case this figure is just mildly negative. Public indebtedness remains at moderate levels across the board, with the exception of Croatia and Austria.

On the negative side, the extremely expansionary monetary policy stance of the European Central Bank was a significant headwind for net interest income, which, supported by customer loan growth, declined only slightly year-on-year. Regulatory cost controls of bank and credit card fees had a negative impact on net commission and fee income, primarily in the Czech Republic. In addition, upfront contributions to deposit insurance and resolution funds inflated our cost base and other result, respectively, in the first quarter of 2016, a development which should be reversed in the following quarters. In total, deposit insurance contributions of EUR 71.7 million and resolution fund contributions of EUR 64.7 million were booked in the first quarter of 2016. Net trading and fair value result declined year-on-year, as the first quarter of 2015 was supported by a positive one-off of EUR 25.0 million in the Czech Republic. Banking taxes continued to weigh on other result in Austria, Slovakia and Hungary. In the latter the government followed through on its promise to reduce the levy, which led to a saving of EUR 25.0 million. As usual, the full-year Hungarian banking tax of EUR 17.5 million was booked in the first quarter.

The continuous improvement in asset quality is worth a separate mention: in the first quarter of 2016 risk costs, at 17 basis points of average gross customer loans, declined to historic lows, hence significantly contributing to the improved bottom line. This reflected not only substantial provision releases in Romania and Hungary following a long stretch of asset quality challenges, but also the continued solid development of asset quality in Austria. This development went hand in hand with an improvement in the risk profile, which by now has been continuing for many quarters: at 80% of the loan portfolio, low risk customer loans have risen to the highest level since mid-2008. For the first time since the end of 2009, non-performing loans (NPLs) fell to below EUR 9 billion, accounting for 6.7% of gross loan volume.

The clean common equity tier 1 ratio (Basel 3 fully loaded) rose to 12.3% from 12.0% at year-end 2015, driven by the continued improvement in profitability in the first quarter of 2016 and the abolition of the haircut for the AfS reserve, which resulted in an expansion in regulatory capital that more than offset the increase in operational risk-weighted assets on the back of including politically driven historical events as operational risk. Credit risk-weighted assets remained stable. Accordingly, we are already ahead of all regulatory capital requirements.

Given the strong net result in the first quarter of 2016, we see no reason to change our guidance for 2016, which was first provided with the third quarter 2015 results presentation: we continue to believe that a return on tangible equity (ROTE) of approximately 10-11% is attainable in 2016. The regulatory bill – banking taxes, resolution and deposit insurance contributions – will remain high at an expected EUR 360 million in 2016, about EUR 200 million of which was already digested in the first quarter. Asset quality is anticipated to remain supportive throughout the year, while risk costs of the first quarter are not expected to be the run rate for the remainder of the year. Overall, we are looking forward to a year that will make us stronger in terms profitability, capital and also vis-à-vis our competitors.

Andreas Treichl mp

Erste Group on the capital markets

EQUITY MARKET REVIEW

Amid growing uncertainty over the development of the Chinese economy, its impacts on the global economy and falling oil prices, stock markets sustained some major losses as they headed into 2015. Led by the Chinese market, where tumbling prices forced the Chinese stock exchanges to suspend trading in shares several times during the first trading days of the year, stock markets were mostly on a downtrend caused by rising investor anxiety and high volatility.

In the US, economic activity slowed primarily as a consequence of plunging oil prices, which depressed investment spending, and weaker external trade. Growth decelerated also in the euro zone, held back by sluggish consumer spending and exports. In the fourth quarter 2015, the euro zone countries registering satisfactory growth were Spain, France and Germany. The economies of Central and Eastern Europe saw comparatively stronger activity. As in previous quarters, domestic demand was again the key growth driver in CEE. While the US central bank (Fed) left its rates on hold in these conditions, the European Central Bank (ECB) continued its ultra-expansionary monetary policy and lowered its main benchmark rate to 0%.

In this environment, and owing to the strength of the euro compared to the US dollar, the European indices were lower across the board in the period under review. The Euro Stoxx 600 Index receded 7.7% in the first quarter to 337.54 points. The Austrian Traded Index (ATX) closed at 2,270.38 points on 31 March, down 5.3%. The US indices outperformed the European markets after rebounding from the losses previously posted. The US Dow Jones Industrial Average Index closed the year 1.5% up at 17,685.09 points. The broader Standard & Poor‘s 500 Index finished the first quarter at 2,059.74 points, up by 0.8%. Year to date, financials were among the weakest performers in both the US and in Europe. The Dow Jones US Banks Index dropped by approximately 14%. The Dow Jones Euro Stoxx Bank Index, which is composed of the leading European bank shares, was 20.7% lower at 101.38 points.

SHARE PERFORMANCE

After gaining more than 50% in the previous year, the Erste Group share declined in the first quarter as part of the industry-wide downtrend of the financial sector and global market weakness. While the Euro Stoxx Bank Index declined by more than 20%, the Erste Group share traded 14.6% lower than at year-end 2015, closing at EUR 24.70 on 31 March. The Erste Group share price was supported by a fourth quarter 2015 net profit that beat market expectations and a better-than-forecast return on tangible equity (ROTE) of 10.8%, achieved on the back of lending growth, normalised risk costs and lower one-off effects. On the strength of its solid capital base with a common equity tier 1 ratio (CET 1, Basel 3, final) of 12.0% at year-end 2015, it was proposed to pay a dividend of EUR 0.5 per share. Nine analysts recommended the Erste Group share as buy/overweight, four rated it as neutral. After the release of the annual results, the analysts' average target price was EUR 32 per share.

In the first quarter of 2016, trading volume on the three stock exchanges (Vienna, Prague, Bucharest) on which the Erste Group share is listed averaged 1,096,250 shares per day and accounted for about 44% of the total trading volume in Erste Group shares. More than half of the trading activity was executed over the counter (OTC) or through electronic trading systems.

FUNDING AND INVESTOR RELATIONS

In January 2016, Erste Group issued a 7-year mortgage covered bond in the amount of EUR 750 million, which is in line with the maturity profile following placements of a 10-year and 5-year mortgage covered bond last year. In addition, further emphasis was put on private placements and retail bonds.

In the first quarter of 2016, the management and the investor relations team of Erste Group had a large number of one-on-one and group meetings, in which questions raised by investors and analysts were answered. The presentation of the 2015 annual result in Vienna was followed by a road show day with investor meetings in London. Erste Group attended a large number of international banking and investor conferences staged, amongst others, by the Vienna Stock Exchange, Kepler Cheuvreux, Morgan Stanley and HSBC, where Erste Group presented its strategy against the backdrop of the current environment.

Interim management report

In the interim management report, financial results from January-March 2016 are compared with those from January-March 2015 and balance sheet positions as of 31 March 2016 with those as of 31 December 2015.

EARNINGS PERFORMANCE IN BRIEF

Net interest income declined moderately to EUR 1,092.2 million (EUR 1,098.5 million) in a challenging environment of persistently low interest rates. **Net fee and commission income** decreased to EUR 443.1 million (EUR 461.0 million), mainly due to lower income from the securities business and payment services. Due to the non-recurrence of one-off effects, the **net trading and fair value result** declined to EUR 43.5 million (EUR 72.4 million). **Operating income** went down to EUR 1,629.3 million (-3.5%; EUR 1,689.1 million). **General administrative expenses** rose to EUR 1,008.8 million (+6.4%; EUR 948.1 million), mainly as a result of the advance booking of most of the expected contributions for 2016 to deposit insurance schemes in the total amount of EUR 71.7 million (EUR 19.2 million). This resulted in a decline of the **operating result** to EUR 620.5 million (-16.3%; EUR 741.0 million). The **cost/income ratio** stood at 61.9% (56.1%).

Net impairment loss on financial assets not measured at fair value through profit or loss dropped to EUR 56.4 million or 17 basis points of average gross customer loans (-69.2%; EUR 183.1 million or 57 basis points), primarily due to a substantial decline of non-performing loans and higher income from the recovery of loans already written off. The **NPL ratio** improved further to 6.7% (7.1%). The **NPL coverage ratio** stood at 66.5% (64.5%).

Other operating result amounted to EUR -139.5 million (EUR -153.5 million). This includes expected expenses for the annual contributions to resolution funds of EUR 64.7 million (EUR 54.9 million). At EUR 62.8 million (EUR 91.8 million), banking and financial transaction taxes were lower than in the previous year, which is attributable to the significant reduction of the Hungarian banking levies to EUR 27.1 million (EUR 56.5 million). Banking levies remained high in Austria at EUR 29.5 million (EUR 29.5 million) and amounted to EUR 6.2 million (EUR 5.8 million) in Slovakia.

Due to the lower profitability of the savings banks, the minority charge declined to EUR 47.8 million (EUR 70.8 million). The **net result attributable to owners of the parent** rose to EUR 274.7 million (EUR 225.8 million).

Total equity rose to EUR 15.2 billion (EUR 14.8 billion). After regulatory deductions and filtering according to the CRR, **common equity tier 1 capital** (CET1, Basel 3 phased-in) increased to EUR 12.2 billion (EUR 12.1 billion), total eligible **own funds** (Basel 3 phased-in) amounted to EUR 17.7 billion (EUR 17.6 billion). While the calculation did not include the interim profit, risk costs of the reporting period were deducted. Total risk, i.e. **risk-weighted assets** including credit, market and operational risk (Basel 3 phased-in) increased to EUR 100.5 billion (EUR 98.3 billion). The **common equity tier 1 ratio** (CET1, Basel 3 phased-in) stood at 12.1% (12.3%), the **total capital ratio** (Basel 3 phased-in) at 17.6% (17.9%).

Total assets increased to EUR 206.4 billion (EUR 199.7 billion), driven mainly by an increase in cash and cash balances, including in particular deposits at central banks, to EUR 14.6 billion (EUR 12.4 billion) and loans and receivables to credit institutions to EUR 6.7 billion (EUR 4.8 billion). **Loans and receivables to customers (net)** increased moderately to EUR 126.7 billion (EUR 125.9 billion). On the liability side, deposits from banks rose to EUR 17.3 billion (EUR 14.2 billion) and **customer deposits** were slightly higher at EUR 128.6 billion (EUR 127.9 billion). The **loan-to-deposit ratio** stood at 98.5% (98.4%).

OUTLOOK

Operating environment anticipated to be conducive to credit expansion. Real GDP growth in 2016 is expected to be between 1.5% and 4.1% in all major CEE markets, including Austria, driven by solid domestic demand.

Return on tangible equity (ROTE) expected at about 10-11% in 2016 underpinning continued dividend payout. Support factors include continued loan growth; further improvement in asset quality amid a benign risk environment, as well as a positive one-off impact related to the sale of a participation in VISA in the amount of about EUR 127 million pre-tax. Headwinds are the persistent low interest rate environment affecting group operating income, primarily net interest income, as well as lower operating results in Hungary (lower volumes) and Romania (following asset re-pricing). Banking levies (comprising banking taxes, financial transaction tax, resolution funds and deposit insurance fund contributions) will have a negative pre-tax impact of about EUR 360 million in 2016.

Risks to guidance. Geopolitical risks and global economic risks, impact from negative interest rates, consumer protection initiatives.

PERFORMANCE IN DETAIL

in EUR million	1-3 15	1-3 16	Change
Net interest income	1,098.5	1,092.2	-0.6%
Net fee and commission income	461.0	443.1	-3.9%
Net trading and fair value result	72.4	43.5	-39.9%
Operating income	1,689.1	1,629.3	-3.5%
Operating expenses	-948.1	-1,008.8	6.4%
Operating result	**741.0**	**620.5**	**-16.3%**
Net impairment loss on financial assets not measured at fair value through profit or loss	-183.1	-56.4	-69.2%
Other operating result	-153.5	-139.5	-9.1%
Levies on banking activities	-91.8	-62.8	-31.6%
Pre-tax result from continuing operations	**415.2**	**427.0**	**2.8%**
Taxes on income	-118.6	-104.5	-11.9%
Net result for the period	**296.6**	**322.6**	**8.8%**
Net result attributable to non-controlling interests	70.8	47.8	-32.5%
Net result attributable to owners of the parent	**225.8**	**274.7**	**21.7%**

Net interest income

Net interest income declined moderately to EUR 1,092.2 million (EUR 1,098.5 million), mainly due to the low interest rate environment. Declines in Romania and Hungary contrasted with a slight increase in Austrian segments. The net interest margin (net interest income as a percentage of average interest-bearing assets) contracted from 2.55% to 2.51%.

Net fee and commission income

Net fee and commission income decreased to EUR 443.1 million (EUR 461.0 million). In Austria, declines were seen primarily in income from the securities business; in the Czech Republic, mainly income from payment services developed negatively.

Net trading and fair value result

The net trading and fair value result decreased to EUR 43.5 million (EUR 72.4 million). Apart from the non-recurrence of one-off valuation gains in the Czech Republic, income from the securities and derivatives business was also significantly lower.

General administrative expenses

in EUR million	1-3 15	1-3 16	Change
Personnel expenses	554.0	565.4	2.1%
Other administrative expenses	281.1	333.5	18.6%
Depreciation and amortisation	112.9	109.8	-2.8%
General administrative expenses	**948.1**	**1,008.8**	**6.4%**

General administrative expenses rose to EUR 1,008.8 million (EUR 948.1 million). **Personnel expenses** increased to EUR 565.4 million (EUR 554.0 million), mainly because of a slight rise in the average headcount. The rise in **other administrative expenses** to EUR 333.5 million (EUR 281.1 million) was primarily due to deposit insurance contributions in the amount of EUR 71.7 million (EUR 19.2 million), which are shown under this line item. This includes projected full-year payments into the deposit insurance schemes of all subsidiaries with the exception of those in Croatia and Serbia. Thereof, EUR 40.7 million were for contributions expected to be payable in Austria, where the first payments of this kind had to be made in the second half of 2015. In the Czech Republic, contributions declined to EUR 3.5 million (EUR 8.9 million). **Depreciation and amortisation** decreased to EUR 109.8 million (EUR 112.9 million).

The **average headcount** increased slightly by 0.3% to 46,638 (46,507).

Headcount as of end of the period

	Dec 15	Mar 16	Change
Domestic	**15,686**	**15,761**	**0.5%**
Erste Group, EB Oesterreich and subsidiaries	8,456	8,434	-0.3%
Haftungsverbund savings banks	7,230	7,327	1.3%
Abroad	**30,781**	**31,023**	**0.8%**
Česká spořitelna Group	10,501	10,487	-0.1%
Banca Comercială Română Group	7,065	7,126	0.9%
Slovenská sporiteľňa Group	4,205	4,219	0.3%
Erste Bank Hungary Group	2,813	2,886	2.6%
Erste Bank Croatia Group	2,851	2,867	0.6%
Erste Bank Serbia Group	1,002	1,000	-0.2%
Savings banks subsidiaries	1,210	1,229	1.6%
Other subsidiaries and foreign branch offices	1,134	1,209	6.6%
Total	**46,467**	**46,784**	**0.7%**

Operating result

Operating income declined to EUR 1,629.3 million (-3.5%; EUR 1,689.1 million) due to lower net fee and commission income, a decline in the net trading and fair value result and lower dividend income. General administrative expenses rose to EUR 1,008.8 million (+6.4%; EUR 948.1 million) due to the advance booking of the majority of the deposit insurance contributions in the first quarter, which led to an operating result in the amount of EUR 620.5 million (-16.3%; EUR 741.0 million). The cost/income ratio stood at 61.9% (56.1%).

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

Gains/losses from financial assets and liabilities not measured at fair value through profit or loss (net) declined to EUR 2.4 million (EUR 10.9 million) as positive contributions from the sale of financial assets – available for sale declined.

Net impairment loss on financial assets

Net impairment loss on financial assets declined substantially to EUR 56.4 million (EUR 183.1 million). This development was mostly attributable to the decline in the balance of the allocation and release of provisions for the lending business together with the costs of direct loan write-offs offset by income received from the recovery of loans already written off to EUR 50.5 million (EUR 180.1 million). Consequently, net impairment loss on financial assets not measured at fair value through profit or loss, based on the average volume of gross customer loans, improved significantly to 17 basis points (57 basis points). In addition, this line item included a net impairment loss on financial assets – held to maturity and financial assets – available for sale in the amount of EUR 5.9 million (EUR 3.0 million).

Other operating result

Other operating result amounted to EUR -139.5 million (EUR -153.5 million). **Levies on banking activities** declined to EUR 62.8 million (EUR 91.8 million). The reduction of banking tax in Hungary had a positive impact. Due to a lower tax rate and an adjustment of the assessment base the tax charge declined to EUR 17.5 million (EUR 46.0 million). Together with the financial transaction tax of EUR 9.6 million (EUR 9.9 million), levies in Hungary hence totalled EUR 27.1 million (EUR 56.5 million). In Austria, banking levies were unchanged at EUR 29.5 million (EUR 29.5 million); in Slovakia they amounted to EUR 6.2 million (EUR 5.8 million).

Other operating result also comprises the allocation/release of other provisions, including for commitments and guarantees given, in the amount of EUR -6.3 million (EUR -5.7 million). In addition, it also includes all contributions to resolution funds expected to be payable in 2016 in the amount of EUR -64.7 million (EUR -54.9 million) shown in the line item result from other operating expenses/income.

Net result

The pre-tax result from continuing operations amounted to EUR 427.0 million (EUR 415.2 million), mainly due to lower risk costs resulting from the improved quality of the loan portfolio. Due to the weaker performance of the Savings Banks, the minority charge declined to EUR 47.8 million (EUR 70.8 million). The net result attributable to owners of the parent rose to EUR 274.7 million (EUR 225.8 million).

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

First quarter of 2016 compared to fourth quarter of 2015

in EUR million	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16
Income statement					
Net interest income	1,098.5	1,113.4	1,112.3	1,120.4	1,092.2
Net fee and commission income	461.0	456.3	455.2	489.2	443.1
Dividend income	7.4	24.8	11.2	6.6	2.6
Net trading and fair value result	72.4	64.1	56.4	17.2	43.5
Net result from equity method investments	4.7	5.0	4.7	3.1	1.9
Rental income from investment properties & other operating leases	45.1	46.6	51.7	44.4	45.9
Personnel expenses	-554.0	-559.9	-553.6	-577.1	-565.4
Other administrative expenses	-281.1	-278.5	-295.6	-324.1	-333.5
Depreciation and amortisation	-112.9	-110.4	-106.4	-115.3	-109.8
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	10.9	25.2	22.8	42.1	2.4
Net impairment loss on financial assets not measured at fair value through profit or loss	-183.1	-190.8	-144.4	-210.7	-56.4
Other operating result	-153.5	-47.1	-176.8	-258.2	-139.5
Levies on banking activities	-91.8	-45.4	-50.5	-48.5	-62.8
Pre-tax result from continuing operations	**415.2**	**548.8**	**437.4**	**237.6**	**427.0**
Taxes on income	-118.6	-154.8	-88.9	-1.6	-104.5
Net result for the period	**296.6**	**394.0**	**348.5**	**236.0**	**322.6**
Net result attributable to non-controlling interests	70.8	132.6	71.6	32.0	47.8
Net result attributable to owners of the parent	**225.8**	**261.4**	**276.9**	**204.0**	**274.7**

Net interest income declined to EUR 1,092.2 million (EUR 1,120.4 million) mostly on the back of a decline of the Savings Banks. **Net fee and commission income** decreased to EUR 443.1 million (EUR 489.2 million). Commission income, mostly from the lending business and from brokerage activities but also other commission income declined significantly. The **net trading and fair value result** rose due to higher income from the securities and derivatives business to EUR 43.5 million (EUR 17.2 million).

General administrative expenses declined marginally to EUR 1,008.8 million (-0.8%, EUR 1,016.5 million). Personnel expenses amounted to EUR 565.4 million (-2.0%; EUR 577.1 million). Other administrative expenses increased to EUR 333.5 million (EUR 324.1 million), primarily on the back of advance booking of the majority of the deposit insurance contributions in the first quarter. Depreciation and amortisation decreased to EUR 109.8 (-4.8%; EUR 115.3 million). The cost/income ratio rose to 61.9% to (60.5%).

Gains/losses from financial assets and liabilities not measured at fair value through profit and loss (net) declined to EUR 2.4 million (EUR 42.1 million), mainly due to a substantial decrease in gains from the sale of financial assets – available for sale.

Impairment loss on financial assets not measured at fair value through profit or loss (net) were lower at EUR 56.4 million (EUR 210.7 million).

Other operating result improved to EUR -139.5 million (EUR -258.2 million). In the previous quarter, this line item had been adversely affected by the recognition of provisions in the amount of EUR 101.6 million for consumer protection claims in Romania. **Levies on banking activities** amounted to EUR 62.8 million (EUR 48.5 million). Thereof, EUR 27.1 million (EUR 9.4 million) were accounted for by Hungary: the advance booking of the full banking tax for the year of 2016 in the amount of EUR 17.5 million (EUR 0) and financial transaction taxes of EUR 9.6 million (EUR 9.4 million). Banking taxes were also booked in Austria in the amount of EUR 29.5 million (EUR 33.0 million) and in Slovakia in the amount of EUR 6.2 million (EUR 6.1 million).

The **pre-tax result** increased to EUR 427.0 million (EUR 237.6 million). Taxes on income rose to EUR 104.5 million (EUR 1.6 million). In the fourth quarter, the reversal of impairment through profit and loss of deferred tax assets had a positive impact on the tax position. The **net result attributable to owners of the parent** amounted to EUR 274.7 million (EUR 204.0 million).

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 15	Mar 16	Change
Assets			
Cash and cash balances	12,350	14,641	18.6%
Trading, financial assets	47,542	48,680	2.4%
Loans and receivables to credit institutions	4,805	6,680	39.0%
Loans and receivables to customers	125,897	126,740	0.7%
Intangible assets	1,465	1,447	-1.2%
Miscellaneous assets	7,685	8,182	6.5%
Total assets	**199,743**	**206,369**	**3.3%**
Liabilities and equity			
Financial liabilities - held for trading	5,867	6,612	12.7%
Deposits from banks	14,212	17,330	21.9%
Deposits from customers	127,946	128,640	0.5%
Debt securities issued	29,654	30,060	1.4%
Miscellaneous liabilities	7,257	8,509	17.3%
Total equity	14,807	15,218	2.8%
Total liabilities and equity	**199,743**	**206,369**	**3.3%**

The rise in **cash and cash balances** to EUR 14.6 billion (EUR 12.4 billion) was due to larger cash balances held at central banks and other demand deposits, mostly overnight deposits with financial institutions. **Trading and investment securities** held in various categories of financial assets rose to EUR 48.7 billion (EUR 47.5 billion).

Loans and receivables to credit institutions (net) – overnight deposits are not included in this line item – increased to EUR 6.7 billion (EUR 4.8 billion). **Loans and receivables to customers (net)** moderately increased to EUR 126.7 billion (EUR 125.9 billion). **Allowances for loans and receivables to customers** declined to EUR 5.9 billion (EUR 6.0 billion). The improvement in asset quality continued.

The **NPL ratio** – non–performing loans as a percentage of loans to customers – declined further to 6.7% (7.1%). The **NPL coverage ratio** stood at 66.5% (64.5%).

Intangible assets amounted to EUR 1.4 billion (EUR 1.5 billion). **Miscellaneous assets** rose to EUR 8.2 billion (EUR 7.7 billion). **Financial liabilities – held for trading** increased to EUR 6.6 billion (EUR 5.9 billion), partly as a result of an increase in the line item derivatives.

Deposits from banks were higher at EUR 17.3 billion (EUR 14.2 billion). **Deposits from customers** rose to EUR 128.6 billion (EUR 127.9 billion). The **loan-to-deposit ratio** stood at 98.5% (98.4%). **Debt securities in issue**, mainly bonds, increased to EUR 30.1 billion (EUR 29.7 billion). **Miscellaneous liabilities** rose to EUR 8.5 billion (EUR 7.3 billion).

Erste Group's **total equity** increased to EUR 15.2 billion (EUR 14.8 billion). After regulatory deductions and filtering according to the CRR, **common equity tier 1 capital** (CET 1, Basel 3 phased-in) rose to EUR 12.2 billion (EUR 12.1 billion), **total own funds** (Basel 3 phased-in) to EUR 17.7 billion (EUR 17.6 billion). **Total risk** (**risk-weighted assets** including credit, market and operational risk, Basel 3 phased-in) increased to EUR 100.5 billion (EUR 98.3 billion).

Consolidated regulatory capital is calculated in accordance with the capital requirements regulation (CRR) taking into consideration transitional provisions as defined in the Austrian CRR Supplementary Regulation. These transitional provisions define the percentages applicable to eligible capital instruments and regulatory deduction items as well as filters. The **total capital ratio** (Basel 3 phased-in) in relation to the total risk (total eligible qualifying capital in relation to total risk pursuant to CRR) was 17.6% (17.9%), well above the legal minimum requirement.

The **tier 1 ratio** (Basel 3 phased in) in relation to total risk stood at 12.1% (12.3%). The **common equity tier 1 ratio** (Basel 3 phased in) amounted to 12.1% (12.3%).

SEGMENT REPORTING

January-March 2016 compared with January-March 2015

Erste Group's segment reporting is based on a matrix organisation. It provides comprehensive information to assess the business line and geographic performance. Following a strategic review related to Erste Group's operating segments and the method used for capital allocation to the segments, changes were introduced in the segment reporting from 1 January 2016. To ensure comparability Erste Group has adjusted the segment reporting for all quarters of the financial year 2015. Details of the new segmentation as well as comparable figures for all the quarters of 2015 were published on 14 April 2016 at www.erstegroup.com.

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

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

BUSINESS SEGMENTS

Retail

in EUR million	1-3 15	1-3 16	Change
Net interest income	554.2	538.8	-2.8%
Net fee and commission income	257.7	233.8	-9.3%
Net trading and fair value result	8.2	21.9	>100.0%
Operating income	828.9	802.0	-3.2%
Operating expenses	-441.0	-459.2	4.1%
Operating result	387.9	342.8	-11.6%
Cost/income ratio	53.2%	57.3%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-59.0	-28.2	-52.2%
Other result	-4.2	-10.3	>100.0%
Net result attributable to owners of the parent	252.0	232.3	-7.8%
Return on allocated capital	43.0%	41.4%	

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

The decrease in net interest income was driven by a decline in loan volumes and the impact of the consumer loan law in Hungary as well as lower margins from lending business and unwinding in Romania. These developments were partially mitigated by increased loan and deposit volumes in the Czech Republic, higher loan volumes in Slovakia as well as increased contribution from deposit business in Croatia. Net fee and commission income decreased primarily due to lower card and current account maintenance fees in the Czech Republic, lower securities fees in Austria as well as lower fees from lending business in Slovakia. Net trading and fair value result went up as the negative impact of the Swiss franc exchange rate fixing for retail loans required by legislation in Croatia in 2015 did not recur. In addition, net trading and fair value result improved in the Czech Republic. Operating expenses increased primarily due to the booking of contribution to deposit insurance funds. Operating result declined, the cost/income ratio went up. The significant improvement of net impairment loss on financial assets not measured at FV through profit and loss was driven by lower risk costs in Croatia and Romania due to portfolio quality improvement. Risk cost also decreased in the Czech Republic and Slovakia. Other result deteriorated after a positive effect related to the loan conversion in Hungary in 2015. Overall, the net result attributable to the owners of the parent deteriorated.

Corporates

in EUR million	1-3 15	1-3 16	Change
Net interest income	243.9	241.5	-1.0%
Net fee and commission income	61.6	62.9	2.2%
Net trading and fair value result	17.7	15.2	-13.9%
Operating income	350.5	346.2	-1.2%
Operating expenses	-129.2	-131.8	2.0%
Operating result	221.3	214.4	-3.1%
Cost/income ratio	36.9%	38.1%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-87.9	34.9	n/a
Other result	4.5	-20.0	n/a
Net result attributable to owners of the parent	99.3	175.1	76.4%
Return on allocated capital	12.7%	23.0%	

The Corporates segment comprises business done with SMEs (small and medium sized enterprises), Local Large Corporate and Group Large Corporate customers, as well as commercial real estate and public sector business.

Net interest income decreased mainly due to lower income from international business portfolios. Net fee and commission income improved slightly mainly driven by the higher fees related to lending business as well as factoring in Austria. Net trading and fair value result declined as a result of negative impact from credit value adjustments and derivatives in Austria. Operating expenses went up due to new projects; consequently the cost/income ratio rose. Net impairment loss on financial assets not measured at FV through profit and loss improved substantially on the back of lower risk provisions in Austria, Romania and Hungary and improved asset quality in Czech Republic. The other result declined mainly due to impairments related to real estate projects in Romania and the allocation of off-balance provisions in Romania and Hungary. The net result attributable to the owners of the parent improved.

Group Markets

in EUR million	1-3 15	1-3 16	Change
Net interest income	57.6	55.7	-3.3%
Net fee and commission income	48.8	48.9	0.2%
Net trading and fair value result	26.1	14.2	-45.8%
Operating income	132.8	119.0	-10.4%
Operating expenses	-56.1	-52.2	-7.0%
Operating result	76.7	66.8	-12.8%
Cost/income ratio	42.3%	43.9%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-3.2	2.1	n/a
Other result	-3.2	0.6	n/a
Net result attributable to owners of the parent	54.1	52.6	-2.8%
Return on allocated capital	29.4%	32.0%	

The Group Markets segment comprises trading and markets services as well as business done with financial institutions.

Net interest income declined primarily due to the persistent low interest rate environment affecting interest rate related products. While net fee and commission income remained stable, net trading and fair value result decreased primarily due to the negative impact of derivatives valuation. As the decline in operating income was not fully compensated by lower operating expenses, operating result declined. The cost/income ratio deteriorated. Other result improved. Overall, net result attributable to the owners of the parent declined.

Asset/Liability Management & Local Corporate Center

in EUR million	1-3 15	1-3 16	Change
Net interest income	16.1	4.5	-72.4%
Net fee and commission income	-19.4	-10.9	-43.7%
Net trading and fair value result	15.0	6.7	-55.2%
Operating income	18.3	6.9	-62.5%
Operating expenses	-26.1	-48.9	87.5%
Operating result	-7.8	-42.1	439.1%
Cost/income ratio	>100%	>100%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-10.3	-21.0	103.5%
Other result	-113.8	-71.7	-37.0%
Net result attributable to owners of the parent	-105.8	-113.8	7.6%
Return on allocated capital	-20.1%	-21.6%	

The ALM & LCC segment includes all asset/liability management functions – local and of Erste Group Bank AG (Holding) – as well as the local corporate centers which comprise non-profit service providers and reconciliation items to local entity results.

Net interest income declined considerably mainly due to lower ALM contribution on the back of an unfavourable yield curve development. The increase in net fee and commission income was primarily related to lower fee expenses in Austria. Net trading and fair value result deteriorated mainly due to the non-recurrence of a positive one-off impact from derivatives in 2015 in the Czech Republic. The increase in operating expenses was mainly attributable to the booking of deposit insurance fund contributions for some countries. Overall, operating result deteriorated. Other result improved mostly due to the reduction of the banking tax in Hungary. The net result attributable to the owners of the parent decreased.

Savings Banks

in EUR million	1-3 15	1-3 16	Change
Net interest income	224.7	231.7	3.1%
Net fee and commission income	113.5	108.1	-4.8%
Net trading and fair value result	0.7	-5.5	n/a
Operating income	352.7	345.0	-2.2%
Operating expenses	-234.8	-257.6	9.7%
Operating result	117.8	87.4	-25.8%
Cost/income ratio	66.6%	74.7%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-20.8	-23.9	14.6%
Other result	-12.2	-9.8	-19.8%
Net result attributable to owners of the parent	13.3	6.8	-48.7%
Return on allocated capital	12.8%	6.1%	

The Savings Banks segment includes those savings banks which are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings banks sector and in which Erste Group does not hold a majority stake but which are fully controlled according to IFRS 10. The fully or majority owned savings banks Erste Bank Oesterreich, Tiroler Sparkasse, Salzburger Sparkasse, and Sparkasse Hainburg are not part of the Savings Banks segment.

The increase in net interest income was attributable to loan growth and the repricing of deposits due to the persistent low interest rate environment. Net fee and commission income declined mainly due to lower fees from securities business. Net trading and fair value result decreased driven by the valuation effects of derivatives and FX differences. Operating expenses went up due to the booking of the contribution to the deposit insurance fund for the full year in the amount of EUR 22.2 million (EUR 0.3 million). Therefore, operating result decreased, the cost/income ratio went up. Net impairment loss on financial assets not measured at FV through profit and loss increased due to higher specific provisions. Other result improved due to the release of provisions for contingent credit risk liabilities. Banking tax decreased slightly to EUR 3.6 million (EUR 3.8 million). The payment into the recovery and resolution fund increased to EUR 8.0 million (EUR 6.7 million). Overall, the net result attributable to owners of the parent decreased.

Group Corporate Center

in EUR million	1-3 15	1-3 16	Change
Net interest income	3.8	18.7	>100.0%
Net fee and commission income	4.4	2.5	-43.4%
Net trading and fair value result	5.5	-10.6	n/a
Operating income	20.1	22.8	13.4%
Operating expenses	-166.5	-190.0	14.1%
Operating result	-146.4	-167.3	14.2%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-1.8	-20.3	>100.0%
Other result	77.7	92.6	19.2%
Net result attributable to owners of the parent	-87.1	-78.3	-10.1%
Return on allocated capital	-11.0%	-6.2%	

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

Net interest income increased mainly due to a higher capital benefit from the free capital of the group. Net trading and fair value result decreased due to valuation effects. The increase in operating expenses was mainly due to higher IT and costs related to the move into the new headquarters in Vienna. Other result improved. Consequently, the net result attributable to the owners of the parent improved.

GEOGRAPHICAL SEGMENTS

Erste Bank Oesterreich & Subsidiaries

in EUR million	1-3 15	1-3 16	Change
Net interest income	158.3	158.7	0.2%
Net fee and commission income	91.0	87.7	-3.6%
Net trading and fair value result	-1.1	-5.7	>100.0%
Operating income	255.8	245.9	-3.9%
Operating expenses	-152.7	-172.8	13.2%
Operating result	103.2	73.1	-29.2%
Cost/income ratio	59.7%	70.3%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-21.8	-8.9	-59.4%
Other result	-10.0	-6.2	-38.0%
Net result attributable to owners of the parent	51.3	41.6	-18.9%
Return on allocated capital	17.6%	14.2%	

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

Net interest income remained stable as higher loan volumes and repricing of deposits offset the negative effect from the low interest rate environment. Net fee and commission income decreased mainly due to lower securities fees. Net trading and fair value result deteriorated primarily due to valuation effects of derivatives. Operating expenses increased due to the booking of deposit insurance contributions of EUR 18.5 million for the full year (in 2015, the first payment was due only in the second half of the year). Therefore, operating result decreased and the cost/income ratio went up. Net impairment loss on financial assets not measured at FV through profit and loss decreased substantially mainly due to lower risk provisions in the retail and corporate business. The improvement of other result was driven by releases of provisions for contingent credit risk liabilities. Banking tax remained unchanged at EUR 3.6 million (EUR 3.6 million). Payment into recovery and resolution fund increased to EUR 4.7 million (EUR 4.2 million). Overall, the net result attributable to owners of the parent decreased.

Savings Banks

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

Other Austria

in EUR million	1-3 15	1-3 16	Change
Net interest income	105.3	96.5	-8.4%
Net fee and commission income	52.2	47.5	-9.1%
Net trading and fair value result	10.0	-0.8	n/a
Operating income	178.2	155.4	-12.8%
Operating expenses	-82.9	-83.9	1.1%
Operating result	95.2	71.5	-24.9%
Cost/income ratio	46.5%	54.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-67.6	-4.1	-93.9%
Other result	2.4	6.5	>100.0%
Net result attributable to owners of the parent	18.0	54.4	>100.0%
Return on allocated capital	3.7%	13.5%	

The Other Austria segment comprises the Corporates and Group Markets business of Erste Group Bank AG (Holding), Erste Group Immorent AG and Erste Asset Management GmbH.

Net interest income decreased on the back of reduced lending business in Hong Kong branch and maturing portfolios in London branch. In addition, net interest income in markets business was negatively affected by the low interest rate environment. Net fee and commission income declined due to lower asset management volumes and a weaker performance of money market and fixed income funds. Lower service related fees in corporates and markets business also contributed to the decline. The decrease of net trading and fair value result was predominantly attributable to the negative impact of mark-to-market valuations due to unfavorable market conditions. Lower operating income and moderately higher operating expenses resulted in a decline in operating result. Consequently, the cost/income ratio deteriorated. Net impairment loss on financial assets not measured at FV through profit and loss improved significantly on the back of lower portfolio risk provisions and improvements in the portfolio structure in corporate business of the Holding and Immorent. Other result included a resolution fund contribution of EUR 7.3 million. The net result attributable to the owners of the parent increased significantly.

Czech Republic

in EUR million	1-3 15	1-3 16	Change
Net interest income	223.8	226.9	1.4%
Net fee and commission income	91.3	84.4	-7.5%
Net trading and fair value result	43.1	23.4	-45.7%
Operating income	365.1	339.6	-7.0%
Operating expenses	-160.0	-161.6	1.0%
Operating result	205.0	178.0	-13.2%
Cost/income ratio	43.8%	47.6%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-31.3	-17.0	-45.7%
Other result	-19.1	-14.6	-23.6%
Net result attributable to owners of the parent	124.3	115.7	-6.9%
Return on allocated capital	30.9%	26.8%	

Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) benefitted from the CZK/EUR rate appreciation; in local currency it declined slightly due to the maturing of higher yielding government bonds. Net fee and commission income declined mostly due to lower private current account and card fees. Net trading and fair value result decreased due to lower result from derivatives. Operating expenses in local currency terms decreased on the back of lower contribution to deposit insurance fund of EUR 3.5 million (EUR 8.9 million). Operating result decreased, the cost/income ratio went up. The decline of net impairment loss on financial assets not measured at FV through profit and loss was attributable to an improvement in retail and corporate portfolio quality. Other result improved mainly as a result of the sale of a real estate project. The recovery and resolution fund contribution amounted to EUR 14.3 million (EUR 16.1 million). Overall, these developments led to a decrease in the net result attributable to the owners of the parent.

Slovakia

in EUR million	1-3 15	1-3 16	Change
Net interest income	112.4	113.3	0.8%
Net fee and commission income	31.4	30.9	-1.7%
Net trading and fair value result	-1.2	4.6	n/a
Operating income	145.6	150.5	3.4%
Operating expenses	-65.3	-67.5	3.5%
Operating result	80.3	83.0	3.4%
Cost/income ratio	44.8%	44.9%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-22.2	-11.5	-48.3%
Other result	-8.6	-12.5	45.3%
Net result attributable to owners of the parent	37.7	45.2	19.8%
Return on allocated capital	24.8%	27.5%	

The increase in net interest income in the Slovakia segment (comprising Slovenská sporitel'ňa Group) was mainly attributable to higher loan volumes, relating to both housing and consumer loans. These effects were partially offset by a lower contribution from asset/liability management due to the low interest rate environment. Net fee and commission income decreased slightly due to lower lending fees as well as lower card fees. The increase in the net trading and fair value result was driven by the valuation of derivatives. Operating expenses increased due to the booking of deposit insurance fund contributions for the full year in an amount of EUR 2.5 million (EUR 0.6 million). Operating result increased, the cost/income ratio remained stable. Net impairment loss on financial assets not measured at FV through profit and loss decreased due to lower provisioning requirements in corporate and retail business. Other result was negatively impacted by the increase of payment into the recovery and resolution fund to EUR 6.5 million (EUR 2.4 million). Banking tax increased slightly to EUR 6.2 million (EUR 5.8 million). The net result attributable to the owners of the parent improved.

Romania

in EUR million	1-3 15	1-3 16	Change
Net interest income	113.4	97.1	-14.4%
Net fee and commission income	37.7	39.4	4.7%
Net trading and fair value result	13.9	19.6	40.9%
Operating income	167.2	158.7	-5.0%
Operating expenses	-80.4	-90.3	12.4%
Operating result	86.8	68.4	-21.2%
Cost/income ratio	48.1%	56.9%	
Net impairment loss on financial assets not measured at fair value through profit or loss	8.9	29.4	>100.0%
Other result	-7.4	-18.2	>100.0%
Net result attributable to owners of the parent	71.5	61.5	-14.0%
Return on allocated capital	27.5%	26.9%	

Net interest income in the Romania segment (comprising Banca Comercială Română Group) decreased mainly due to new lending pricing structure, a mortgage loan re-financing campaign and lower unwinding. Net fee and commission income increased due to higher fees from insurance brokerage business. The increase in net trading and fair value result was mostly attributable to the revaluation of some foreign currency denominated participations. Operating expenses increased due to the booking of the contribution to deposit insurance fund for the full year in an amount of EUR 14.5 million (EUR 5.3 million). Operating result declined and the cost/income ratio deteriorated. Successful insurance claims and lower provisioning requirements led to increased provision releases (net impairment loss on financial assets not measured at FV through profit and loss) . Other result included impairments related to a real estate project and higher allocation to off-balance provisions. Consequently, the net result attributable to the owners of the parent deteriorated.

Hungary

in EUR million	1-3 15	1-3 16	Change
Net interest income	56.1	45.9	-18.2%
Net fee and commission income	34.2	33.1	-3.4%
Net trading and fair value result	-4.1	2.7	n/a
Operating income	86.5	82.6	-4.5%
Operating expenses	-43.2	-49.9	15.4%
Operating result	43.3	32.7	-24.4%
Cost/income ratio	50.0%	60.4%	
Net impairment loss on financial assets not measured at fair value through profit or loss	2.3	14.1	>100.0%
Other result	-58.8	-44.3	-24.7%
Net result attributable to owners of the parent	-15.6	-0.2	-98.8%
Return on allocated capital	-11.9%	-0.2%	

Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) declined mainly due to lower loan volumes and the impact of the consumer loan law. Net fee and commission income decreased slightly due to lower fees from payments and card business. Net trading and fair value result improved due to the non-recurrence of the negative impact of the loan conversion booked in 2015. Operating expenses increased due to the booking of the full year contribution to the deposit insurance fund of EUR 7.1 million (EUR 0.9 million). Consequently, operating result deteriorated, the cost/income ratio went up. The increase in net releases of risk provisions (net impairment loss on financial assets not measured at FV through profit and loss) was driven mainly by the commercial real estate business. Other result improved mainly due to the reduced banking tax of EUR 17.3 million (EUR 46.0 million), although provisions for contingent credit risk liabilities increased. Other result also included the contribution to the resolution fund of EUR 2.1 million (EUR 1.6 million). Overall, the net result attributable to the owners of the parent improved.

Croatia

in EUR million	1-3 15	1-3 16	Change
Net interest income	66.6	66.7	0.1%
Net fee and commission income	17.8	19.2	8.0%
Net trading and fair value result	-4.6	8.8	n/a
Operating income	87.4	101.4	16.0%
Operating expenses	-46.9	-46.3	-1.3%
Operating result	40.5	55.1	36.2%
Cost/income ratio	53.7%	45.7%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-25.8	-10.7	-58.6%
Other result	-2.1	-3.3	53.2%
Net result attributable to owners of the parent	6.9	22.9	>100.0%
Return on allocated capital	7.4%	24.7%	

Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) remained stable. Net fee and commission income went up due to higher fees from payment transfers, card business and securities. The net trading and fair value result improved significantly as the negative impacts from Swiss franc exchange rate fixing for retail loans required by legislation as well as negative foreign exchange differences on the open position in Swiss francs did not recur. Operating expenses decreased due to lower depreciation. The operating result improved significantly, as did the cost/income ratio. The decrease in net impairment loss on financial assets not measured at FV through profit and loss was driven by lower provisioning requirements in the retail business. Other result remained largely unchanged. The line item included the contribution to the resolution fund of EUR 4.2 million (EUR 1.7 million). Consequently, the net result attributable to the owners of the parent improved considerably.

Serbia

in EUR million	1-3 15	1-3 16	Change
Net interest income	10.3	11.2	8.6%
Net fee and commission income	2.8	2.6	-6.6%
Net trading and fair value result	1.0	1.0	0.0%
Operating income	14.1	14.8	5.1%
Operating expenses	-9.3	-9.7	4.2%
Operating result	4.8	5.1	6.8%
Cost/income ratio	66.1%	65.5%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-2.1	-1.1	-46.0%
Other result	0.1	0.2	37.5%
Net result attributable to owners of the parent	2.3	3.3	44.6%
Return on allocated capital	12.5%	14.5%	

Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased due to higher loan and deposit volumes in the retail business. Net fee and commission income decreased mostly due to lower fees from payment transfers and lending business. Operating expenses went up due to higher personnel and project related costs. Net impairment loss on financial assets not measured at FV through profit and loss declined on the back of better portfolio quality. Overall, the net result attributable to the owners of the parent improved.

Other

in EUR million	1-3 15	1-3 16	Change
Net interest income	27.5	44.3	61.0%
Net fee and commission income	-10.9	-9.7	-10.2%
Net trading and fair value result	14.7	-4.4	n/a
Operating income	36.6	35.3	-3.6%
Operating expenses	-72.5	-69.2	-4.6%
Operating result	-35.9	-33.9	-5.6%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-2.6	-22.7	>100.0%
Other result	-27.1	-35.1	29.7%
Net result attributable to owners of the parent	-83.8	-76.6	-8.6%
Return on allocated capital	-7.8%	-5.1%	

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

Net interest income increased mainly due to a higher capital benefit from the free capital of the group. While net fee and commission income remained largely stable, net trading and fair value result decreased due to valuation effects. As operating expenses declined, operating result improved. Other result deteriorated. Net result attributable to the owners of the parent thus improved.

Group condensed consolidated financial statements of Erste Group Bank AG

Interim report – first quarter of 2016

I. Group condensed statement of comprehensive income

Income statement

in EUR thousand	Notes	1-3 15	1-3 16
Net interest income	1	1,098,504	1,092,215
Net fee and commission income	2	461,016	443,073
Dividend income	3	7,355	2,636
Net trading and fair value result	4	72,414	43,538
Net result from equity method investments		4,656	1,949
Rental income from investment properties & other operating leases	5	45,137	45,860
Personnel expenses	6	-554,040	-565,438
Other administrative expenses	6	-281,135	-333,514
Depreciation and amortisation	6	-112,943	-109,828
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	7	10,877	2,421
Net impairment loss on financial assets not measured at fair value through profit or loss	8	-183,117	-56,354
Other operating result	9	-153,483	-139,522
Levies on banking activities	9	-91,794	-62,751
Pre-tax result from continuing operations		**415,241**	**427,035**
Taxes on income	10	-118,628	-104,454
Net result for the period		**296,613**	**322,581**
Net result attributable to non-controlling interests		70,827	47,839
Net result attributable to owners of the parent		**225,786**	**274,742**

Statement of comprehensive income

in EUR thousand	1-3 15	1-3 16
Net result for the period	**296,613**	**322,581**
Other comprehensive income		
Items that may not be reclassified to profit or loss		
Remeasurement of net liability of defined benefit plans	-54,772	-77,871
Deferred taxes relating to items that may not be reclassified	5,924	19,238
Total	**-48,849**	**-58,632**
Items that may be reclassified to profit or loss		
Available for sale reserve (including currency translation)	203,987	112,660
Gain/loss during the period	214,553	110,445
Reclassification adjustments	-10,566	2,215
Cash flow hedge reserve (including currency translation)	11,283	41,463
Gain/loss during the period	21,514	48,847
Reclassification adjustments	-10,230	-7,383
Currency translation	81,695	22,548
Gain/loss during the period	81,695	22,548
Reclassification adjustments	0	0
Deferred taxes relating to items that may be reclassified	-41,380	-37,000
Gain/loss during the period	-44,815	-38,383
Reclassification adjustments	3,434	1,383
Total	**255,584**	**139,671**
Total other comprehensive income	**206,736**	**81,039**
Total comprehensive income	**503,349**	**403,620**
Total comprehensive income attributable to non-controlling interests	113,128	87,767
Total comprehensive income attributable to owners of the parent	**390,221**	**315,853**

Earnings per share

		1-3 15	1-3 16
Net result attributable to owners of the parent	in EUR thousand	225,786	274,742
Weighted average number of outstanding shares		426,810,685	426,669,230
Earnings per share	**in EUR**	**0.53**	**0.64**
Weighted average diluted number of outstanding shares		426,810,685	426,669,230
Diluted earnings per share	**in EUR**	**0.53**	**0.64**

Changes in number of shares

	1-3 15	1-3 16
Number of shares		
Shares outstanding at the beginning of the period	409,940,635	410,487,814
Acquisition of treasury shares	-1,361,040	-1,488,061
Disposal of treasury shares	1,373,511	1,513,167
Shares outstanding at the end of the period	409,953,106	410,512,920
Treasury shares	19,846,894	19,287,080
Number of shares issued at the end of the period	**429,800,000**	**429,800,000**
Weighted average number of outstanding shares	426,810,685	426,669,230
Weighted average diluted number of outstanding shares	426,810,685	426,669,230

Quarterly results

in EUR million	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16
Income statement					
Net interest income	1,098.5	1,113.4	1,112.3	1,120.4	1,092.2
Net fee and commission income	461.0	456.3	455.2	489.2	443.1
Dividend income	7.4	24.8	11.2	6.6	2.6
Net trading and fair value result	72.4	64.1	56.4	17.2	43.5
Net result from equity method investments	4.7	5.0	4.7	3.1	1.9
Rental income from investment properties & other operating leases	45.1	46.6	51.7	44.4	45.9
Personnel expenses	-554.0	-559.9	-553.6	-577.1	-565.4
Other administrative expenses	-281.1	-278.5	-295.6	-324.1	-333.5
Depreciation and amortisation	-112.9	-110.4	-106.4	-115.3	-109.8
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	10.9	25.2	22.8	42.1	2.4
Net impairment loss on financial assets not measured at fair value through profit or loss	-183.1	-190.8	-144.4	-210.7	-56.4
Other operating result	-153.5	-47.1	-176.8	-258.2	-139.5
Levies on banking activities	-91.8	-45.4	-50.5	-48.5	-62.8
Pre-tax result from continuing operations	**415.2**	**548.8**	**437.4**	**237.6**	**427.0**
Taxes on income	-118.6	-154.8	-88.9	-1.6	-104.5
Net result for the period	**296.6**	**394.0**	**348.5**	**236.0**	**322.6**
Net result attributable to non-controlling interests	70.8	132.6	71.6	32.0	47.8
Net result attributable to owners of the parent	**225.8**	**261.4**	**276.9**	**204.0**	**274.7**

Statement of comprehensive income					
Net result for the period	**296.6**	**394.0**	**348.5**	**236.0**	**322.6**
Other comprehensive income					
Items that may not be reclassified to profit or loss					
Remeasurement of net liability of defined benefit plans	-54.8	105.6	0.8	49.4	-77.9
Deferred taxes relating to items that may not be reclassified	5.9	-28.9	-0.3	-10.4	19.2
Total	**-48.8**	**76.7**	**0.5**	**39.0**	**-58.6**
Items that may be reclassified to profit or loss					
Available for sale reserve (including currency translation)	204.0	-410.9	50.8	124.5	112.7
Gain/loss during the period	214.6	-407.7	96.6	86.5	110.4
Reclassification adjustments	-10.6	-3.2	-45.7	38.0	2.2
Cash flow hedge reserve (including currency translation)	11.3	-66.5	33.0	-5.2	41.5
Gain/loss during the period	21.5	-44.4	38.5	-4.3	48.8
Reclassification adjustments	-10.2	-22.1	-5.5	-0.9	-7.4
Currency translation	81.7	-1.3	18.9	-8.4	22.5
Gain/loss during the period	81.7	-1.3	18.9	-8.4	22.5
Reclassification adjustments	0.0	0.0	0.0	0.0	0.0
Deferred taxes relating to items that may be reclassified	-41.4	120.4	-24.5	-18.6	-37.0
Gain/loss during the period	-44.8	106.9	-34.4	-21.3	-38.4
Reclassification adjustments	3.4	13.5	9.9	2.7	1.4
Total	**255.6**	**-358.3**	**78.2**	**92.4**	**139.7**
Total other comprehensive income	**206.7**	**-281.6**	**78.7**	**131.4**	**81.0**
Total comprehensive income	**503.3**	**112.5**	**427.2**	**367.3**	**403.6**
Total comprehensive income attributable to non-controlling interests	113.1	9.0	49.4	58.2	87.8
Total comprehensive income attributable to owners of the parent	**390.2**	**103.4**	**377.8**	**309.2**	**315.9**

II. Group condensed balance sheet

in EUR thousand	Notes	Dec 15	Mar 16
Assets			
Cash and cash balances	11	12,350,003	14,640,988
Financial assets - held for trading		8,719,244	9,960,055
Derivatives	12	5,303,001	5,668,288
Other trading assets	13	3,416,243	4,291,766
Financial assets - at fair value through profit or loss	14	358,959	403,955
Financial assets - available for sale	15	20,762,661	20,743,419
Financial assets - held to maturity	16	17,700,886	17,572,644
Loans and receivables to credit institutions	17	4,805,222	6,679,514
Loans and receivables to customers	18	125,896,650	126,740,356
Derivatives - hedge accounting	19	2,191,175	2,347,331
Property and equipment		2,401,868	2,370,021
Investment properties		753,243	743,570
Intangible assets		1,464,529	1,446,613
Investments in associates and joint ventures		166,541	168,819
Current tax assets		118,786	142,221
Deferred tax assets		310,370	307,783
Assets held for sale		526,451	456,207
Other assets	20	1,216,785	1,645,756
Total assets		**199,743,371**	**206,369,251**
Liabilities and equity			
Financial liabilities - held for trading		5,867,450	6,612,139
Derivatives	12	5,433,865	5,782,441
Other trading liabilities	21	433,586	829,698
Financial liabilities - at fair value through profit or loss		1,906,766	1,918,124
Deposits from banks		0	0
Deposits from customers		148,731	121,925
Debt securities issued	22	1,758,035	1,796,199
Other financial liabilities		0	0
Financial liabilities measured at amortised cost		170,786,703	175,026,370
Deposits from banks	23	14,212,032	17,330,254
Deposits from customers	23	127,797,081	128,518,291
Debt securities issued	23	27,895,975	28,263,444
Other financial liabilities		881,616	914,381
Derivatives - hedge accounting	19	592,891	650,411
Changes in fair value of portfolio hedged items		965,583	1,089,024
Provisions	24	1,736,367	1,801,486
Current tax liabilities		89,956	100,570
Deferred tax liabilities		95,787	119,420
Liabilities associated with assets held for sale		577,953	450,925
Other liabilities	25	2,316,601	3,383,186
Total equity		**14,807,313**	**15,217,594**
Equity attributable to non-controlling interests		3,801,997	3,888,826
Equity attributable to owners of the parent		11,005,316	11,328,769
Total liabilities and equity		**199,743,371**	**206,369,251**

III. Group condensed statement of changes in total equity

	Subscribed capital	Capital reserves	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Currency translation	Remeasurement of net liability of defined pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
As of 1 January 2016	**860**	**1,478**	**9,071**	**115**	**688**	**-759**	**-334**	**-112**	**11,005**	**3,802**	**14,808**
Changes in treasury shares	0	0	8	0	0	0	0	0	8	0	8
Dividends paid	0	0	0	0	0	0	0	0	0	-2	-2
Capital increases	0	0	0	0	0	0	0	0	0	0	0
Participation capital	0	0	0	0	0	0	0	0	0	0	0
Changes in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0	0	0	0
Acquisition of non-controlling interest	0	0	-1	0	0	0	0	0	-1	1	0
Total comprehensive income	0	0	275	40	40	18	-46	-11	316	88	404
Net result for the period	0	0	275	0	0	0	0	0	275	48	323
Other comprehensive income	0	0	0	40	40	18	-46	-11	41	40	81
As of 31 March 2016	**860**	**1,478**	**9,353**	**154**	**727**	**-741**	**-380**	**-123**	**11,329**	**3,889**	**15,218**
As of 1 January 2015	**860**	**1,478**	**8,116**	**140**	**580**	**-849**	**-394**	**-92**	**9,838**	**3,605**	**13,444**
Changes in treasury shares	0	0	-4	0	0	0	0	0	-4	0	-4
Dividends paid	0	0	0	0	0	0	0	0	0	-6	-6
Capital increases	0	0	0	0	0	0	0	0	0	0	0
Participation capital	0	0	0	0	0	0	0	0	0	0	0
Changes in scope of consolidation	0	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0	0	0	0
Acquisition of non-controlling interest	0	0	13	0	0	0	0	0	13	5	18
Total comprehensive income	0	0	226	12	133	80	-32	-28	390	113	503
Net result for the period	0	0	226	0	0	0	0	0	226	71	297
Other comprehensive income	0	0	0	12	133	80	-32	-28	165	42	207
As of 31 March 2015	**860**	**1,478**	**8,351**	**152**	**713**	**-769**	**-427**	**-119**	**10,238**	**3,718**	**13,955**

IV. Group cash flow statement

in EUR million	1-3 15	1-3 16
Net result for the period	**297**	**323**
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation, impairment and reversal of impairment, revaluation of assets	119	119
Allocation to and release of provisions (including risk provisions)	241	57
Gains/(losses) from the sale of assets	-44	-4
Other adjustments	106	43
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Financial assets - held for trading	-812	-1,235
Financial assets - at fair value through profit or loss	78	-53
Financial assets - available for sale	-670	-32
Loans and advances to credit institutions	-1,062	-1,925
Loans and advances to customers	-2,604	-844
Derivatives - hedge accounting	-30	-116
Other assets from operating activities	-143	-279
Financial liabilities - held for trading	1,241	745
Financial liabilities - at fair value through profit or loss	-107	11
Financial liabilities measured at amortised cost		
Deposits from banks	1,586	3,118
Deposits from customers	2,232	721
Debt securities issued	-246	366
Other financial liabilities	120	33
Derivatives - hedge accounting	107	58
Other liabilities from operating activities	693	1,099
Cash flow from operating activities	**1,102**	**2,204**
Proceeds of disposal		
Financial assets - held to maturity and associated companies	-579	551
Property and equipment, intangible assets and investment properties	475	714
Acquisition of		
Financial assets - held to maturity and associated companies	0	-423
Property and equipment, intangible assets and investment properties	-634	-773
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0	0
Disposal of subsidiaries	0	0
Cash flow from investing activities	**-739**	**69**
Capital increases	0	0
Capital decrease	0	0
Acquisition of non-controlling interest	0	0
Dividends paid to equity holders of the parent	0	0
Dividends paid to non-controlling interests	-6	-2
Other financing activities	0	0
Cash flow from financing activities	**-6**	**-2**
Cash and cash equivalents at the beginning of the period	**7,835**	**12,350**
Cash flow from operating activities	1,102	2,204
Cash flow from investing activities	-739	69
Cash flow from financing activities	-6	-2
Effect of currency translation	31	19
Cash and cash equivalents at the end of period	**8,223**	**14,641**
Cash flows related to taxes, interest and dividends	**1,004**	**1,014**
Payments for taxes on income (included in cash flow from operating activities)	-101	-76
Interest received	1,595	1,511
Dividends received	7	3
Interest paid	-497	-424

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

V. Condensed notes to the group financial statements of Erste Group for the period from 1 January to 31 March 2016

BASIS OF PREPARATION

The condensed consolidated interim financial statements ("interim financial statements") of Erste Group for the period from 1 January to 31 March 2016 were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and are presented in accordance with the requirements of IAS 34 "Interim Financial Reporting". The group's application of IFRS resulted in no differences between IFRS as issued by the International Accounting Standards Board ("IASB") and IFRS as endorsed by the EU.

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

BASIS OF CONSOLIDATION

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

The number of entities and funds included in Erste Group's IFRS consolidation scope evolved as follows:

As of 31 December 2015	**496**
Additions	
Entities newly added to the scope of consolidation	1
Disposals	
Companies sold or liquidated	-10
Mergers	0
As of 31 March 2016	**487**

ACCOUNTING AND MEASUREMENT METHODS

The interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Therefore, the interim financial statements should be read in conjunction with Erste Group's consolidated financial statements as of 31 December 2015. The interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' (IAS 34) and are presented in Euro, which is the functional currency of the parent company.

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the group's last annual financial statements for the year ended 31 December 2015, with the exception of the calculation of the current income taxes for the interim reporting period for which the estimated effective tax rate for the group is applied.

APPLICATION OF AMENDED AND NEW IFRS/IAS

The following standards, interpretations and their amendments which are relevant for the business of Erste Group are applicable for the first time in 2016:

- Amendments to IAS 1 – Disclosure Initiative
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation
- Amendments to IFRS 11 – Accounting for acquisitions of interest in joint operations

Compared to the annual group financial statements as of 31 December 2015, no material changes in accounting policies were resulting from new or amended standards.

1. Net interest income

in EUR million	1-3 15	1-3 16
Interest income		
Financial assets - held for trading	143.4	198.6
Financial assets - at fair value through profit or loss	0.3	2.0
Financial assets - available for sale	114.0	110.8
Financial assets - held to maturity	148.0	139.6
Loans and receivables	1,143.5	1,053.1
Derivatives - hedge accounting, interest rate risk	46.0	10.6
Other assets	0.1	5.4
Total interest income	**1,595.3**	**1,520.0**
Interest expenses		
Financial liabilities - held for trading	-34.5	-128.1
Financial liabilities - at fair value through profit or loss	-12.7	-13.6
Financial liabilities measured at amortised cost	-474.9	-375.7
Derivatives - hedge accounting, interest rate risk	24.9	95.5
Other liabilities	0.4	-6.5
Total interest expense	**-496.8**	**-428.4**
Negative interest from financial liabilities	0.0	5.8
Negative Interest from financial assets	0.0	-5.2
Net interest income	**1,098.5**	**1,092.2**

In December 2014 und during the first half of 2015 important benchmark interest rates – particularily Euribor – became negative. Since Euro is the functional currency for Erste Group, this development affected interest income and interest expenses of the Group. Negative interest from financial liabilities and financial assets are shown in a separate line. The impact was insignificant for the comparison period. The amounts relate to interbank business only.

2. Net fee and commission income

in EUR million	1-3 15	1-3 16
Securities	58.5	46.2
Own issues	5.6	6.0
Transfer orders	49.0	37.7
Other	3.9	2.5
Clearing and settlement	0.2	0.9
Asset management	57.0	60.1
Custody	18.3	18.4
Fiduciary transactions	0.6	0.7
Payment services	220.3	209.6
Card business	51.0	45.4
Other	169.3	164.1
Customer resources distributed but not managed	46.2	39.8
Collective investment	3.3	3.9
Insurance products	29.9	28.1
Building society brokerage	7.6	2.8
Foreign exchange transactions	5.1	4.6
Other	0.3	0.4
Structured finance	0.0	0.0
Servicing fees from securitization activities	0.0	0.0
Lending business	49.6	43.9
Guarantees given, guarantees received	13.4	13.4
Loan commitments given, loan commitments received	9.1	7.8
Other lending business	27.2	22.7
Other	10.3	23.6
Net fee and commission income	**461.0**	**443.1**

3. Dividend income

in EUR million	1-3 15	1-3 16
Financial assets - held for trading	0.0	0.1
Financial assets - at fair value through profit or loss	0.5	0.5
Financial assets - available for sale	4.9	2.9
Dividend income from equity investments	1.9	-0.8
Dividend income	**7.4**	**2.6**

4. Net trading and fair value result

in EUR million	1-3 15	1-3 16
Net trading result	72.8	51.2
Securities and derivatives trading	-8.3	-22.7
Foreign exchange transactions	65.8	57.7
Result from hedge accounting	15.3	16.3
Result from financial assets and liabilities designated at fair value through profit or loss	-0.4	-7.7
Result from measurement/sale of financial assets designated at fair value through profit or loss	3.2	3.5
Result from measurement/sale of financial liabilities designated at fair value through profit or loss	-3.6	-11.2
Net trading and fair value result	**72.4**	**43.5**

5. Rental income from investment properties & other operating leases

in EUR million	1-3 15	1-3 16
Investment properties	20.0	18.7
Other operating leases	25.1	27.2
Rental income from investment properties & other operating leases	**45.1**	**45.9**

6. General administrative expenses

in EUR million	1-3 15	1-3 16
Personnel expenses	**-554.0**	**-565.4**
Wages and salaries	-411.0	-421.0
Compulsory social security	-107.9	-108.9
Long-term employee provisions	-9.9	-11.9
Other personnel expenses	-25.2	-23.6
Other administrative expenses	**-281.1**	**-333.5**
Deposit insurance contribution	-19.2	-71.7
IT expenses	-72.7	-75.8
Expenses for office space	-64.2	-63.9
Office operating expenses	-29.8	-24.7
Advertising/marketing	-37.0	-34.8
Legal and consulting costs	-25.2	-28.5
Sundry administrative expenses	-33.1	-34.0
Depreciation and amortisation	**-112.9**	**-109.8**
Software and other intangible assets	-40.0	-40.6
Owner occupied real estate	-18.5	-19.7
Investment properties	-27.9	-26.2
Customer relationships	-2.5	-1.3
Office furniture and equipment and sundry property and equipment	-24.1	-22.0
General administrative expenses	**-948.1**	**-1,008.8**

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

in EUR million	1-3 15	1-3 16
From sale of financial assets available for sale	13.7	3.8
From sale of financial assets held to maturity	0.5	0.0
From sale of loans and receivables	-0.9	0.0
From repurchase of liabilities measured at amortised cost	-2.3	-1.4
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	**10.9**	**2.4**

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

in EUR million	1-3 15	1-3 16
Financial assets - available for sale	-3.1	-6.0
Loans and receivables	-180.1	-50.5
Allocation to risk provisions	-580.1	-484.2
Release of risk provisions	392.0	401.9
Direct write-offs	-29.6	-16.5
Recoveries recorded directly to the income statement	37.6	48.4
Financial assets - held to maturity	0.1	0.1
Net impairment loss on financial assets not measured at fair value through profit or loss	**-183.1**	**-56.4**

9. Other operating result

in EUR million	1-3 15	1-3 16
Result from properties/movables/other intangible assets other than goodwill	4.4	-1.4
Allocation to/release of other provisions	-5.2	-3.5
Allocation to/release of provisions for commitments and guarantees given	-0.5	-2.8
Levies on banking activities	-91.8	-62.8
Banking tax	-81.2	-53.2
Financial transaction tax	-10.5	-9.6
Other taxes	-3.7	-5.6
Impairment of goodwill	0.0	0.0
Result from other operating expenses/income	-56.7	-63.5
Other operating result	**-153.5**	**-139.5**

In the line item "Result from other operating expenses/income" the expected contributions to national resolution funds for the full-year 2016 (according to the Bank Recovery and Resolution Directive) of EUR 64.7 million (EUR 54.9 million) are included.

10. Taxes on income

The consolidated net tax expense for the first three months of 2016 amounted to EUR 104.5 million (EUR 118.6 million), thereof EUR 10.8 million (EUR 17.2 million) net deferred tax expense.

11. Cash and cash balances

in EUR million	Dec 15	Mar 16
Cash on hand	2,794	2,633
Cash balances at central banks	7,328	9,396
Other demand deposits	2,228	2,612
Cash and cash balances	**12,350**	**14,641**

12. Derivatives – held for trading

in EUR million	Dec 15			Mar 16		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**164,243**	**4,673**	**4,360**	**166,620**	**5,090**	**4,849**
Interest rate	124,450	4,139	4,109	121,945	4,555	4,511
Equity	820	21	6	702	21	6
Foreign exchange	38,073	476	205	43,114	474	285
Credit	532	3	6	541	0	7
Commodity	368	35	35	318	39	40
Other	0	0	0	0	0	0
Derivatives held in the banking book	**36,877**	**1,008**	**1,524**	**36,569**	**1,117**	**1,556**
Interest rate	17,552	737	908	19,717	837	1,001
Equity	2,091	106	68	2,211	100	69
Foreign exchange	16,156	121	534	13,599	126	471
Credit	542	13	11	549	14	13
Commodity	47	1	0	30	1	0
Other	488	30	2	463	40	3
Total gross amounts	**201,119**	**5,682**	**5,884**	**203,189**	**6,207**	**6,405**
Offset		-379	-450		-539	-623
Total		**5,303**	**5,434**		**5,668**	**5,782**

Since the second quarter of 2015, Erste Group undertakes a part of its interest rate derivative transactions via London Clearing House. Therefore, those derivatives are shown net of the respective cash collaterals in the group balance sheet.

13. Other trading assets

in EUR million	Dec 15	Mar 16
Equity instruments	253	73
Debt securities	3,159	3,869
General governments	2,393	2,939
Credit institutions	393	486
Other financial corporations	120	156
Non-financial corporations	254	289
Loans and advances	4	350
Other trading assets	**3,416**	**4,292**

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

in EUR million	Dec 15	Mar 16
Equity instruments	183	158
Debt securities	176	246
General governments	5	5
Credit institutions	159	229
Other financial corporations	12	5
Non-financial corporations	0	7
Loans and advances	0	0
Financial assets - at fair value through profit or loss	**359**	**404**

15. Financial assets – available for sale

in EUR million	Dec 15	Mar 16
Equity instruments	1,456	1,506
Debt securities	19,307	19,238
General governments	13,169	13,165
Credit institutions	2,779	2,678
Other financial corporations	796	830
Non-financial corporations	2,564	2,564
Loans and advances	0	0
Financial assets - available for sale	**20,763**	**20,743**

16. Financial assets – held to maturity

in EUR million	Gross carrying amount		Collective allowances		Net carrying amount	
	Dec 15	Mar 16	Dec 15	Mar 16	Dec 15	Mar 16
General governments	16,050	15,986	-1	-1	16,049	15,985
Credit institutions	1,010	956	-1	-1	1,009	955
Other financial corporations	194	203	0	0	194	203
Non-financial corporations	449	430	-1	-1	448	429
Financial assets - held to maturity	**17,703**	**17,575**	**-2**	**-3**	**17,701**	**17,572**

17. Loans and receivables to credit institutions

Loans and receivables to credit institutions

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 31 March 2016				
Debt securities	237	0	-1	236
Central banks	0	0	0	0
Credit institutions	237	0	-1	236
Loans and receivables	6,450	-3	-4	6,444
Central banks	1,076	0	0	1,076
Credit institutions	5,374	-3	-3	5,368
Total	**6,687**	**-3**	**-4**	**6,679**
As of 31 December 2015				
Debt securities	268	0	-1	267
Central banks	0	0	0	0
Credit institutions	268	0	-1	267
Loans and receivables	4,551	-9	-4	4,538
Central banks	1,260	0	0	1,260
Credit institutions	3,290	-9	-3	3,278
Total	**4,819**	**-9**	**-5**	**4,805**

Allowances for loans and receivables to credit institutions

in EUR million	As of	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	As of	Amounts written off	Recoveries of amounts previously written off
	Dec 15						Mar 16		
Specific allowances	**-8**	**0**	**6**	**0**	**0**	**-1**	**-3**	**0**	**0**
Debt securities	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Loans and receivables	-8	0	6	0	0	-1	-3	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-8	0	6	0	0	-1	-3	0	0
Collective allowances	**-5**	**-1**	**0**	**2**	**0**	**1**	**-4**	**0**	**0**
Debt securities	-2	0	0	0	0	0	-1	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-2	0	0	0	0	0	-1	0	0
Loans and receivables	-3	-1	0	1	0	0	-3	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-4	-1	0	1	0	0	-3	0	0
Total	**-13**	**-2**	**6**	**2**	**0**	**0**	**-6**	**0**	**0**
	Dec 14						Mar 15		
Specific allowances	**-15**	**0**	**0**	**2**	**0**	**-2**	**-15**	**-1**	**1**
Debt securities	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Loans and receivables	-15	0	0	2	0	-2	-15	-1	1
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-15	0	0	2	0	-2	-15	-1	1
Collective allowances	**-3**	**-1**	**0**	**5**	**0**	**-3**	**-2**	**0**	**0**
Debt securities	-1	0	0	0	0	0	-1	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-1	0	0	0	0	0	-1	0	0
Loans and receivables	-2	-1	0	5	0	-3	-1	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-2	0	0	4	0	-3	-1	0	0
Total	**-17**	**-1**	**0**	**7**	**0**	**-6**	**-17**	**-1**	**1**

18. Loans and receivables to customers

Loans and receivables to customers

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 31 March 2016				
Debt securities with customers	128	-14	-2	113
General governments	56	0	-1	55
Other financial corporations	0	0	0	0
Non-financial corporations	72	-14	-1	58
Loans and advances to customers	132,503	-5,143	-732	126,628
General governments	7,435	-8	-12	7,415
Other financial corporations	5,150	-150	-26	4,974
Non-financial corporations	56,389	-3,089	-420	52,881
Households	63,529	-1,897	-273	61,358
Total	**132,631**	**-5,157**	**-734**	**126,740**
As of 31 December 2015				
Debt securities with customers	183	-14	-2	167
General governments	67	0	-1	66
Other financial corporations	0	0	0	0
Non-financial corporations	116	-14	-1	102
Loans and advances to customers	131,723	-5,262	-731	125,729
General governments	7,433	-6	-14	7,412
Other financial corporations	5,030	-154	-26	4,849
Non-financial corporations	56,112	-3,194	-423	52,495
Households	63,148	-1,907	-268	60,973
Total	**131,906**	**-5,276**	**-734**	**125,897**

Allowances for loans and receivables to customers

in EUR million	As of	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	As of	Amounts written off	Recoveries of amounts previously written off
	Dec 15						Mar 16		
Specific allowances	**-5,276**	**-372**	**182**	**289**	**35**	**-14**	**-5,157**	**-16**	**48**
Debt securities with customers	-14	0	0	0	0	0	-14	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-14	0	0	0	0	0	-14	0	0
Loans and advances to customers	-5,262	-372	182	289	35	-15	-5,144	-16	48
General governments	-7	-3	0	1	0	0	-8	0	0
Other financial corporations	-154	-3	3	4	1	-1	-150	0	0
Non-financial corporations	-3,195	-181	112	161	17	-2	-3,089	-14	19
Households	-1,907	-185	67	123	17	-12	-1,897	-2	29
Collective allowances	**-733**	**-110**	**0**	**111**	**0**	**-1**	**-734**	**0**	**0**
Debt securities with customers	-2	0	0	0	0	0	-2	0	0
General governments	-2	0	0	0	0	0	-1	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	-1	0	0
Loans and advances to customers	-731	-110	0	111	0	-1	-732	0	0
General governments	-14	-2	0	4	0	0	-12	0	0
Other financial corporations	-26	-4	0	4	0	-1	-26	0	0
Non-financial corporations	-424	-44	0	47	0	1	-420	0	0
Households	-268	-61	0	56	0	-1	-273	0	0
Total	**-6,009**	**-483**	**182**	**400**	**35**	**-15**	**-5,891**	**-16**	**48**
	Dec 14						Mar 15		
Specific allowances	**-6,723**	**-472**	**581**	**280**	**39**	**-102**	**-6,397**	**-28**	**36**
Debt securities with customers	-13	-1	0	0	0	-1	-14	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-13	-1	0	0	0	-1	-14	0	0
Loans and advances to customers	-6,710	-471	581	280	39	-101	-6,383	-28	36
General governments	-6	0	0	1	0	-1	-6	0	0
Other financial corporations	-142	-20	5	2	1	-1	-154	-2	8
Non-financial corporations	-4,134	-257	154	147	20	-53	-4,123	-16	21
Households	-2,428	-194	421	130	19	-46	-2,100	-10	7
Collective allowances	**-768**	**-108**	**0**	**105**	**0**	**-7**	**-777**	**0**	**0**
Debt securities with customers	-2	0	0	0	0	0	-2	0	0
General governments	-1	0	0	0	0	0	-2	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-1	0	0	0	0	0	-1	0	0
Loans and advances to customers	-766	-107	0	105	0	-7	-775	0	0
General governments	-14	-4	0	3	0	0	-15	0	0
Other financial corporations	-25	-33	0	5	0	0	-53	0	0
Non-financial corporations	-440	-41	0	46	0	1	-434	0	0
Households	-287	-30	0	52	0	-8	-273	0	0
Total	**-7,491**	**-580**	**581**	**385**	**39**	**-109**	**-7,174**	**-28**	**36**

19. Derivatives – hedge accounting

in EUR million	Dec 15			Mar 16		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Fair value hedges	**25,430**	**2,108**	**601**	**23,469**	**2,281**	**657**
Interest rate	25,430	2,108	601	23,459	2,281	657
Equity	0	0	0	0	0	0
Foreign exchange	0	0	0	10	0	1
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Cash flow hedges	**4,547**	**161**	**12**	**4,327**	**206**	**12**
Interest rate	4,000	160	10	4,036	205	10
Equity	0	0	0	0	0	0
Foreign exchange	547	0	2	291	0	1
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total gross amounts	**29,977**	**2,269**	**614**	**27,796**	**2,487**	**669**
Offset		-77	-21		-139	-18
Total		**2,192**	**593**		**2,348**	**651**

Since the second quarter of 2015, Erste Group undertakes a part of its interest rate derivative transactions via London Clearing House. Therefore, those derivatives are shown net of the respective cash collaterals in the group balance sheet.

20. Other assets

in EUR million	Dec 15	Mar 16
Prepayments and accrued income	197	213
Inventories	270	271
Sundry assets	750	1,162
Other assets	**1,217**	**1,646**

21. Other trading liabilities

in EUR million	Dec 15	Mar 16
Short positions	382	399
Equity instruments	191	227
Debt securities	191	172
Debt securities issued	51	54
Sundry trading liabilities	0	377
Other trading liabilities	**434**	**830**

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

Debt securities issued

in EUR million	Dec 15	Mar 16
Subordinated liabilities	423	539
Subordinated issues	423	539
Supplementary capital	0	0
Hybrid issues	0	0
Other debt securities issued	1,335	1,257
Bonds	953	923
Certificates of deposit	0	0
Other certificates of deposits/name certificates	74	74
Mortgage covered bonds	308	260
Public sector covered bonds	0	0
Other	0	0
Debt securities issued	**1,758**	**1,796**

23. Financial liabilities measured at amortised costs

Deposits from banks

in EUR million	Dec 15	Mar 16
Overnight deposits	3,272	5,315
Term deposits	9,665	10,834
Repurchase agreements	1,275	1,181
Deposits from banks	**14,212**	**17,330**

Deposits from customers

in EUR million	Dec 15	Mar 16
Overnight deposits	**73,716**	**74,953**
Savings deposits	19,066	19,838
General governments	0	0
Other financial corporations	191	206
Non-financial corporations	1,154	1,229
Households	17,721	18,403
Non-savings deposits	54,651	55,115
General governments	3,398	3,735
Other financial corporations	4,402	5,056
Non-financial corporations	16,625	16,035
Households	30,225	30,289
Term deposits	**53,671**	**53,159**
Deposits with agreed maturity	48,842	48,293
Savings deposits	34,142	33,439
General governments	0	0
Other financial corporations	1,060	841
Non-financial corporations	1,447	1,439
Households	31,635	31,159
Non-savings deposits	14,700	14,854
General governments	1,764	2,084
Other financial corporations	2,153	2,028
Non-financial corporations	3,006	3,143
Households	7,776	7,598
Deposits redeemable at notice	4,829	4,866
General governments	0	1
Other financial corporations	69	66
Non-financial corporations	163	78
Households	4,597	4,722
Repurchase agreements	**410**	**406**
General governments	304	282
Other financial corporations	11	2
Non-financial corporations	95	121
Households	0	0
Deposits from customers	**127,797**	**128,518**
General governments	**5,466**	**6,102**
Other financial corporations	**7,886**	**8,200**
Non-financial corporations	**22,490**	**22,046**
Households	**91,955**	**92,171**

Debt securities issued

in EUR million	Dec 15	Mar 16
Subordinated liabilities	5,815	5,944
Subordinated issues	5,068	5,177
Supplementary capital	393	413
Hybrid issues	354	354
Other debt securities issued	22,081	22,320
Bonds	11,355	10,949
Certificates of deposit	120	132
Other certificates of deposits/name certificates	1,138	975
Mortgage covered bonds	7,699	8,409
Public sector covered bonds	1,559	1,511
Other	209	344
Debt securities issued	**27,896**	**28,263**

24. Provisions

in EUR million	Dec 15	Mar 16
Long-term employee provisions	1,010	1,061
Pending legal issues and tax litigation	258	255
Commitments and guarantees given	297	304
Provisions for guarantees - off balance sheet (defaulted customers)	179	189
Provisions for guarantees - off balance sheet (non-defaulted customers)	118	115
Other provisions	171	181
Provisions for onerous contracts	5	5
Other	166	176
Provisions	**1,736**	**1,801**

Effects from the change in material valuation parameters

For the calculation of the defined benefit obligation for pension and severance payment provisions as well as for jubilee provisions, the interest rate used has been increased compared to the previous year to 1.75% (2.45%) in order to reflect the increasing interest rate levels. All other valuation parameters remained unchanged. According to IAS 19 the resulting measurement adjustments for pension and severance payment provisions amounting to EUR -79.2 million (before tax) have been recognised in other comprehensive income and those for jubilee provisions, an amount of EUR -5.4 million, have been considered in the income statement.

25. Other liabilities

in EUR million	Dec 15	Mar 16
Deferred income and accrued fee expenses	232	257
Sundry liabilities	2,084	3,126
Other liabilities	**2,317**	**3,383**

26. Segment reporting

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

Erste Group's segment reporting is based on the matrix organisation (business and geographical information) and provides comprehensive information to assess the performance of the business and geographical segments. Following a strategic review related to Erste Group's operating segments and the method used for capital allocation to the segments, changes were introduced in the segment reporting from 1 January 2016. Details of the new segmentation as well as comparable figures for all the quarters of 2015 were published on 14 April 2016.

Business segmentation

The segment reporting comprises six business segments reflecting Erste Group's management structure and its internal management reporting in 2016.

Retail

The Retail segment comprises the business with private individuals, micros and free professionals within the responsibility of account managers in the retail network. This business is operated by the local banks in cooperation with their subsidiaries such as leasing and asset management companies with a focus on simple products ranging from mortgage and consumer loans, investment products, current accounts, savings products to credit cards and cross selling products such as leasing, insurance and building society products.

Corporates

The Corporates segment comprises business activities with corporate customers of different turnover size (small and medium-sized enterprises, Local Large Corporate and Group Large Corporate customers) as well as commercial real estate and public sector business. Small and medium-sized enterprises are customers within the responsibility of the local corporate commercial center network, in general companies with an annual turnover ranging from EUR 0.7-3 million to EUR 25-75 million, the thresholds vary by country. Local Large Corporate customers are local corporates with a consolidated annual turnover exceeding a defined threshold between EUR 25 million to EUR 75 million, depending on the country, which are not defined as Group Large Corporate customers. Group Large Corporate customers are corporate customers/client groups with substantial operations in core markets of Erste Group with a consolidated annual turnover of generally at least EUR 500 million. Commercial Real Estate (CRE) covers business with real estate investors generating income from the rental of individual properties or portfolios of properties, project developers generating capital gains through sale, asset management services, construction services (applicable only for EGI) and own development for business purpose. Public Sector comprises business activities with three types of customers, public sector, public corporations and the non-profit sector.

Group Markets

The Group Markets (GM) segment comprises trading and markets services as well as customer business with financial institutions. It includes all activities related to the trading books of Erste Group, including the execution of trade, market making and short-term liquidity management. In addition, it comprises business connected with servicing financial institutions as clients including custody, depository services, commercial business (loans, cash management, trade & export finance).

Asset/Liability Management & Local Corporate Center

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

Savings Banks

The Savings Banks segment includes those savings banks which are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings banks sector and in which Erste Group does not hold a majority stake but which are fully controlled according to IFRS 10. The fully or majority owned Erste Bank Oesterreich, Tiroler Sparkasse, Salzburger Sparkasse, and Sparkasse Hainburg are not part of the Savings Banks segment.

Group Corporate Center

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

Intragroup Elimination

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

Geographical segmentation

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

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

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

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

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

Measurement
The profit and loss statement of the segment report is based on the measures reported to the Erste Group management board for the purpose of allocating resources to the segments and assessing their performance. Capital consumption per segment is regularly reviewed by the management of Erste Group to assess the performance of the segments. The average allocated capital is determined by the credit risk, market risk and operational risk.

According to the regular internal reporting to Erste Group management board, total assets and total liabilities as well as risk weighted assets and allocated capital are disclosed per segment. For measuring and assessing the profitability of segments within Erste Group, such key measures as return on allocated capital and cost/income ratio are used.

Return on allocated capital is defined as net result for the period before minorities in relation to the average allocated capital of the respective segment. Cost/income ratio is defined as operating expenses (general administrative expenses) in relation to operating income (total of net interest income, net fee and commission income, dividend income, net trading and fair value result, net result from equity method investments, rental income from investment properties and other operating lease).

Business segments (1)

in EUR million	Retail		Corporates		Group Markets		ALM&LCC	
	1-3 15	1-3 16	1-3 15	1-3 16	1-3 15	1-3 16	1-3 15	1-3 16
Net interest income	554.2	538.8	243.9	241.5	57.6	55.7	16.1	4.5
Net fee and commission income	257.7	233.8	61.6	62.9	48.8	48.9	-19.4	-10.9
Dividend income	0.5	0.5	0.5	0.0	0.2	0.3	1.7	0.3
Net trading and fair value result	8.2	21.9	17.7	15.2	26.1	14.2	15.0	6.7
Net result from equity method investments	2.7	1.5	-0.1	0.0	0.0	0.0	0.8	0.0
Rental income from investment properties & other operating leases	5.7	5.5	26.9	26.5	0.1	0.0	4.0	6.3
General administrative expenses	-441.0	-459.2	-129.2	-131.8	-56.1	-52.2	-26.1	-48.9
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.0	0.0	5.0	0.0	1.3	0.4	-6.6	-0.1
Net impairment loss on financial assets not measured at fair value through profit or loss	-59.0	-28.2	-87.9	34.9	-3.2	2.1	-10.3	-21.0
Other operating result	-4.2	-10.3	-0.5	-20.0	-4.4	0.1	-107.2	-71.6
Levies on banking activities	-10.7	-10.1	-3.3	-3.6	-0.5	-0.4	-51.4	-22.6
Pre-tax result from continuing operations	**324.6**	**304.3**	**137.9**	**229.2**	**70.3**	**69.5**	**-131.9**	**-134.7**
Taxes on income	-66.2	-61.5	-34.7	-47.7	-15.1	-15.5	25.8	20.9
Net result for the period	**258.4**	**242.8**	**103.1**	**181.5**	**55.2**	**54.0**	**-106.1**	**-113.8**
Net result attributable to non-controlling interests	6.4	10.5	3.9	6.4	1.1	1.4	-0.3	0.0
Net result attributable to owners of the parent	**252.0**	**232.3**	**99.3**	**175.1**	**54.1**	**52.6**	**-105.8**	**-113.8**
Operating income	828.9	802.0	350.5	346.2	132.8	119.0	18.3	6.9
Operating expenses	-441.0	-459.2	-129.2	-131.8	-56.1	-52.2	-26.1	-48.9
Operating result	**387.9**	**342.8**	**221.3**	**214.4**	**76.7**	**66.8**	**-7.8**	**-42.1**
Risk-weighted assets (credit risk, eop)	18,104	18,012	34,661	34,020	4,655	4,279	5,379	5,355
Average allocated capital	2,437	2,358	3,299	3,177	762	678	2,139	2,119
Cost/income ratio	53.2%	57.3%	36.9%	38.1%	42.3%	43.9%	>100.0%	>100.0%
Return on allocated capital	43.0%	41.4%	12.7%	23.0%	29.4%	32.0%	-20.1%	-21.6%
Total assets (eop)	49,035	50,830	46,523	46,637	24,095	34,387	51,008	49,934
Total liabilities excluding equity (eop)	67,098	70,468	22,906	22,638	18,079	26,599	54,816	53,726
Impairments and risk provisions	**-60.5**	**-28.1**	**-89.2**	**19.6**	**-3.2**	**1.7**	**-14.5**	**-15.7**
Net impairment loss on loans and receivables to credit institutions/customers	-59.0	-28.2	-87.9	35.0	-3.3	2.0	-10.1	-20.9
Net impairment loss on other financial assets not measured at fair value through profit or loss	0.0	0.0	0.0	-0.1	0.0	0.1	-0.2	-0.1
Allocations/releases of provisions for contingent credit risk liabilities	-1.3	0.4	-1.7	-10.6	0.0	-0.4	-1.3	3.6
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non-financial assets	-0.2	-0.2	0.4	-4.8	0.0	0.0	-2.9	1.7

Business segments (2)

	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
in EUR million	**1-3 15**	**1-3 16**	**1-3 15**	**1-3 16**	**1-3 15**	**1-3 16**	**1-3 15**	**1-3 16**
Net interest income	224.7	231.7	3.8	18.7	-1.8	1.3	1,098.5	1,092.2
Net fee and commission income	113.5	108.1	4.4	2.5	-5.5	-2.1	461.0	443.1
Dividend income	3.8	0.9	0.8	0.6	0.0	0.0	7.4	2.6
Net trading and fair value result	0.7	-5.5	5.5	-10.6	-0.8	1.7	72.4	43.5
Net result from equity method investments	0.0	0.0	1.2	0.4	0.0	0.0	4.7	1.9
Rental income from investment properties & other operating leases	10.0	9.8	4.3	11.1	-6.0	-13.4	45.1	45.9
General administrative expenses	-234.8	-257.6	-166.5	-190.0	105.7	131.0	-948.1	-1,008.8
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	7.2	2.1	-0.8	0.0	4.7	0.0	10.9	2.4
Net impairment loss on financial assets not measured at fair value through profit or loss	-20.8	-23.9	-1.8	-20.3	0.0	0.0	-183.1	-56.4
Other operating result	-19.4	-11.8	78.5	92.6	-96.3	-118.5	-153.5	-139.5
Levies on banking activities	-3.8	-3.6	-22.1	-22.5	0.0	0.0	-91.8	-62.8
Pre-tax result from continuing operations	**84.8**	**53.8**	**-70.5**	**-95.0**	**0.0**	**0.0**	**415.2**	**427.0**
Taxes on income	-17.3	-22.9	-11.0	22.2	0.0	0.0	-118.6	-104.5
Net result for the period	**67.5**	**30.9**	**-81.6**	**-72.8**	**0.0**	**0.0**	**296.6**	**322.6**
Net result attributable to non-controlling interests	54.1	24.1	5.5	5.5	0.0	0.0	70.8	47.8
Net result attributable to owners of the parent	**13.3**	**6.8**	**-87.1**	**-78.3**	**0.0**	**0.0**	**225.8**	**274.7**
Operating income	352.7	345.0	20.1	22.8	-14.1	-12.5	1,689.1	1,629.3
Operating expenses	-234.8	-257.6	-166.5	-190.0	105.7	131.0	-948.1	-1,008.8
Operating result	**117.8**	**87.4**	**-146.4**	**-167.3**	**91.6**	**118.5**	**741.0**	**620.5**
Risk-weighted assets (credit risk, eop)	22,792	21,774	1,975	1,494	0	0	87,566	84,933
Average allocated capital	2,132	2,048	3,015	4,698	0	0	13,783	15,078
Cost/income ratio	66.6%	74.7%	>100.0%	>100.0%	>100.0%	>100.0%	56.1%	61.9%
Return on allocated capital	12.8%	6.1%	-11.0%	-6.2%			8.7%	8.6%
Total assets (eop)	57,383	57,991	12,158	4,297	-37,633	-37,707	202,570	206,369
Total liabilities excluding equity (eop)	53,370	53,770	10,067	1,713	-37,721	-37,763	188,615	191,152
Impairments and risk provisions	**-18.5**	**-15.4**	**-0.6**	**-24.3**	**0.0**	**0.0**	**-186.5**	**-62.3**
Net impairment loss on loans and receivables to credit institutions/customers	-20.2	-18.2	0.4	-20.2	0.0	0.0	-180.1	-50.5
Net impairment loss on other financial assets not measured at fair value through profit or loss	-0.7	-5.7	-2.2	-0.1	0.0	0.0	-3.0	-5.9
Allocations/releases of provisions for contingent credit risk liabilities	2.6	8.5	1.2	-4.4	0.0	0.0	-0.5	-2.8
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non-financial assets	-0.2	0.0	0.0	0.3	0.0	0.0	-2.9	-3.1

Geographical segmentation - overview

	Austria		Central and Eastern Europe		Other		Total Group	
in EUR million	**1-3 15**	**1-3 16**	**1-3 15**	**1-3 16**	**1-3 15**	**1-3 16**	**1-3 15**	**1-3 16**
Net interest income	488.4	486.9	582.6	561.0	27.5	44.3	1,098.5	1,092.2
Net fee and commission income	256.7	243.2	215.2	209.6	-10.9	-9.7	461.0	443.1
Dividend income	6.4	1.7	0.1	0.3	0.8	0.6	7.4	2.6
Net trading and fair value result	9.6	-12.1	48.1	60.0	14.7	-4.4	72.4	43.5
Net result from equity method investments	0.6	0.1	2.8	1.4	1.2	0.4	4.7	1.9
Rental income from investment properties & other operating leases	24.9	26.4	17.0	15.3	3.3	4.1	45.1	45.9
General administrative expenses	-470.4	-514.3	-405.2	-425.3	-72.5	-69.2	-948.1	-1,008.8
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	13.5	2.4	-4.1	1.2	1.4	-1.2	10.9	2.4
Net impairment loss on financial assets not measured at fair value through profit or loss	-110.3	-36.9	-70.2	3.2	-2.6	-22.7	-183.1	-56.4
Other operating result	-33.2	-11.7	-91.8	-93.8	-28.5	-34.0	-153.5	-139.5
Levies on banking activities	-7.4	-7.2	-62.3	-33.1	-22.1	-22.5	-91.8	-62.8
Pre-tax result from continuing operations	**186.3**	**185.7**	**294.6**	**333.0**	**-65.6**	**-91.7**	**415.2**	**427.0**
Taxes on income	-48.2	-57.2	-57.8	-67.8	-12.7	20.6	-118.6	-104.5
Net result for the period	**138.1**	**128.5**	**236.8**	**265.2**	**-78.3**	**-71.2**	**296.6**	**322.6**
Net result attributable to non-controlling interests	55.5	25.7	9.7	16.7	5.6	5.5	70.8	47.8
Net result attributable to owners of the parent	**82.6**	**102.9**	**227.1**	**248.5**	**-83.8**	**-76.6**	**225.8**	**274.7**
Operating income	786.6	746.2	865.8	847.7	36.6	35.3	1,689.1	1,629.3
Operating expenses	-470.4	-514.3	-405.2	-425.3	-72.5	-69.2	-948.1	-1,008.8
Operating result	**316.2**	**232.0**	**460.7**	**422.4**	**-35.9**	**-33.9**	**741.0**	**620.5**
Risk-weighted assets (credit risk, eop)	52,374	49,506	32,605	33,445	2,587	1,982	87,566	84,933
Average allocated capital	5,169	4,893	4,565	4,550	4,049	5,636	13,783	15,078
Cost/income ratio	59.8%	68.9%	46.8%	50.2%	>100.0%	>100.0%	56.1%	61.9%
Return on allocated capital	10.8%	10.6%	21.0%	23.4%	-7.8%	-5.1%	8.7%	8.6%
Total assets (eop)	134,149	143,955	77,030	81,544	-8,609	-19,129	202,570	206,369
Total liabilities excluding equity (eop)	110,898	117,672	68,775	72,419	8,941	1,060	188,615	191,152
Impairments and risk provisions	**-115.7**	**-24.3**	**-68.7**	**-13.9**	**-2.1**	**-24.1**	**-186.5**	**-62.3**
Net impairment loss on loans and receivables to credit institutions/customers	-109.5	-31.1	-70.3	3.3	-0.4	-22.7	-180.1	-50.5
Net impairment loss on other financial assets not measured at fair value through profit or loss	-0.8	-5.8	0.0	0.0	-2.2	-0.1	-3.0	-5.9
Allocations/releases of provisions for contingent credit risk liabilities	-4.3	14.1	3.3	-15.3	0.5	-1.6	-0.5	-2.8
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non-financial assets	-1.1	-1.6	-1.8	-1.8	0.0	0.3	-2.9	-3.1

Geographical area - Austria

	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
in EUR million	**1-3 15**	**1-3 16**	**1-3 15**	**1-3 16**	**1-3 15**	**1-3 16**	**1-3 15**	**1-3 16**
Net interest income	158.3	158.7	224.7	231.7	105.3	96.5	488.4	486.9
Net fee and commission income	91.0	87.7	113.5	108.1	52.2	47.5	256.7	243.2
Dividend income	2.3	0.5	3.8	0.9	0.4	0.3	6.4	1.7
Net trading and fair value result	-1.1	-5.7	0.7	-5.5	10.0	-0.8	9.6	-12.1
Net result from equity method investments	0.5	-0.1	0.0	0.0	0.1	0.1	0.6	0.1
Rental income from investment properties & other operating leases	4.9	4.8	10.0	9.8	10.1	11.8	24.9	26.4
General administrative expenses	-152.7	-172.8	-234.8	-257.6	-82.9	-83.9	-470.4	-514.3
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.0	0.1	7.2	2.1	6.3	0.2	13.5	2.4
Net impairment loss on financial assets not measured at fair value through profit or loss	-21.8	-8.9	-20.8	-23.9	-67.6	-4.1	-110.3	-36.9
Other operating result	-10.0	-6.3	-19.4	-11.8	-3.9	6.4	-33.2	-11.7
Levies on banking activities	-3.6	-3.6	-3.8	-3.6	0.0	0.0	-7.4	-7.2
Pre-tax result from continuing operations	**71.3**	**58.0**	**84.8**	**53.8**	**30.1**	**73.9**	**186.3**	**185.7**
Taxes on income	-17.1	-14.1	-17.3	-22.9	-13.7	-20.3	-48.2	-57.2
Net result for the period	**54.2**	**44.0**	**67.5**	**30.9**	**16.4**	**53.7**	**138.1**	**128.5**
Net result attributable to non-controlling interests	2.9	2.3	54.1	24.1	-1.6	-0.8	55.5	25.7
Net result attributable to owners of the parent	**51.3**	**41.6**	**13.3**	**6.8**	**18.0**	**54.4**	**82.6**	**102.9**
Operating income	255.8	245.9	352.7	345.0	178.2	155.4	786.6	746.2
Operating expenses	-152.7	-172.8	-234.8	-257.6	-82.9	-83.9	-470.4	-514.3
Operating result	**103.2**	**73.1**	**117.8**	**87.4**	**95.2**	**71.5**	**316.2**	**232.0**
Risk-weighted assets (credit risk, eop)	12,737	12,478	22,792	21,774	16,845	15,254	52,374	49,506
Average allocated capital	1,249	1,245	2,132	2,048	1,788	1,600	5,169	4,893
Cost/income ratio	59.7%	70.3%	66.6%	74.7%	46.5%	54.0%	59.8%	68.9%
Return on allocated capital	17.6%	14.2%	12.8%	6.1%	3.7%	13.5%	10.8%	10.6%
Total assets (eop)	40,538	41,252	57,383	57,991	36,227	44,712	134,149	143,955
Total liabilities excluding equity (eop)	39,051	39,791	53,370	53,770	18,477	24,112	110,898	117,672
Impairments and risk provisions	**-24.6**	**-7.2**	**-18.5**	**-15.4**	**-72.6**	**-1.7**	**-115.7**	**-24.3**
Net impairment loss on loans and receivables to credit institutions/customers	-21.7	-8.7	-20.2	-18.2	-67.6	-4.2	-109.5	-31.1
Net impairment loss on other financial assets not measured at fair value through profit or loss	-0.1	-0.2	-0.7	-5.7	0.0	0.1	-0.8	-5.8
Allocations/releases of provisions for contingent credit risk liabilities	-2.1	1.8	2.6	8.5	-4.9	3.8	-4.3	14.1
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non-financial assets	-0.7	-0.2	-0.2	0.0	-0.2	-1.4	-1.1	-1.6

Geographical area - Central and Eastern Europe

	Czech Republic		Romania		Slovakia		Hungary		Croatia		Serbia		Central and Eastern Europe	
in EUR million	**1-3 15**	**1-3 16**	**1-3 15**	**1-3 16**	**1-3 15**	**1-3 16**	**1-3 15**	**1-3 16**	**1-3 15**	**1-3 16**	**1-3 15**	**1-3 16**	**1-3 15**	**1-3 16**
Net interest income	223.8	226.9	113.4	97.1	112.4	113.3	56.1	45.9	66.6	66.7	10.3	11.2	582.6	561.0
Net fee and commission income	91.3	84.4	37.7	39.4	31.4	30.9	34.2	33.1	17.8	19.2	2.8	2.6	215.2	209.6
Dividend income	0.0	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3
Net trading and fair value result	43.1	23.4	13.9	19.6	-1.2	4.6	-4.1	2.7	-4.6	8.8	1.0	1.0	48.1	60.0
Net result from equity method investments	0.0	0.0	0.2	-0.1	2.4	1.2	0.0	0.0	0.1	0.3	0.1	0.0	2.8	1.4
Rental income from investment properties & other operating leases	6.9	4.8	2.0	2.6	0.5	0.5	0.2	1.0	7.3	6.4	0.0	0.1	17.0	15.3
General administrative expenses	-160.0	-161.6	-80.4	-90.3	-65.3	-67.5	-43.2	-49.9	-46.9	-46.3	-9.3	-9.7	-405.2	-425.3
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.3	0.1	0.0	0.0	0.0	0.0	-4.7	1.0	0.3	0.1	0.0	0.0	-4.1	1.2
Net impairment loss on financial assets not measured at fair value through profit or loss	-31.3	-17.0	8.9	29.4	-22.2	-11.5	2.3	14.1	-25.8	-10.7	-2.1	-1.1	-70.2	3.2
Other operating result	-19.4	-14.6	-7.4	-18.2	-8.6	-12.5	-54.1	-45.3	-2.4	-3.4	0.1	0.2	-91.8	-93.8
Levies on banking activities	0.0	0.0	0.0	0.0	-5.8	-6.2	-56.5	-26.9	0.0	0.0	0.0	0.0	-62.3	-33.1
Pre-tax result from continuing operations	**154.7**	**146.5**	**88.3**	**79.7**	**49.5**	**59.1**	**-13.3**	**2.5**	**12.5**	**41.2**	**2.8**	**4.1**	**294.6**	**333.0**
Taxes on income	-29.2	-29.5	-11.9	-13.9	-11.8	-13.9	-2.4	-2.7	-2.5	-7.8	0.0	0.0	-57.8	-67.8
Net result for the period	**125.4**	**117.0**	**76.4**	**65.7**	**37.8**	**45.2**	**-15.6**	**-0.2**	**10.0**	**33.4**	**2.8**	**4.1**	**236.8**	**265.2**
Net result attributable to non-controlling interests	1.1	1.3	4.9	4.2	0.0	0.0	0.0	0.0	3.1	10.4	0.5	0.8	9.7	16.7
Net result attributable to owners of the parent	**124.3**	**115.7**	**71.5**	**61.5**	**37.7**	**45.2**	**-15.6**	**-0.2**	**6.9**	**22.9**	**2.3**	**3.3**	**227.1**	**248.5**
Operating income	365.1	339.6	167.2	158.7	145.6	150.5	86.5	82.6	87.4	101.4	14.1	14.8	865.8	847.7
Operating expenses	-160.0	-161.6	-80.4	-90.3	-65.3	-67.5	-43.2	-49.9	-46.9	-46.3	-9.3	-9.7	-405.2	-425.3
Operating result	**205.0**	**178.0**	**86.8**	**68.4**	**80.3**	**83.0**	**43.3**	**32.7**	**40.5**	**55.1**	**4.8**	**5.1**	**460.7**	**422.4**
Risk-weighted assets (credit risk, eop)	13,762	14,715	5,681	5,324	4,566	4,960	3,270	3,323	4,662	4,288	665	835	32,605	33,445
Average allocated capital	1,647	1,755	1,129	984	618	662	535	494	547	542	90	114	4,565	4,550
Cost/income ratio	43.8%	47.6%	48.1%	56.9%	44.8%	44.9%	50.0%	60.4%	53.7%	45.7%	66.1%	65.5%	46.8%	50.2%
Return on allocated capital	30.9%	26.8%	27.5%	26.9%	24.8%	27.5%	-11.9%	-0.2%	7.4%	24.7%	12.5%	14.5%	21.0%	23.4%
Total assets (eop)	33,594	36,867	13,758	14,120	13,175	14,219	6,430	6,465	9,226	8,851	848	1,022	77,030	81,544
Total liabilities excluding equity (eop)	29,669	32,306	12,564	12,740	11,800	12,631	5,854	5,954	8,167	7,901	721	887	68,775	72,419
Impairments and risk provisions	**-30.4**	**-11.5**	**11.2**	**22.0**	**-22.2**	**-11.1**	**1.0**	**-1.6**	**-26.5**	**-10.6**	**-1.9**	**-1.1**	**-68.7**	**-13.9**
Net impairment loss on loans and receivables to credit institutions/customers	-31.3	-17.0	8.9	29.5	-22.2	-11.5	2.3	14.1	-25.8	-10.7	-2.1	-1.1	-70.3	3.3
Net impairment loss on other financial assets not measured at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Allocations/releases of provisions for contingent credit risk liabilities	-0.2	1.1	2.4	-1.5	2.0	0.2	-1.2	-15.5	0.2	0.4	0.2	0.1	3.3	-15.3
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non-financial assets	1.1	4.5	0.0	-5.9	-2.0	0.2	0.0	-0.2	-0.9	-0.3	0.0	0.0	-1.8	-1.8

27. Risk management

It is a core function of every bank to take risks in a conscious and selective manner and to manage such risks professionally. Erste Group's proactive risk policy and strategy aims at achieving balanced risk and return in order to generate a sustainable and adequate return on equity. Concerning risk policy and strategy as well as regarding risk management organisation, reference is made to the note of the same name in the annual report 2015.

Credit risk

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

Low risk

Typically regional customers with well-established and rather long-standing relationships with Erste Group or large internationally recognised customers. Very good to satisfactory financial position and low likelihood of financial difficulties relative to the respective market in which the customers operate. Retail clients having long relationships with the bank, or clients with a wide product pool use. No relevant late payments currently or in the most recent 12 months. New business is generally 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 possible payment problems in the past triggering early collection reminders. These clients typically have a good recent payment history.

Substandard

The borrower is vulnerable to short term negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place. As a rule, such loans are managed in specialised risk management departments.

Non-performing

One or more of the default criteria under Article 178 of the CRR are met: among others, full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings. Erste Group applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well. Furthermore, non-performing exposures also comprise non-performing forborne transactions even in cases where the client has not defaulted.
Credit risk exposure
Credit risk exposure relates to the following balance sheet items:

- Cash and cash balances – other demand deposits,
- Financial assets – held for trading (without equity instruments),
- Financial assets – at fair value through profit or loss (without equity instruments),
- Financial assets – available for sale (without equity instruments),
- Financial assets – held to maturity,
- Loans and receivables to credit institutions,
- Loans and receivables to customers,
- Derivatives – hedge accounting, and
- Off balance sheet credit risks (primarily financial guarantees and undrawn irrevocable credit commitments).

The credit risk exposure comprises the gross carrying amount (or nominal value in the case of off-balance-sheet positions) without taking into account loan loss allowances, provisions for guarantees, any collateral held (including risk transfer to guarantors), netting effects, other credit enhancements or credit risk mitigating transactions.

The gross carrying amount of the credit risk exposure increased by 2.2% or EUR 4.7 billion from EUR 212.2 billion as of 31 December 2015 to EUR 216.9 billion as of 31 March 2016.

Reconciliation between gross carrying amount and carrying amount of the separate components of the credit risk exposure

in EUR million	Gross carrying amount	Allowances	Net carrying amount
As of 31 March 2016			
Cash and cash balances - other demand deposits	2,612	0	2,612
Loans and receivables to credit institutions	6,687	7	6,680
Loans and receivables to customers	132,631	5,891	126,740
Financial assets - held to maturity	17,575	2	17,573
Financial assets - held for trading	4,219	0	4,219
Financial assets - at fair value through profit or loss	246	0	246
Financial assets - available for sale	19,238	0	19,238
Positive fair value of derivatives	8,016	0	8,016
Contingent credit risk liabilities	25,686	304	--
Total	**216,909**	**6,204**	**185,323**
As of 31 December 2015			
Cash and cash balances - other demand deposits	2,228	0	2,228
Loans and receivables to credit institutions	4,819	14	4,805
Loans and receivables to customers	131,906	6,009	125,897
Financial assets - held to maturity	17,703	2	17,701
Financial assets - held for trading	3,163	0	3,163
Financial assets - at fair value through profit or loss	176	0	176
Financial assets - available for sale	19,307	0	19,307
Positive fair value of derivatives	7,494	0	7,494
Contingent credit risk liabilities	25,415	297	--
Total	**212,211**	**6,322**	**180,772**

Concerning contingent liabilities the gross carrying amount refers to the nominal value, and allowances refer to provisions for guarantees. A carrying amount is not presented in the case of contingent liabilities.

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

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

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

_ loans and receivables to customers by business segment and risk category,
_ loans and receivables to customers by geographical segment and risk category,
_ non-performing loans and receivables to customers by business segment and coverage by loan loss allowances,
_ non-performing loans and receivables to customers by geographical segment and coverage by loan loss allowances and
_ loans and receivables to customers by geographical segment and currency.

Credit risk exposure by Basel 3 exposure class and financial instrument

in EUR million	Cash and cash balances - other demand deposits	Loans and receivables to credit institutions (At amortised cost)	Loans and receivables to customers (At amortised cost)	Debt securities: Financial assets - held to maturity (At amortised cost)	Debt securities: Financial assets - held for trading (At fair value)	Debt securities: Financial assets - at fair value through profit or loss (At fair value)	Debt securities: Financial assets - available-for-sale (At fair value)	Positive fair value of derivatives (At fair value)	Contingent credit risk liabilities	Gross exposure
Mar 16										
Sovereigns	0	1,082	7,378	16,725	3,304	17	15,121	366	1,455	45,448
Institutions	2,606	5,132	158	463	585	118	1,828	7,157	443	18,489
Corporates	7	472	58,546	387	329	111	2,289	491	17,802	80,435
Retail	0	0	66,549	0	0	0	0	1	5,985	72,536
Total	**2,612**	**6,687**	**132,631**	**17,575**	**4,219**	**246**	**19,238**	**8,016**	**25,686**	**216,909**
Dec 15										
Sovereigns	11	1,271	7,414	16,479	2,393	13	14,998	338	1,231	44,147
Institutions	2,211	3,008	197	820	398	73	2,151	6,647	333	15,836
Corporates	6	540	58,727	405	373	91	2,158	508	17,738	80,546
Retail	0	0	65,569	0	0	0	0	1	6,113	71,682
Total	**2,228**	**4,819**	**131,906**	**17,703**	**3,163**	**176**	**19,307**	**7,494**	**25,415**	**212,211**

The assignment of obligors to Basel 3 exposure classes is based on legal regulations. For reasons of clarity, individual Basel 3 exposure classes are presented in aggregated form. The aggregated exposure class ‘sovereigns’ also contains regional and local governments as well as public sector entities in addition to central governments, central banks, international organisations and multinational development banks. Institutions include banks and recognised investment firms.

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 31 March 2016					
Agriculture and forestry	1,840	482	44	190	2,555
Mining	628	37	11	130	806
Manufacturing	11,081	1,480	206	1,096	13,862
Energy and water supply	3,395	503	27	185	4,110
Construction	7,642	1,096	173	1,072	9,983
Development of building projects	3,723	393	56	417	4,589
Trade	7,841	1,653	169	986	10,648
Transport and communication	5,995	476	64	182	6,717
Hotels and restaurants	2,473	878	215	555	4,122
Financial and insurance services	29,750	683	90	267	30,790
Holding companies	4,679	126	43	216	5,063
Real estate and housing	19,537	2,855	399	1,100	23,891
Services	5,928	984	226	477	7,616
Public administration	38,465	624	5	41	39,135
Education, health and art	2,325	446	38	265	3,074
Households	49,332	5,680	642	2,693	58,347
Other	489	6	757	2	1,254
Total	**186,722**	**17,883**	**3,064**	**9,239**	**216,909**
As of 31 December 2015					
Agriculture and forestry	1,870	506	44	186	2,606
Mining	601	88	10	121	821
Manufacturing	11,193	1,584	213	1,129	14,120
Energy and water supply	3,616	477	40	178	4,311
Construction	7,537	1,090	195	1,138	9,961
Development of building projects	3,609	411	84	429	4,534
Trade	7,809	1,662	177	1,024	10,673
Transport and communication	6,021	505	56	203	6,785
Hotels and restaurants	2,370	994	213	567	4,144
Financial and insurance services	26,787	710	99	316	27,912
Holding companies	4,853	100	42	253	5,247
Real estate and housing	19,244	2,771	322	1,311	23,649
Services	5,652	1,022	260	499	7,433
Public administration	37,929	602	21	22	38,574
Education, health and art	2,242	414	38	332	3,026
Households	48,356	5,658	648	2,773	57,436
Other	417	7	325	14	763
Total	**181,644**	**18,091**	**2,663**	**9,813**	**212,211**

Credit risk exposure by region and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 31 March 2016					
Core markets	**153,492**	**16,166**	**2,855**	**8,247**	**180,759**
Austria	81,875	8,384	1,851	2,727	94,838
Czech Republic	30,272	2,854	264	984	34,375
Romania	11,724	1,967	191	1,844	15,726
Slovakia	15,690	816	146	675	17,327
Hungary	6,138	706	160	711	7,715
Croatia	7,068	1,045	225	1,136	9,474
Serbia	725	393	17	169	1,304
Other EU	**26,548**	**1,123**	**89**	**564**	**28,324**
Other industrialised countries	**3,860**	**155**	**10**	**78**	**4,102**
Emerging markets	**2,823**	**440**	**111**	**351**	**3,724**
Southeastern Europe/CIS	1,438	298	108	325	2,170
Asia	859	84	1	1	944
Latin America	52	28	0	14	93
Middle East/Africa	473	31	2	11	516
Total	**186,722**	**17,883**	**3,064**	**9,239**	**216,909**
As of 31 December 2015					
Core markets	**151,849**	**16,353**	**2,441**	**8,766**	**179,409**
Austria	81,288	8,499	1,440	2,865	94,091
Czech Republic	29,622	2,802	284	1,017	33,725
Romania	11,430	2,022	219	1,927	15,599
Slovakia	15,898	782	131	684	17,495
Hungary	5,758	757	157	856	7,528
Croatia	7,104	1,125	205	1,236	9,670
Serbia	749	366	5	180	1,300
Other EU	**23,255**	**1,080**	**110**	**632**	**25,077**
Other industrialised countries	**3,629**	**144**	**12**	**80**	**3,865**
Emerging markets	**2,912**	**513**	**100**	**335**	**3,860**
Southeastern Europe/CIS	1,328	357	98	321	2,104
Asia	1,054	97	1	1	1,153
Latin America	68	30	0	3	102
Middle East/Africa	461	29	1	10	501
Total	**181,644**	**18,091**	**2,663**	**9,813**	**212,211**

The geographic analysis of credit exposure is based on the country of risk of borrowers and counterparties and also includes obligors domiciled in other countries if the economic risk exists in the respective country of risk. Accordingly, the distribution by regions differs from the composition of the credit risk exposure by geographical segments of Erste Group.

Credit risk exposure by reporting segment and risk category

The segment reporting of Erste Group is based on the matrix organisation by business segment as well as by geographical segment. The geographical segmentation follows the country markets in which Erste Group operates and the locations of the banking and other financial institutions participations.

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 31 March 2016					
Retail	43,978	4,936	585	2,552	52,051
Corporates	49,577	5,355	872	4,415	60,219
Group Markets	23,913	422	16	11	24,362
Asset/Liability Management and Local Corporate Center	23,837	304	129	15	24,286
Savings Banks	45,284	6,830	961	2,237	55,312
Group Corporate Center	133	36	501	9	679
Total	**186,722**	**17,883**	**3,064**	**9,239**	**216,909**
As of 31 December 2015					
Retail	43,519	4,899	599	2,637	51,654
Corporates	49,252	5,510	861	4,756	60,378
Group Markets	19,152	489	7	16	19,664
Asset/Liability Management and Local Corporate Center	24,418	326	131	14	24,890
Savings Banks	44,880	6,837	986	2,381	55,084
Group Corporate Center	423	31	79	9	542
Total	**181,644**	**18,091**	**2,663**	**9,813**	**212,211**

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross exposure
As of 31 March 2016					
Austria	111,631	10,915	1,762	4,361	128,670
EBOe & Subsidiaries	34,112	2,740	400	879	38,130
Savings Banks	45,284	6,830	961	2,237	55,312
Other Austria	32,236	1,346	401	1,245	35,228
Central and Eastern Europe	67,567	6,926	802	4,835	80,130
Czech Republic	30,907	2,668	181	838	34,595
Romania	10,419	1,850	169	1,756	14,195
Slovakia	13,324	644	131	556	14,655
Hungary	5,040	494	121	600	6,255
Croatia	7,223	957	185	1,014	9,378
Serbia	653	314	15	71	1,053
Other	7,524	42	501	44	8,110
Total	**186,722**	**17,883**	**3,064**	**9,239**	**216,909**
As of 31 December 2015					
Austria	107,352	11,030	1,727	4,712	124,821
EBOe & Subsidiaries	33,805	2,839	401	913	37,959
Savings Banks	44,880	6,837	986	2,381	55,084
Other Austria	28,666	1,354	341	1,418	31,779
Central and Eastern Europe	66,143	7,024	857	5,054	79,078
Czech Republic	30,146	2,687	222	856	33,911
Romania	10,019	1,911	176	1,825	13,931
Slovakia	13,341	604	124	565	14,635
Hungary	4,817	530	116	685	6,148
Croatia	7,149	1,013	215	1,046	9,423
Serbia	671	280	3	77	1,031
Other	8,150	36	79	47	8,312
Total	**181,644**	**18,091**	**2,663**	**9,813**	**212,211**

Loans and receivables to customers

The tables on the following pages present the structure of the customer loan book, excluding loans to financial institutions and commitments, broken-down by different categories.

Loans and receivables to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross customer loans
As of 31 March 2016					
Retail	39,106	4,596	569	2,531	46,803
Corporates	35,644	4,458	731	4,164	44,997
Group Markets	892	88	0	0	980
Asset/Liability Management and Local Corporate Center	150	22	0	13	186
Savings Banks	30,827	5,808	828	2,142	39,604
Group Corporate Center	53	1	2	6	62
Total	**106,672**	**14,972**	**2,131**	**8,856**	**132,631**
As of 31 December 2015					
Retail	38,818	4,477	578	2,613	46,486
Corporates	35,263	4,562	709	4,469	45,003
Group Markets	510	170	0	0	680
Asset/Liability Management and Local Corporate Center	156	26	3	7	193
Savings Banks	30,451	5,825	830	2,219	39,326
Group Corporate Center	210	1	2	6	219
Total	**105,409**	**15,060**	**2,123**	**9,314**	**131,906**

Loans and receivables to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross customer loans
As of 31 March 2016					
Austria	68,021	9,282	1,414	4,174	82,890
Erste Bank Oesterreich & Subsidiaries	26,700	2,420	255	836	30,210
Savings Banks	30,827	5,808	828	2,142	39,604
Other Austria	10,495	1,054	330	1,196	13,076
Central and Eastern Europe	38,547	5,689	715	4,644	49,595
Czech Republic	17,577	2,116	162	816	20,671
Romania	5,118	1,519	158	1,651	8,446
Slovakia	8,492	603	98	536	9,729
Hungary	2,231	469	121	570	3,391
Croatia	4,594	867	162	1,002	6,624
Serbia	535	116	15	68	734
Other	104	1	2	39	146
Total	**106,672**	**14,972**	**2,131**	**8,856**	**132,631**
As of 31 December 2015					
Austria	67,094	9,316	1,360	4,425	82,195
Erste Bank Oesterreich & Subsidiaries	26,500	2,468	254	861	30,082
Savings Banks	30,451	5,825	830	2,219	39,326
Other Austria	10,143	1,023	276	1,345	12,787
Central and Eastern Europe	38,053	5,744	761	4,848	49,404
Czech Republic	17,153	2,118	198	834	20,303
Romania	5,031	1,574	163	1,712	8,481
Slovakia	8,478	560	93	540	9,671
Hungary	2,236	490	116	655	3,498
Croatia	4,609	904	187	1,032	6,732
Serbia	544	97	3	75	719
Other	262	1	2	41	307
Total	**105,409**	**15,060**	**2,123**	**9,314**	**131,906**

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

in EUR million	Non-performing loans	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (exc collateral)
As of 31 March 2016					
Retail	2,531	46,803	1,796	5.4%	70.9%
Corporates	4,164	44,997	2,810	9.3%	67.5%
Group Markets	0	980	3	0.0%	1276.4%
Asset/Liability Management and Local Corporate Center	13	186	5	7.2%	36.8%
Savings Banks	2,142	39,604	1,270	5.4%	59.3%
Group Corporate Center	6	62	7	9.5%	120.1%
Total	**8,856**	**132,631**	**5,891**	**6.7%**	**66.5%**
As of 31 December 2015					
Retail	2,613	46,486	1,730	5.6%	66.2%
Corporates	4,469	45,003	2,966	9.9%	66.4%
Group Markets	0	680	2	0.0%	7240.8%
Asset/Liability Management and Local Corporate Center	7	193	23	3.7%	314.7%
Savings Banks	2,219	39,326	1,281	5.6%	57.7%
Group Corporate Center	6	219	8	2.6%	139.0%
Total	**9,314**	**131,906**	**6,009**	**7.1%**	**64.5%**

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

in EUR million	Non-performing loans	Gross customer loans	Allowances for customer loans	NPL ratio	NPL coverage (exc collateral)
As of 31 March 2016					
Austria	4,174	82,890	2,505	5.0%	60.0%
Erste Bank Oesterreich & Subsidiaries	836	30,210	531	2.8%	63.5%
Savings Banks	2,142	39,604	1,270	5.4%	59.3%
Other Austria	1,196	13,076	705	9.1%	58.9%
Central and Eastern Europe	4,644	49,595	3,345	9.4%	72.0%
Czech Republic	816	20,671	596	3.9%	73.1%
Romania	1,651	8,446	1,294	19.6%	78.4%
Slovakia	536	9,729	358	5.5%	66.8%
Hungary	570	3,391	355	16.8%	62.2%
Croatia	1,002	6,624	682	15.1%	68.1%
Serbia	68	734	59	9.3%	87.3%
Other	39	146	40	26.7%	103.1%
Total	**8,856**	**132,631**	**5,891**	**6.7%**	**66.5%**
As of 31 December 2015					
Austria	4,425	82,195	2,535	5.4%	57.3%
Erste Bank Oesterreich & Subsidiaries	861	30,082	539	2.9%	62.6%
Savings Banks	2,219	39,326	1,281	5.6%	57.7%
Other Austria	1,345	12,787	715	10.5%	53.2%
Central and Eastern Europe	4,848	49,404	3,433	9.8%	70.8%
Czech Republic	834	20,303	604	4.1%	72.4%
Romania	1,712	8,481	1,326	20.2%	77.4%
Slovakia	540	9,671	355	5.6%	65.7%
Hungary	655	3,498	386	18.7%	59.0%
Croatia	1,032	6,732	695	15.3%	67.4%
Serbia	75	719	66	10.5%	88.4%
Other	41	307	41	13.5%	99.8%
Total	**9,314**	**131,906**	**6,009**	**7.1%**	**64.5%**

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

Loans and receivables to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Gross customer loans
As of 31 March 2016						
Austria	73,277	0	5,761	2,261	1,592	82,890
Erste Bank Oesterreich & Subsidiaries	27,725	0	2,287	54	144	30,210
Savings Banks	35,395	0	3,309	85	814	39,604
Other Austria	10,157	0	164	2,121	633	13,076
Central and Eastern Europe	21,987	26,848	235	429	96	49,595
Czech Republic	2,290	18,224	1	85	72	20,671
Romania	4,356	3,902	0	187	0	8,446
Slovakia	9,693	0	0	16	21	9,729
Hungary	490	2,782	94	24	0	3,391
Croatia	4,600	1,785	125	112	3	6,624
Serbia	559	154	15	5	0	734
Other	110	29	0	8	0	146
Total	**95,374**	**26,876**	**5,996**	**2,697**	**1,688**	**132,631**
As of 31 December 2015						
Austria	72,315	0	6,076	2,243	1,562	82,195
Erste Bank Oesterreich & Subsidiaries	27,497	0	2,387	56	143	30,082
Savings Banks	34,918	0	3,531	84	792	39,326
Other Austria	9,900	0	158	2,102	627	12,787
Central and Eastern Europe	21,638	26,571	686	425	84	49,404
Czech Republic	2,095	18,063	1	85	59	20,303
Romania	4,436	3,832	0	213	0	8,481
Slovakia	9,634	0	0	18	19	9,671
Hungary	509	2,807	157	25	0	3,498
Croatia	4,419	1,716	513	79	5	6,732
Serbia	545	152	16	6	0	719
Other	261	35	0	10	0	307
Total	**94,214**	**26,606**	**6,761**	**2,678**	**1,647**	**131,906**

Market risk

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

in EUR million	Dec 15	Mar 16
Interest	2.1	2.3
Currency	0.6	1.3
Shares	1.1	0.9
Commodity	0.1	0.2
Volatility	0.5	0.5
Total	**2.9**	**2.9**

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

Liquidity risk

In Erste Group's liquidity strategy for 2016 long-term issuance of EUR 2.6 billion is planned. The issuance plan of Erste Group Bank is focused on covered bonds (EUR 2 billion) while the remaining amount is split between senior unsecured (EUR 400 million) and Tier 2 (EUR 200 million) bonds. A 7-year EUR 750 million benchmark covered mortgage bond was issued in January 2016, the year-to-date issuance amounteds to EUR 1 billion. Due to the good liquidity position and the potential usage of the upcoming TLTRO II programme (Targeted Longer-Term Refinancing Operations II) of the European Central Bank only limited issuance activity is planned for the rest of the year.

Leverage ratio

The leverage ratio represents the relationship between core capital (tier 1) and the leverage exposure according to Article 429 Capital Requirements Regulation (CRR). Essentially, the leverage exposure represents the sum of unweighted on- and off-balance-sheet positions considering valuation and risk adjustments as defined within the CRR.

As of 31 March 2016, the leverage ratio for Erste Group Bank AG at consolidated level amounted to 5.7% (Basel 3 final), comfortably above the 3.0% minimum requirement expected to apply from 2018.

The calculation and disclosure of the leverage ratio are based on the European Commission's delegated regulation ((EU) 2015/62 of 10 October 2014), which was published in the Official Journal of the European Union on 17 January 2015.

28. Related party transactions

The foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (Privatstiftung) controls a total of 28.92% interest in Erste Group Bank AG. Privatstiftung is therefore the largest single investor in Erste Group Bank AG. At the end of the reporting period, Erste Group had, in relation to Privatstiftung, accounts payable of EUR 19.1 million (EUR 24.8 million). In addition, standard derivative transactions for hedging purposes were in place between Erste Group and Privatstiftung, namely interest rate swaps with caps in the notional amount of EUR 203.0 million (EUR 278.0 million). Furthermore, Privatstiftung held bonds issued by Erste Group Bank AG in the amount of EUR 9.6 million (EUR 9.8 million). Erste Group held debt securities issued by Privatstiftung in the amount of EUR 9.5 million (EUR 2.9 million). The interest income of Erste Group in the reporting period amounted to EUR 2.9 million (cumulated in 2015: EUR 12.2 million) while the interest expenses amounted to EUR 1.9 million (cumulated in 2014: EUR 7.8 million), resulting from the above mentioned accounts payable as well as derivative transactions and debt securities.

29. Contingent liabilities - legal proceedings

There have not been any material changes with regard to legal disputes in which Erste Group Bank and some of its subsidiaries are involved or their impact on the financial position or profitability of Erste Group compared to the annual report 2015.

30. Fair value of financial instruments

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

Financial instruments carried at fair value

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

Description of valuation models and parameters

Erste Group uses valuation models that have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently. In 2015, as a consequence of the negative interest environment, valuation models of interest rate options for the respective currencies were adjusted. Log-normal valuation models were replaced by standard market models which are based on a shifted log-normal distribution or a standard distribution. For such models negative interest rates are no restriction.

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

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

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

Credit value adjustments (CVA) for counterparty risk and debit value adjustments (DVA) for own default credit risk are applied to OTC derivatives. For the CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and Erste Group's credit quality. Erste Group has implemented an approach, where the modeling of the expected exposure is based on option replication strategies. For products where an option replication is not feasible the exposure is computed with Monte-Carlo simulation techniques. One of the two modeling approaches is considered for the most relevant portfolios and products. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default by counterparties that are not traded in an active market is determined from internal PDs mapped to a basket of liquid titles present in the central European market. Market based valuation concepts are incorporated for this. Counterparties with liquid bond or CDS markets are valued by the respective single-name market based PD derived from the prices. Erste Group's probability of default has been derived from the buy-back levels of Erste Group's issuances. Netting has only been considered for a few counterparties where the impact was material. In these cases, netting has been applied for both CVA and DVA. For collateralised derivatives the effect of collateral received is considered and reduces the amount of CVA accordingly. For counterparties with CSA-agreements in place no CVA was taken into account for all cases with immaterial threshold amounts.

According to the described methodology the accumulated CVA-adjustments amounts to EUR -46.4 million (EUR -43.9 million) and the total DVA-adjustment amounts to EUR 13.4 million (EUR 12.0 million).

Validation and control

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

Fair value hierarchy

Financial assets and financial liabilities measured at fair value are categorized under the three levels of the IFRS fair value hierarchy.

Level 1 of the fair value hierarchy

The fair value of financial instruments assigned to Level 1 of the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets and liabilities. More particular, the evaluated fair value can qualify as Level 1 if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis.

These include exchange traded derivatives (futures, options), shares, government bonds as well as other bonds and funds, which are traded in highly liquid and active markets.

Level 2 of the fair value hierarchy

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

These include OTC derivatives, less liquid shares, bonds and funds as well as asset backed securities (ABS), collateralized debt obligations (CDO) and own issues.

Level 3 of the fair value hierarchy

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

These include shares and funds not quoted, illiquid bonds as well as illiquid asset backed securities (ABS) and collateralized debt obligations (CDO).

A reclassification from Level 1 into Level 2 or Level 3 as well as vice versa will be performed if the financial instrument does no longer meet the criteria described above for the respective level.

The table below shows the classification of financial instruments carried at fair value with respect to levels of the fair value hierarchy.

	Dec 15				Mar 16			
in EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Financial assets - held for trading	2,801	5,768	150	8,719	3,174	6,573	214	9,960
Derivatives	2	5,158	143	5,303	8	5,465	195	5,668
Other trading assets	2,798	611	7	3,416	3,166	1,107	19	4,292
Financial assets - at fair value through profit or loss	221	88	50	359	288	67	49	404
Financial assets - available for sale	17,759	2,306	627	20,692	17,672	2,342	659	20,672
Derivatives - hedge accounting	0	2,191	0	2,191	0	2,347	0	2,347
Assets held for sale	0	0	0	0	0	0	0	0
Total assets	**20,780**	**10,353**	**827**	**31,961**	**21,133**	**11,329**	**921**	**33,384**
Liabilities								
Financial liabilities - held for trading	363	5,503	1	5,867	467	6,139	7	6,612
Derivatives	14	5,418	1	5,434	14	5,761	7	5,782
Other trading liabilities	349	85	0	434	452	377	0	830
Financial liabilities - at fair value through profit or loss	0	1,907	0	1,907	0	1,918	0	1,918
Deposits from customers	0	149	0	149	0	122	0	122
Debt securities issued	0	1,758	0	1,758	0	1,796	0	1,796
Other financial liabilities	0	0	0	0	0	0	0	0
Derivatives - hedge accounting	0	593	0	593	0	650	0	650
Total liabilities	**363**	**8,002**	**1**	**8,367**	**467**	**8,707**	**7**	**9,181**

The allocation of the appropriate level of positions is determined at the end of the reporting period.

Valuation process for financial instruments categorised as Level 3

The valuation of financial instruments categorized as Level 3 involves one or more significant inputs that are not directly observable on the market. Additional price verification steps need to be done. These may include reviewing relevant historical data and benchmarking for similar transactions, among others. This involves estimation and expert judgment.

Changes in volumes of Level 1 and Level 2

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

	Dec 15		Mar 16	
in EUR million	**Level 1**	**Level 2**	**Level 1**	**Level 2**
Securities				
Net transfer from Level 1	0	-839	0	60
Net transfer from Level 2	839	0	-60	0
Net transfer from Level 3	-6	-58	3	6
Purchases/sales/expiries	617	-2,363	405	457
Changes in derivatives	1	-2,565	5	464
Total year-to-date change	**1,451**	**-5,825**	**353**	**976**

Level 1 Movements in the reporting period. The total amount of Level 1 financial assets increased by EUR 353 million. The change in volume of Level 1 securities (increase by EUR 348 million) was determined on the one hand by matured or sold assets in the amount of EUR 1,445 million and on the other hand by new investments in the amount of EUR 1,805 million. The increase in volume for securities that were allocated to Level 1 at both reporting dates amounted to EUR 42 million (due to partial purchases and sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 43 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by financial institutions (EUR 20 million), but also to securities issued by governments (EUR 17 million) and other corporates (EUR 6 million). Due to lower market activity and change to modelled fair value,

securities in total of EUR 104 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by financial institutions (EUR 73 million) and other corporates (EUR 15 million) as well as securities issued by governments (EUR 16 million). Level 3 instruments in the amount of EUR 3 million were reclassified to Level 1. The remaining increase in the amount of EUR 2 million was due to partial sales and fair value changes of reclassified instruments.

Level 2 Movements in the reporting period. The total amount of Level 2 financial assets increased by EUR 976 million compared to year end 2015. The change in volume of level 2 securities (increase by EUR 512 million) was determined on the one hand by matured or sold assets in the amount of EUR 217 million and on the other hand by new investments in the amount of EUR 364 million. The decrease in volume for securities that were allocated to Level 2 at both reporting dates amounted to EUR 7 million (due to partial purchases and sales and fair value changes caused by market movements). Due to lower market activity and change to modelled fair value, securities in total of EUR 104 million have been moved from Level 1 to Level 2. But due to improved market liquidity, assets in the amount of EUR 43 million could be reclassified from Level 2 to Level 1. The usage of significant unobservable input parameter led to the reclassification of securities from Level 2 to Level 3 in the amount of EUR 41 million. On the other hand, securities in the amount of EUR 47 million could be reclassified from Level 3 to Level 2. Loans and advances measured at fair value increased by EUR 346 million in the reporting period. The residual decrease in Level 2 securities, in the amount of EUR 40 million, was caused by partial sales and fair value changes of reclassified instruments. Positive market value of derivatives assigned to Level 2, increased by EUR 464 million.

There were no substantial changes for securities on the liabilities side. The changes in fair value were mainly caused by purchases, sales and changes of market values.

Movements in Level 3 of financial instruments carried at fair value

The following table shows the development of fair value of financial instruments in Level 3 category.

in EUR million	As of	Gain/loss in profit or loss	Gain/loss in other compre-hensive income	Purchases	Sales	Settle-ments	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	As of
	Dec 15											Mar 16
Assets												
Financial assets - held for trading	150	22	0	13	-1	-1	0	0	37	-5	0	214
Derivatives	143	22	0	1	-1	-1	0	0	37	-5	0	195
Other trading assets	7	0	0	12	0	0	0	0	0	0	0	19
Financial assets - at fair value through profit or loss	50	0	0	0	-1	0	0	0	0	0	0	49
Financial assets - available-for-sale	627	-2	-1	65	-77	-1	0	0	57	-12	1	659
Derivatives - hedge accounting	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	**827**	**20**	**-1**	**78**	**-80**	**-2**	**0**	**0**	**94**	**-17**	**1**	**921**
	Dec 14											Mar 15
Assets												
Financial assets - held for trading	130	30	0	3	-2	0	0	0	10	-11	0	161
Derivatives	124	30	0	1	-2	0	0	0	10	-10	0	153
Other trading assets	6	0	0	2	0	0	0	0	0	-1	0	8
Financial assets - at fair value through profit or loss	39	0	0	0	-9	0	0	0	0	0	0	31
Financial assets - available-for-sale	428	0	-3	32	-46	0	0	0	12	-14	1	410
Derivatives - hedge accounting	6	0	0	0	0	0	0	0	0	-6	0	0
Total assets	**603**	**30**	**-3**	**35**	**-57**	**0**	**0**	**0**	**23**	**-31**	**1**	**602**

The profit or loss of Level 3 financial instruments classified as 'Financial assets – held for trading', 'Financial assets – at fair value through profit or loss' and 'Derivatives – hedge accounting' is disclosed in the income statement line item 'Net trading and fair value result'. Profit or loss from derecognition of 'Financial assets – available for sale' is shown in the income statement line item 'Gains/Losses from financial assets and liabilities not measured at fair value through profit or loss, net'. Impairments of 'Financial assets – available for sale' is disclosed in the line item 'Net impairment loss on financial assets not measured at fair value through profit or loss'. Gains or losses in other comprehensive income of Level 3 financial instruments disclosed in the balance sheet line item 'Financial assets – available for sale' are reported directly in equity under 'Available for sale reserve'.

Level 3 Movements in the reporting period. The reclassification of securities to Level 3 was caused by a decrease in market liquidity and was based on an in-depth analysis of broker quotes. In addition to the assessment of the parameters used for the fair value determination, the external market values of securitizations were subject to an internal validation process, which is based on observable market inputs. Based on the described analysis securities in the amount of EUR 41 million were reclassified from Level 2 to Level 3. On the other hand securities in the amount of EUR 47 million were reclassified from Level 3 to 2 mainly due to the change of inputs for pricing models. The net movement from Level 3 to Level 1 amounted to EUR 3 million. The residual increase of Level 3 instruments was on the one hand caused by an increase of Level 3 derivatives in the amount of EUR 52 million and on the other hand by purchases, sales and changes in market value of securities amounting to EUR 51 million.

Under the position ‘Financial assets – available for sale’ VISA Europe shares in the amount of EUR 129 million (EUR 127 million) are reported. The increase in the fair value compared to year-end 2015 is due to an up-date of observable input parameters. Input parameters which cannot be derived from observable market data were not changed compared to year-end 2015. The valuation of the VISA Europe shares which are held for sale did not change from a methodological perspective compared to year end 2015.

At the end of the reporting period, no significant liabilities measured at fair value are reported in Level 3.

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

	Gain/loss in profit or loss	
in EUR million	**1-3 15**	**1-3 16**
Assets		
Financial assets - held for trading	-15.5	21.2
Derivatives	-15.8	20.9
Other trading assets	0.2	0.4
Financial assets - at fair value through profit or loss	0.6	0.0
Financial assets - available for sale	0.1	-5.4
Derivatives - hedge accounting	0.0	0.0
Total	**-14.9**	**15.8**

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

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

Unobservable inputs and sensitivity analysis for Level 3 measurements

In case the fair value of a financial asset is retrieved from input parameters which are not observable in the market, those parameters can be retrieved from a range of alternative parameters. For the preparation of the balance sheet the parameters where chosen to reflect the market situation at the reporting date.

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

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
31 March 2016					
Positive fair value of derivatives	Forwards, swaps, options	195.1	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.79% 100% (8.5%)
				LGD	60%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	12.1	Discounted cash flow	Credit spread	0.1% 1.5% (0.4%
Financial assets - available for sale	Fixed and variable coupon bonds	298.5	Discounted cash flow	Credit spread	0.1% 9.9% (2.4%)
Group Markets					
Positive fair value of derivatives	Forwards, swaps, options	142.9	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.96% -100% (11.7%)
				LGD	40%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	10.9	Discounted cash flow	Credit spread	0.1% -1.5% (0.4%)
Financial assets - available for sale	Fixed and variable coupon bonds	270.9	Discounted cash flow	Credit spread	0.1% -9.9% (2.2%)

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

	Dec 15		Mar 16	
	Fair value changes		Fair value changes	
in EUR million	Positive	Negative	Positive	Negative
Derivatives	10.5	-8.8	8.8	-12.7
Income statement	10.5	-8.8	8.8	-12.7
Other comprehensive income	0.0	0.0	0.0	0.0
Debt securities	13.5	-18.0	13.7	-18.3
Income statement	0.6	-0.8	1.2	-1.6
Other comprehensive income	12.9	-17.2	12.5	-16.7
Equity instruments	9.9	-19.7	14.5	-29.0
Income statement	1.1	-2.3	1.1	-2.2
Other comprehensive income	8.7	-17.4	13.4	-26.8
Total	**33.8**	**-46.5**	**37.0**	**-60.0**
Income statement	**12.2**	**-11.9**	**11.1**	**-16.5**
Other comprehensive income	**21.6**	**-34.7**	**26.9**	**-43.5**

In estimating these impacts, mainly changes in credit spreads (for bonds), PDs, LGDs (for CVA of derivatives) and market values of comparable equities were considered. An increase (decrease) of spreads, PDs and LGDs result in a decrease (increase) of the corresponding market values. Positive correlation effects between PDs and LGDs were not taken into account in the sensitivity analysis.

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

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

Financial instruments not carried at fair value with fair value disclosed in the notes

The following table shows fair values and the fair value hierarchy of financial instruments for which fair value is disclosed in the notes.

	Dec 15		Mar 16	
in EUR million	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash balances	12,350	12,350	14,641	14,641
Financial assets - held to maturity	17,701	19,514	17,573	19,474
Loans and receivables to credit institutions	4,805	4,881	6,680	6,825
Loans and receivables to customers	125,897	129,000	126,740	129,923
Liabilities				
Financial liabilities measured at amortised cost	170,787	173,274	175,026	177,291
Deposits from banks	14,212	14,493	17,330	17,441
Deposits from customers	127,797	128,719	128,518	129,337
Debt securities issued	27,896	29,238	28,263	29,665
Other financial liabilities	882	825	914	848
Financial guarantees and commitments				
Financial guarantees	0	-14	0	-247
Irrevocable commitments	0	-25	0	-245

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PDs and LGDs used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.

The fair values of financial assets held to maturity are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

For liabilities without contractual maturities (e.g. demand deposits), the carrying amount represents the minimum of their fair value.

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available. For issued securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows. The applied discount rate is based on the interest rates at which instruments with comparable characteristics could have been issued at the balance sheet date. Moreover optionality is taken into account when calculating the fair value. The fair value of other liabilities, measured at amortised cost, is estimated by taking into account the current interest rate environment, as well as the own credit spreads. These positions are assigned to the Level 3 category.

The fair value of off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) is estimated with the help of regulatory credit conversion factors. The resulting loan equivalents are treated like other on-balance sheet assets. The difference between the calculated market value and the notional amount of the hypothetical loan equivalents represents the fair value of these contingent liabilities. In case of the total market value being higher than the notional amount of the hypothetical loan equivalents the fair value of these contingent liabilities is presented with a negative sign.

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

	1-3 15	1-3 16
Domestic	**15,558**	**15,720**
Erste Group, EB Oesterreich and subsidiaries	8,365	8,398
Haftungsverbund savings banks	7,193	7,322
Abroad	**30,949**	**30,917**
Česká spořitelna Group	10,543	10,468
Banca Comercială Română Group	7,089	7,100
Slovenská sporiteľňa Group	4,269	4,208
Erste Bank Hungary Group	2,944	2,872
Erste Bank Croatia Group	2,747	2,843
Erste Bank Serbia Group	955	996
Erste Bank Ukraine	0	0
Savings banks subsidiaries	1,196	1,220
Other subsidiaries and foreign branch offices	1,207	1,209
Total	**46,507**	**46,638**

32. Regulatory capital and capital requirements

Regulatory scope of consolidation and institutional protection scheme

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

Regulatory capital

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

Own funds according to CRR consist of common equity tier 1 (CET1), additional tier 1 (AT1) and tier 2 (T2). In order to determine the capital ratios, each respective capital component - after application of all regulatory deductions and filters - is considered in relation to the total risk.

The regulatory minimum capital ratios including the regulatory buffers amount to 5.4% for CET1 (4.5% CET 1, +0.625% capital conservation buffer, +0.25% buffer for systemic vulnerability and for systemic concentration risk and +0.001% countercyclical capital buffer), 6.9% for tier 1 capital (sum from CET1 and AT1) and 8.9% for total own funds.

In addition to minimum capital ratios and capital buffer requirements, institutions also have to fulfil additional capital requirements determined in the Supervisory Review and Evaluation Process (SREP).

Capital buffer requirements are set out in sections 23 (capital conservation buffer), 23a (countercyclical buffer), 23b (G-SII buffer), 23c (O-SII buffer) and 23d (systemic risk buffer) of the ABA and further specified in the regulation of the Financial Market Authority (FMA) on the establishment and recognition of the countercyclical buffer rate in accordance with section 23a para 3 ABA, on the establishment of the systemic risk buffer in accordance with section 23d para 3 ABA as well as on the detailed definition of the bases of calculation in accordance with section 23a para 3 clause 1 ABA and section 24 para 2 ABA (capital buffers regulation). All capital buffers have to be met entirely with CET1 capital and relate, accept the countercyclical buffer, to total risk.

Sections 23, 23a, 23b and 23c of the ABA as well as the capital buffers regulation entered into force on 1 January 2016. As of the reporting date 31 March 2016, Erste Group has to fulfill the following capital buffer requirements.

According to section 23 para 1 ABA, Erste Group has to establish a capital conservation buffer in the amount of 2.5%.

The transitional provisions for capital conservation buffers are regulated in section 103q para 11 of the ABA as follows
- For the period from 1 January 2016 until 31 December 2016 by way of derogation from the requirements under section 23 ABA the capital buffer requirement for the capital conservation buffer amounts to 0.625%;
- For the period from 1 January 2017 until 31 December 2017 by way of derogation from the requirements under section 23 ABA, the capital buffer requirement for the capital conservation buffer amounts to 1.25%;
- For the period from 1 January 2018 until 31 December 2018 by way of derogation from the requirements under section 23 ABA, the capital buffer requirement for the capital conservation buffer amounts to 1.875%.

According to section 23a ABA the capital buffer requirement for the countercyclical capital buffer is regulated in section 4 capital buffers regulation as follows
- The institution specific requirement for the countercyclical buffer in accordance with section 23a para 1 ABA results from the weighted average of the rates of the countercyclical capital buffer that apply in the jurisdictions where significant credit risk positions are situated in accordance with section 5 of the credit institution, multiplied by the total amount of risk in accordance with Art. 92 (3), of the Regulation (EU) no. 575/2013
- For the calculation of the weighted average according to para 1, the countercyclical buffer quota for the national area as defined by the respective authority is multiplied with the result out of the comparison of the capital requirement related to significant credit risk positions within the national area and the total capital requirement as defined within Part 3, Title II and IV of Regulation (EU) no. 575/2013.
- Starting from 1 January 2016 is for the purposes of section 23a para 3 clause 2 ABA the capital buffer rate for the home country allocated, significant credit risk positions 0%.
- If the competent authority of another member state or a third country for the national legal area determines a rate of over 2.5% for the purposes of para 1 for significant credit risk positions in this legal area, a rate of 2.5% has to be applied.
- If the responsible third country authority establishes a national buffer rate, this rate is valid twelve months after the date on which the relevant third country authority has announced a change in the buffer rate.

The transitional provisions for the countercyclical buffer are regulated in section 103q para 11 of the ABA as follows
- For the period from 1 January 2016 until 31 December 2016 by way of derogation from the requirements under section 23a ABA the capital buffer requirement for the countercyclical buffer amounts to a maximum of 0.625%;
- For the period from 1 January 2017 until 31 December 2017 by way of derogation from the requirements under section 23a ABA, the capital buffer requirement for the countercyclical buffer amounts to a maximum of 1.25%;
- For the period from 1 January 2018 until 31 December 2018 by way of derogation from the requirements under section 23a ABA, the capital buffer requirement for the countercyclical buffer amounts to a maximum of 1.875%.

Erste Group is not obliged to establish a G-SII or O-SII buffer in line with sections 23b and 23c ABA.

With respect to the systemic risk buffer under section 23d ABA, the capital buffers regulation specifies
- According to section 7 para 1 b capital buffers regulation, Erste Group has to establish a capital buffer for systemic vulnerability in the amount of 1%.
- According to section 7 para 2 a capital buffers regulation, Erste Group has to establish a capital buffer for the systemic concentration risk in the amount of 1%.

In accordance with section 10 capital buffers regulation the buffer rates for systemic vulnerability and for systemic concentration risk respectively are phased in according to the schedule below
- from 1 January to 31 December 2016 with 0.25%,
- from 1 January to 31 December 2017 with 0.5%,
- from 1 January to 31 December 2018 with 1%.

As a result of the 2015 SREP performed by the European Central Bank (ECB), Erste Group on a consolidated level is required to meet a transitional Common Equity Tier 1 (CET1) ratio of 9.5% as of 1 January 2016. This minimum CET1 ratio of 9.5% includes Pillar 1, Pillar 2 and capital conservation buffer requirements and countercyclical capital buffer requirements. In addition, the systemic risk buffer required by the Austrian Financial Markets Authority (FMA) equals to 0.25% and is applied on top of the SREP ratio. All these buffers resulted in a prudential capital requirement of 9.75% for Erste Group as of Q1 2016.

The Austrian savings banks are included as subsidiaries in Erste Group's regulatory scope of consolidation based on the cross-guarantee contract of the 'Haftungsverbund'. Furthermore, Erste Group Bank AG together with the savings banks forms an institutional protection scheme (IPS) according to Article 113 (7) CRR. Disclosure requirements for the institutional protection scheme according to Article 113 (7) e CRR are met by the publication of the consolidated financial statements, which cover all entities included in the institutional protection scheme.

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

		Dec 15		Mar 16	
in EUR million	Article pursuant to CRR	Phased-in	Final	Phased-in	Final
Common equity tier 1 capital (CET1)					
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	2,336	2,336	2,336	2,336
Own CET1 instruments	36 (1) (f), 42	-72	-72	-71	-71
Retained earnings	26 (1) (c), 26 (2)	8,811	8,811	8,806	8,806
Interim profit	26 (2)	0	0	0	0
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	-190	-190	-247	-247
Minority interest recognised in CET1	4 (1) (120) 84	3,395	3,395	3,407	3,407
Transitional adjustments due to additional minority interests	479, 480	57	0	32	0
Prudential filter: cash flow hedge reserve	33 (1) (a)	-97	-97	-126	-126
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	-38	-38	-38	-38
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	-9	-9	-9	-9
Value adjustments due to the requirements for prudent valuation	34, 105	-112	-112	-104	-104
Regulatory adjustments relating to unrealised gains and losses (40%)	467, 468	-571	-238	-375	0
Goodwill	4 (1) (113), 36 (1) (b), 37	-771	-771	-771	-771
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	-657	-657	-620	-620
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	-93	-93	-78	-78
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-220	-220	-211	-211
Development of unaudited risk provisions during the year (EU No 183/2014)		0	0	-26	-26
Other transitional adjustments CET1	469 to 472, 478, 481	1,030	0	664	0
Goodwill (40%)		462	0	308	0
Other intangible assets (40%)		394	0	248	0
IRB shortfall of provisions to expected losses (40%)		132	0	84	0
Deferred tax assets that rely on future profitability and do not arise from temporary differences (80%)		42	0	23	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	-663	0	-377	0
Common equity tier 1 capital (CET1)	**50**	**12,136**	**12,045**	**12,192**	**12,247**
Additional tier 1 capital (AT1)					
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	0	0	0	0
Own AT1 instruments	52 (1) (b), 56 (a), 57	-4	0	-4	0
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	1	1	1	1
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484 to 487, 489, 491	263	0	225	0
AT1 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 56 (d), 59, 79	0	0	0	0
Other transitional adjustments AT1	474, 475, 478, 481	-923	0	-599	0
Goodwill (40%)		-462	0	-308	0
Other intangible assets (40%)		-394	0	-248	0
IRB shortfall of provisions to expected losses (20%)		-66	0	-42	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	663	0	377	0
Additional tier 1 capital (AT1)	**61**	**0**	**1**	**0**	**1**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**12,136**	**12,046**	**12,192**	**12,248**

The table will be continued on the subsequent page.

Continuation of the table:

in EUR million	Article pursuant to CRR	Dec 15 Phased-in	Dec 15 Final	Mar 16 Phased-in	Mar 16 Final
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**12,136**	**12,046**	**12,192**	**12,248**
Tier 2 capital (T2)					
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	4,649	4,649	4,745	4,745
Own T2 instruments	63 (b) (i), 66 (a), 67	-50	-50	-76	-76
Instruments issued by subsidiaries recognised in T2	87, 88	233	233	252	252
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	191	0	125	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	67	0	80	0
IRB excess of provisions over expected losses eligible	62 (d)	408	408	409	409
Standardised approach general credit risk adjustments	62 (c)	0	0	0	0
Other transitional adjustments to T2	476, 477, 478, 481	-66	0	-42	0
IRB shortfall of provisions to expected losses (20%)		-66	0	-42	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	0	0	0	0
Tier 2 capital (T2)	**71**	**5,431**	**5,239**	**5,492**	**5,329**
Total own funds	**4 (1) (118) and 72**	**17,566**	**17,284**	**17,683**	**17,577**
Capital requirement	**92 (3), 95, 96, 98**	**7,864**	**8,023**	**8,037**	**8,176**
CET1 capital ratio	**92 (2) (a)**	**12.3%**	**12.0%**	**12.1%**	**12.0%**
Tier 1 capital ratio	**92 (2) (b)**	**12.3%**	**12.0%**	**12.1%**	**12.0%**
Total capital ratio	**92 (2) (c)**	**17.9%**	**17.2%**	**17.6%**	**17.2%**

The capital structure table above is based on EBA´s final draft for implementing technical standards on disclosure for own funds published in the Official Journal of the European Union on 20 December 2013. Positions, which are not relevant for Erste Group are not disclosed. Basel 3 final figures (fully loaded) are calculated based on the current requirements according to CRR. In the position "Regulatory adjustments relating to unrealized gains and losses (40%)" a haircut of 25% was considered on not realized gains in the Basle 3 final scenario in the past. Starting with the first quarter of 2016 Erste Group does not apply this prudent approach, which was going beyond the regulatory requirements, any more. Changes are possible due to final Regulatory Technical Standards (RTS) that are not yet available. The percentage rates of the transitional provisions refer to the current year.

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

in EUR million	Article pursuant to CRR	Dec 15 Calculation base/total risk	Dec 15 Capital requirement	Mar 16 Calculation base/total risk (phased-in)	Mar 16 Capital requirement (phased-in)
Total risk exposure amount	92 (3), 95, 96, 98	98,300	7,864	100,462	8,037
Risk-weighted assets (credit risk)	92 (3) (a) (f)	83,445	6,676	83,606	6,688
Standardised approach		15,528	1,242	15,474	1,238
IRB approach		67,917	5,433	68,132	5,451
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i), (c) (i) and (iii), 92 (4) (b)	2,847	228	2,811	225
Operational risk	92 (3) (e) 92 (4) (b)	10,755	860	12,717	1,017
Exposure for CVA	92 (3) (d)	1,252	100	1,327	106
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	0	0	0	0

in EUR million	Article pursuant to CRR	Dec 15 Calculation base/total risk	Dec 15 Capital requirement	Mar 16 Calculation base/total risk (final)	Mar 16 Capital requirement (final)
Total risk exposure amount	92 (3), 95, 96, 98	100,281	8,023	102,194	8,176
Risk-weighted assets (credit risk)	92 (3) (a) (f)	85,427	6,834	85,338	6,827
Standardised approach		15,528	1,242	15,474	1,238
IRB approach		69,899	5,592	69,865	5,589
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i), (c) (i) and (iii), 92 (4) (b)	2,847	228	2,811	225
Operational risk	92 (3) (e) 92 (4) (b)	10,755	860	12,717	1,017
Exposure for CVA	92 (3) (d)	1,252	100	1,327	106
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	0	0	0	0

33. Events after the reporting date

After the end of the first quarter, in late April 2016, the Romanian president has signed into law the Datio in solutum act adopted by the Romanian Parliament, a new consumer protection related enactment, mainly allowing debtors of consumer loans to hand over to the bank the ownership of the mortgaged assets against a release from the outstanding debt, leading to write-offs of the residual amount. The law will come into force in mid-May 2016. BCR disagrees with both the retroactive application of the law, which it intends to challenge in front of the Constitutional Court, and with the lack of clear eligibility criteria. Still, BCR is fully committed to observe the letter of the law and to act in compliance with all the regulatory requirements.

Your Notes

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

Note regarding forward-looking statements

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

Shareholder Events

11 May 2016	Annual general meeting
17 May 2016	Ex-dividend day
19 May 2016	Dividend payment
5 August 2016	Half year financial report 2016
4 November 2016	Interim report Q3 2016

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