Interim Report
Third Quarter 2016

Erste Group

Key financial data

Income statement

in EUR million	Q3 15	Q2 16	Q3 16	1-9 15	1-9 16
Net interest income	1,112.3	1,101.9	1,073.4	3,324.3	3,267.5
Net fee and commission income	455.2	441.8	434.9	1,372.6	1,319.8
Net trading and fair value result	56.4	64.0	84.1	193.0	191.6
Operating income	1,691.6	1,687.3	1,643.1	5,090.9	4,959.7
Operating expenses	-955.6	-971.5	-982.7	-2,852.4	-2,963.0
Operating result	**735.9**	**715.8**	**660.4**	**2,238.5**	**1,996.6**
Net impairment loss on non-fair value financial assets	-144.4	30.6	-37.4	-518.4	-63.2
Post-provision operating result	**591.5**	**746.4**	**622.9**	**1,720.1**	**1,933.4**
Other operating result	-176.8	-52.6	-60.3	-377.4	-252.4
Levies on banking activities	-50.5	-44.9	-44.0	-187.7	-151.7
Pre-tax result from continuing operations	437.4	839.7	562.0	1,401.5	1,828.7
Taxes on income	-88.9	-174.3	-125.1	-362.3	-403.9
Net result for the period	**348.5**	**665.3**	**436.9**	**1,039.2**	**1,424.8**
Net result attributable to non-controlling interests	71.6	98.4	99.4	275.0	245.6
Net result attributable to owners of the parent	**276.9**	**567.0**	**337.4**	**764.2**	**1,179.2**
Earnings per share	0.65	1.32	0.76	1.79	2.73
Cash earnings per share	0.65	1.32	0.77	1.80	2.74
Return on equity	10.5%	19.7%	11.1%	9.9%	13.5%
Cash return on equity	10.6%	19.8%	11.1%	10.0%	13.6%
Net interest margin (on average interest-bearing assets)	2.57%	2.57%	2.43%	2.58%	2.50%
Cost/income ratio	56.5%	57.6%	59.8%	56.0%	59.7%
Provisioning ratio (on average gross customer loans)	0.44%	-0.09%	0.11%	0.53%	0.06%
Tax rate	20.3%	20.8%	22.3%	25.9%	22.1%

Balance sheet

in EUR million	Sep 15	Jun 16	Sep 16	Dec 15	Sep 16
Cash and cash balances	11,097	12,982	14,743	12,350	14,743
Trading, financial assets	47,910	49,452	49,064	47,542	49,064
Loans and receivables to credit institutions	8,384	5,626	5,191	4,805	5,191
Loans and receivables to customers	124,521	127,407	128,985	125,897	128,985
Intangible assets	1,393	1,437	1,443	1,465	1,443
Miscellaneous assets	7,867	7,601	7,386	7,685	7,386
Total assets	**201,171**	**204,505**	**206,811**	**199,743**	**206,811**
Financial liabilities - held for trading	6,364	6,146	6,272	5,867	6,272
Deposits from banks	17,414	16,367	15,228	14,212	15,228
Deposits from customers	125,439	130,417	134,023	127,946	134,023
Debt securities issued	30,620	28,014	27,300	29,654	27,300
Miscellaneous liabilities	6,896	7,584	7,459	7,257	7,459
Total equity	14,437	15,977	16,529	14,807	16,529
Total liabilities and equity	**201,171**	**204,505**	**206,811**	**199,743**	**206,811**
Loan/deposit ratio	99.3%	97.7%	96.2%	98.4%	96.2%
NPL ratio	7.4%	5.8%	5.5%	7.1%	5.5%
NPL coverage (exc collateral)	69.2%	65.6%	67.7%	64.5%	67.7%
CET 1 ratio (phased-in)	11.5%	13.3%	13.2%	12.3%	13.2%

Ratings	Sep 15	Jun 16	Sep 16
Fitch			
Long-term	BBB+	BBB+	BBB+
Short-term	F2	F2	F2
Outlook	Stable	Stable	Stable
Moody´s			
Long-term	Baa2	Baa1	Baa1
Short-term	P-2	P-2	P-2
Outlook	Positive	Stable	Stable
Standard & Poor´s			
Long-term	BBB+	BBB+	BBB+
Short-term	A-2	A-2	A-2
Outlook	Negative	Stable	Stable

Letter from the CEO

Dear shareholders,

Erste Group posted a net profit of EUR 1,179.2 million for the first three quarters of 2016 and is hence well positioned to meet its target for 2016 – a return on tangible equity (ROTE) of above 12%. This paves the way for a dividend of EUR 1 per share. Whilst this result is highly satisfactory, an analysis of the third quarter supports a more differentiated view of positive and negative trends that had already shaped the first six months of the current financial year. Risk costs were once again outstanding, remaining at a historic low, last but not least due to the continuing robust improvement in asset quality. The capital position is stronger than ever. With a clean CET1 ratio (Basel 3 fully loaded) of 13.0%, Erste Group already significantly exceeds all regulatory requirements to be met by 2019.

The development of the operating result has been less satisfactory, however, due to adverse impacts on operating income. Primarily, interest income from government bond investments has been eroding slowly but steadily. Trends in the customer business have been more positive, though. Despite significant NPL sales and the persistent low- or zero-interest-rate environment, net interest income remained almost stable, hence improving the quality of overall net interest income. This development was driven by rising loan demand on the back of solid economic growth in our core markets in Central and Eastern Europe. Political action aimed at curtailing banks' fee income had an additional impact on operating income. The cap on card fees is just one example that heavily curbed fee and commission income. At the same time, investments in digital projects are currently preventing a positive development of the cost/income ratio, yet lay the foundation for the future success of our business and are hence essential. Overall, our expenses on IT came to more than a quarter billion euros in the first nine months of 2016. Deposit insurance contributions of EUR 83.4 million also had a noticeable impact on costs. Other operating result furthermore reflects payments to resolution funds in the amount of EUR 64.6 million and banking levies of EUR 151.7 million in Austria, Slovakia and Hungary. A positive effect should not go unmentioned, though: the sale of VISA shares contributed about EUR 120 million to the net result.

At 6 basis points of average gross customer loans, risks costs are far below the long-term average and – assuming market interest rates rise – are bound to go up again in the medium to long run. Erste Group's performing loan portfolio grew by 3.3%, most significantly in the Czech Republic and in Austria. The NLP ratio dropped from 7.1% to 5.5% within just nine months. The volume of non-performing loans (NPLs) contracted further due to, on the one hand, the ongoing improvement in asset quality and lower NPL inflows as well as the resulting migration of existing loans into better risk categories in almost all business segments and core markets and, on the other hand, continued NPL sales (totalling EUR 1.2 billion from January to September 2016).

While the central banks' low- or zero-interest-rate policies certainly benefit debtors, whether private persons, businesses and governments, helping borrowers to make the contractually agreed payments of interest and principal, they obviously hurt not only banks, but also savers. Customer deposits nonetheless rose by 4.7% to EUR 134.0 billion. This is evidence of our customers' trust in Erste Group, but also a clear sign that retail customers in a region with scant capital market activity are hit especially hard by the ECB's zero-interest-rate policy.

Despite headwinds coming from political and regulatory challenges and the expected persistence of volatilities, Erste Group should be able to generate a double-digit return on tangible equity (ROTE) over a period of several years and hence pay stable dividends. I believe there is broad consensus, including among others rating agencies, that the reduction of banking tax to a level comparable with Germany's, as proposed by the Austrian government, should be adopted by parliament in autumn to strengthen the profitability and competitiveness of the entire Austrian banking sector.

Finally, I should like to provide a first outlook on 2017: based on current economic forecasts for our core markets we expect that Erste Group will achieve a return on tangible equity (ROTE) of above 10% in 2017. In an environment in which interest rates are likely to remain low or at zero, this will be contingent on, at best, stable income (on the back of lending growth of more than 5%), an increase in costs by 1 to 2% driven by our digitalisation initiatives, rising – albeit historically still low – risk costs, and lower banking taxes in Austria.

Andreas Treichl mp

Erste Group on the capital markets

EQUITY MARKET REVIEW

After the international equity markets had been highly volatile in the first half of the year due to China's weaker-than-expected economic performance and the resulting impacts on the global economy as well as the unexpected vote for Brexit, all of the markets covered registered gains in the third quarter. Indices rose on the back of positive macroeconomic data in the US, China and the euro zone and on the US central bank's decision not to raise interest rates.

Despite their advances in the third quarter, European key indices again underperformed their US peers. While the Euro Stoxx 50 Index climbed 4.8% to 3,002.24 points at the end of the third quarter, it was still 8.1% lower than at year-end 2015. In the reporting period, the Austrian Traded Index (ATX) advanced 14.8% to 2,405.28 points, i.e. significantly faster than the European indices. It was up 0.3% year-to-date, having erased the losses suffered in the first half of the year. The US indices further widened their outperformance versus the European markets. In the third quarter, the Dow Jones Industrial Average Index rose 2.1% to 18,308.15 points, gaining 5.1% year-to-date. The broader Standard & Poor's 500 Index hit new record highs, advancing by 3.3% during the reporting period to 2,168.27 points and up 6.7% since year-end 2015.

The Dow Jones Euro Stoxx Banks Index, which is composed of the leading European bank shares, recovered from the losses sustained in the first half of the year, in line with international equity markets. Apart from the central banks' (ECB's, Fed's) absence to take further monetary policy action, investors focused on the large volume of non-performing loans held by Italian banks and the plunge of Deutsche Bank's share price to historic lows following the US Department of Justice's imposed fine it for its transactions in US mortgage securities. The Dow Jones Euro Stoxx Index rose 11.2% to 92.54 points over the period under review, but as of 30 September was down 27.6% year-to-date.

SHARE PERFORMANCE

Moving in tandem with trends in the European banking sector and international markets, the Erste Group share ended the decline it had seen over the first six months of the year. In the third quarter, the Erste Group share gained 29.8%, beating the European banking index. This outperformance was driven by the market's reaction to the second quarter 2016 results as well as the increased net profit guidance of Erste Group for the year 2016 to ROTE (return on tangible equity) of more than 12%. The main focus was on lower-than-expected risk costs, the improvement in asset quality and strong capital growth. On the back of the increased profit forecast, the analysts' average target price rose to EUR 30.0. Eleven analysts currently recommend the Erste Group share as buy/overweight, seven rate it as neutral. At its 30 September closing price of EUR 26.36, the Erste Group share nonetheless traded 8.8% lower than at year-end 2015.

In the third quarter of 2016, trading volume on the three stock exchanges (Vienna, Prague, Bucharest) on which the Erste Group share is listed averaged 1,085,278 shares per day. 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 opened the covered bond market for Austrian issuers with a EUR 750 million 7 year mortgage covered bond, and in May followed with Austria's inaugural CRD IV CRR compliant Additional Tier 1 transaction in an amount of EUR 500 million. The transaction strengthened the already comfortable capital position of Erste Group and enabled the cancellation and repayment of outstanding legacy hybrid capital issues.

In the third 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. Erste Group presented its economic performance and strategy against the backdrop of the current environment at a large number of international banking and investor conferences hosted by JP Morgan, HSBC, Barclays, UBS and Bank of America Merrill Lynch.

Interim management report

In the interim management report, financial results from January-September 2016 are compared with those from January-September 2015 and balance sheet positions as of 30 September 2016 with those as of 31 December 2015.

EARNINGS PERFORMANCE IN BRIEF

Net interest income declined to EUR 3,267.5 million (-1.7%; EUR 3,324.3 million), mainly due to a market environment of persistently low interest rates and the continued NPL sales not fully offset by lending growth. **Net fee and commission income** decreased to EUR 1,319.8 million (-3.8%; EUR 1,372.6 million), primarily due to lower income from securities business and payment services. **Net trading and fair value result** was marginally lower at EUR 191.6 million (-0.7%; EUR 193.0 million). Consequently, **operating income** declined to EUR 4,959.7 million (-2.6%; EUR 5,090.9 million). **General administrative expenses** rose to EUR 2,963.0 million (+3.9%; EUR 2,852.4 million), driven mainly by higher IT costs and personnel expenses of EUR 1,724.7 million (+3.4%; EUR 1,667.5 million). This resulted in a decline of the **operating result** to EUR 1,996.6 million (-10.8%; EUR 2,238.5 million). The **cost/income ratio** stood at 59.7% (56.0%). **Gains from financial assets and liabilities not measured at fair value through profit and loss (net)** include a gain, posted in the second quarter, from the sale of shares in VISA Europe in the amount of EUR 138.7 million.

Net impairment loss on financial assets not measured at fair value through profit or loss dropped significantly to EUR 63.2 million or 6 basis points of average gross customer loans (-87.8%; EUR 518.4 million or 53 basis points) on the back of a substantial decline of non-performing loans and higher income from the recovery of loans already written off in Romania and Hungary. The **NPL ratio** improved further to 5.5% (7.1%). The **NPL coverage ratio** stood at 67.7% (64.5%).

Other operating result amounted to EUR -252.4 million (EUR -377.4 million). This includes expenses for the annual contributions to resolution funds in the amount of EUR 64.6 million (EUR 56.2 million). Banking and financial transaction taxes declined to EUR 151.7 million (EUR 187.7 million), which was attributable to the significant reduction of the Hungarian banking levies to EUR 47.4 million (EUR 74.6 million). In Austria, banking levies declined slightly to EUR 85.6 million (EUR 95.6 million) and in Slovakia amounted to EUR 18.6 million (EUR 17.5 million).

As the earnings contributions of savings banks covered by the cross-guarantee system declined from historically very high levels, the minority charge decreased to EUR 245.6 million (EUR 275.0 million). The **net result attributable to owners of the parent** rose to EUR 1,179.2 million (EUR 764.2 million).

Total equity increased to EUR 16.5 billion (EUR 14.8 billion). After regulatory deductions and filtering according to the CRR, **common equity tier 1 capital** (CET1, Basel 3 phased-in) rose to EUR 13.3 billion (EUR 12.1 billion); total eligible **own funds** (Basel 3 phased in) amounted to EUR 18.5 billion (EUR 17.6 billion). While half-year interim profit is included in the above figures, third quarter profit is not included; third quarter risk cost are deducted. Total risk, i.e. **risk-weighted assets** including credit, market and operational risk (Basel 3 phased-in) rose to EUR 100.7 billion (EUR 98.3 billion). The **common equity tier 1 ratio** (CET 1, Basel 3 phased-in) stood at 13.2% (12.3%), the **total capital ratio** (Basel 3 phased-in) at 18.4% (17.9%).

Total assets increased to EUR 206.8 billion (EUR 199.7 billion). **Loans and receivables to customers (net)** were moderately higher at EUR 129.0 billion (+2.4%; EUR 125.9 billion). Securities held for trading rose to EUR 9.7 billion (EUR 8.7 billion). On the liabilities side, deposits from banks rose to EUR 15.2 billion (EUR 14.2 billion) and **customer deposits** increased to EUR 134.0 billion (+4.7%; EUR 127.9 billion). Debt securities in issue, mainly bonds and mortgage covered bonds, declined to EUR 27.3 billion (-7.9%; EUR 29.7 billion). The **loan-to-deposit ratio** stood at 96.2% (98.4%).

OUTLOOK 2016 & 2017

Operating environment anticipated to be conducive to credit expansion. While in 2016 real GDP growth is expected to be between 1.3% and 4.5% in all major CEE markets, including Austria, in 2017 a range of 2-3% is estimated in CEE, about 1.5% in Austria. Real GDP growth should be driven by solid domestic demand, whereby real wage growth and declining unemployment should support economic activity in CEE. Solid public finances across CEE should prevail.

Return on tangible equity (ROTE) expectations. Confirmed at above 12% in 2016 (based on average tangible equity in 2016); for 2016; on track for a dividend of EUR 1 per share (+100% vs 2015), which corresponds to a dividend yield of about 3.5%. ROTE for 2017 is targeted at above 10% (based on average tangible equity in 2017 based on the following assumptions: the Austrian banking tax one-off payment will already take place in 2016 and for 2017 at best flat revenues (assuming 5%+ net loan growth); cost inflation of 1-2% due to digitalisation; increase in risk costs, albeit remaining at historically low levels; positive swing in other operating result due to lower Austrian banking tax.

Risks to guidance. Impact from expansionary monetary central bank policies including negative interest rates; political risks such as timely implementation of Austrian banking tax reduction; geopolitical risks and global economic risks; consumer protection initiatives.

PERFORMANCE IN DETAIL

in EUR million	1-9 15	1-9 16	Change
Net interest income	3,324.3	3,267.5	-1.7%
Net fee and commission income	1,372.6	1,319.8	-3.8%
Net trading and fair value result	193.0	191.6	-0.7%
Operating income	5,090.9	4,959.7	-2.6%
Operating expenses	-2,852.4	-2,963.0	3.9%
Operating result	**2,238.5**	**1,996.6**	**-10.8%**
Net impairment loss on financial assets not measured at fair value through profit or loss	-518.4	-63.2	-87.8%
Other operating result	-377.4	-252.4	-33.1%
Levies on banking activities	-187.7	-151.7	-19.2%
Pre-tax result from continuing operations	**1,401.5**	**1,828.7**	**30.5%**
Taxes on income	-362.3	-403.9	11.5%
Net result for the period	**1,039.2**	**1,424.8**	**37.1%**
Net result attributable to non-controlling interests	275.0	245.6	-10.7%
Net result attributable to owners of the parent	**764.2**	**1,179.2**	**54.3%**

Net interest income

Net interest income declined to EUR 3,267.5 million (EUR 3,324.3 million), mainly due to the impacts of the continuing low interest rate environment, which could not be fully off-set by lending growth. Lower net interest income was registered in particular in Hungary and Romania due to the sale of non-performing loans and narrowing net interest margins as well as in the Other Austria segment due to declining loan volumes. The net interest margin (net interest income as a percentage of average interest-bearing assets) declined from 2.58% to 2.50%.

Net fee and commission income

Net fee and commission income decreased to EUR 1,319.8 million (EUR 1,372.6 million). This was mainly attributable to declining income from the securities business in Austria and lower income from payment services and lending in the Czech Republic. In the other segments, net fee and commission income was largely stable.

Net trading and fair value result

The net trading and fair value result went down marginally to EUR 191.6 million (EUR 193.0 million). Income from securities and derivatives trading, which improved despite the non-recurrence of extraordinary valuation gains in the Czech Republic, almost offset the negative impact of the valuation of financial liabilities – at fair value through profit or loss.

General administrative expenses

in EUR million	1-9 15	1-9 16	Change
Personnel expenses	1,667.5	1,724.7	3.4%
Other administrative expenses	855.2	910.0	6.4%
Depreciation and amortisation	329.7	328.4	-0.4%
General administrative expenses	**2,852.4**	**2,963.0**	**3.9%**

General administrative expenses rose to EUR 2,963.0 million (EUR 2,852.4 million). Personnel expenses increased to EUR 1,724.7 million (EUR 1,667.5 million). **Other administrative expenses** rose to EUR 910.0 million (EUR 855.2 million). IT expenditure was higher at EUR 251.5 million (EUR 214.9 million), deposit insurance contributions amounted to EUR 83.4 million (EUR 76.1 million). These include full-year payments into the deposit insurance schemes of all subsidiaries with the exception of those in Croatia and Serbia. Thereof, EUR 41.3 million (EUR 18.4 million) were for contributions 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 7.4 million (EUR 26.9 million). **Depreciation and amortisation** decreased moderately to EUR 328.4 million (EUR 329.7 million).

Headcount as of end of the period

	Dec 15	Sep 16	Change
Domestic	**15,686**	**15,797**	**0.7%**
Erste Group, EB Oesterreich and subsidiaries	8,456	8,554	1.2%
Haftungsverbund savings banks	7,230	7,242	0.2%
Abroad	**30,781**	**30,908**	**0.4%**
Česká spořitelna Group	10,501	10,294	-2.0%
Banca Comercială Română Group	7,065	7,115	0.7%
Slovenská sporiteľňa Group	4,205	4,225	0.5%
Erste Bank Hungary Group	2,813	2,899	3.0%
Erste Bank Croatia Group	2,851	2,943	3.2%
Erste Bank Serbia Group	1,002	978	-2.4%
Savings banks subsidiaries	1,210	1,211	0.1%
Other subsidiaries and foreign branch offices	1,134	1,243	9.6%
Total	**46,467**	**46,705**	**0.5%**

Operating result

Operating income declined to EUR 4,959.7 million (-2.6%; EUR 5,090.9 million), primarily due to the decrease in net interest income and lower net fee and commission income. General administrative expenses rose to EUR 2,963.0 million (+3.9%; EUR 2,852.4 million), driven by an increase in IT costs and personnel expenses. This led to an operating result of EUR 1,996.6 million (-10.8%; EUR 2,238.5 million). The cost/income ratio stood at 59.7% (56.0%).

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

Gains from financial assets and liabilities not measured at fair value through profit or loss (net) rose significantly to EUR 147.7 million (EUR 58.8 million). This includes a gain from the sale of shares in VISA Europe in the amount of EUR 138.7 million shown in income from financial assets – available for sale.

Net impairment loss on financial assets

Net impairment loss on financial assets declined significantly to EUR 63.2 million (EUR -87.8%; EUR 518.4 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 62.1 million (EUR 514.9 million). The main drivers were declining risk costs in all core markets, substantial recoveries of receivables previously written off in Romania and the improvement of portfolio quality after the conversion of foreign-currency loans in Hungary. 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 to 6 basis points (53 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 1.1 million (EUR 3.5 million).

Other operating result

Other operating result amounted to EUR -252.4 million (EUR -377.4 million). **Levies on banking activities** declined to EUR 151.7 million (EUR 187.7 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 19.6 million (EUR 46.2 million). Together with the financial transaction tax of EUR 27.8 million (EUR 27.7 million), levies in Hungary hence totalled EUR 47.4 million (EUR 74.6 million). In Austria, banking levies declined to EUR 85.6 million (EUR 95.6 million) and in Slovakia rose slightly to EUR 18.6 million (EUR 17.5 million). Allocation/release of other provisions, including for commitments and guarantees given, decreased significantly to EUR 23.4 million (EUR 162.0 million). The comparative figure included an allocation to provisions in the amount of EUR 144.9 million for expected losses resulting from legislation requiring the conversion of customer loans (Swiss francs to euro) in Croatia. Other operating result also includes all **contributions to resolution funds** made for 2016 in the amount of EUR 64.6 million (EUR 56.2 million) shown in the line item result from other operating expenses/income.

Net result

The pre-tax result from continuing operations amounted to EUR 1,828.7 million (EUR 1,401.5 million), mainly due to substantially lower risk costs resulting from the improved quality of the loan portfolio. Because of the weaker results of the savings banks, the minority charge declined to EUR 245.6 million (EUR 275.0 million). The net result attributable to owners of the parent rose to EUR 1,179.2 million (EUR 764.2 million). The lower tax rate was mainly attributable to lower income tax charges in Hungary and Romania.

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Third quarter of 2016 compared to second quarter of 2016

in EUR million	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16
Income statement					
Net interest income	1,112.3	1,120.4	1,092.2	1,101.9	1,073.4
Net fee and commission income	455.2	489.2	443.1	441.8	434.9
Dividend income	11.2	6.6	2.6	28.8	4.8
Net trading and fair value result	56.4	17.2	43.5	64.0	84.1
Net result from equity method investments	4.7	3.1	1.9	3.7	0.2
Rental income from investment properties & other operating leases	51.7	44.4	45.9	47.1	45.7
Personnel expenses	-553.6	-577.1	-565.4	-587.2	-572.0
Other administrative expenses	-295.6	-324.1	-333.5	-276.6	-299.9
Depreciation and amortisation	-106.4	-115.3	-109.8	-107.7	-110.8
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	22.8	42.1	2.4	146.0	-0.7
Net impairment loss on financial assets not measured at fair value through profit or loss	-144.4	-210.7	-56.4	30.6	-37.4
Other operating result	-176.8	-258.2	-139.5	-52.6	-60.3
Levies on banking activities	-50.5	-48.5	-62.8	-44.9	-44.0
Pre-tax result from continuing operations	**437.4**	**237.6**	**427.0**	**839.7**	**562.0**
Taxes on income	-88.9	-1.6	-104.5	-174.3	-125.1
Net result for the period	**348.5**	**236.0**	**322.6**	**665.3**	**436.9**
Net result attributable to non-controlling interests	71.6	32.0	47.8	98.4	99.4
Net result attributable to owners of the parent	**276.9**	**204.0**	**274.7**	**567.0**	**337.4**

Net interest income declined to EUR 1,073.4 million (EUR 1,101.9 million) mostly due to decreasing interest income from financial assets. **Net fee and commission income** decreased to EUR 434.9 million (EUR 441.8 million), mainly due to lower income from the securities business and payment services. Dividend income amounted to EUR 4.8 million (EUR 28.8 million) as dividend payments occur predominantely in the second quarter. The **net trading and fair value result** improved to EUR 84.1 million (EUR 64.0 million) on the back of higher income from the securities and derivatives business.

General administrative expenses increased to EUR 982.7 million (+1.1%; EUR 971.5 million). Personnel expenses declined to EUR 572.0 million (-2.6%; EUR 587.2 million). Other administrative expenses went up to EUR 299.9 million (+8.4%; EUR 276.6 million), primarily due to a significant rise in IT expenditure. Depreciation and amortisation rose to EUR 110.8 million (+2.9%; EUR 107.7 million). The **cost/income ratio** increased to 59.8% (57.6%).

A **loss from financial assets and liabilities not measured at fair value through profit and loss (net)** of EUR 0.7 million was reported due to the non-recurrence of one-off gains from the sale of shares in VISA Europe posted in June 2016 in the amount of EUR 138.7 million.

Impairment loss on financial assets not measured at fair value through profit or loss (net) amounted to EUR 37.4 million (net releases EUR 30.6 million).

Other operating result deteriorated to EUR -60.3 million (EUR -52.6 million). **Levies on banking activities** amounted to EUR 44.0 million (EUR 44.9 million). Thereof, EUR 9.3 million (EUR 11.1 million) were accounted for by Hungary. Banking taxes were also booked in Austria in the amount of EUR 28.5 million (EUR 27.7 million) and in Slovakia in the amount of EUR 6.3 million (EUR 6.2 million).

The **pre-tax result** declined to EUR 562.0 million (EUR 839.7 million). Taxes on income consequently declined to EUR 125.1 million (EUR 174.3 million). The **net result attributable to owners of the parent** amounted to EUR 337.4 million (EUR 567.0 million).

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 15	Sep 16	Change
Assets			
Cash and cash balances	12,350	14,743	19.4%
Trading, financial assets	47,542	49,064	3.2%
Loans and receivables to credit institutions	4,805	5,191	8.0%
Loans and receivables to customers	125,897	128,985	2.5%
Intangible assets	1,465	1,443	-1.5%
Miscellaneous assets	7,685	7,386	-3.9%
Total assets	**199,743**	**206,811**	**3.5%**
Liabilities and equity			
Financial liabilities - held for trading	5,867	6,272	6.9%
Deposits from banks	14,212	15,228	7.1%
Deposits from customers	127,946	134,023	4.7%
Debt securities issued	29,654	27,300	-7.9%
Miscellaneous liabilities	7,257	7,459	2.8%
Total equity	14,807	16,529	11.6%
Total liabilities and equity	**199,743**	**206,811**	**3.5%**

The rise in **cash and cash balances** to EUR 14.7 billion (EUR 12.4 billion) was primarily due to larger cash balances held at central banks. Cash and other demand deposits, mostly overnight deposits with financial institutions also shown in this line item, were likewise up. **Trading and investment securities** held in various categories of financial assets rose to EUR 49.0 billion (EUR 47.5 billion).

Loans and receivables to credit institutions (net), including demand deposits other than overnight deposits, increased to EUR 5.2 billion (EUR 4.8 billion). **Loans and receivables to customers (net)** increased – primarily in Austria and in the Czech Republic – to EUR 129.0 billion (EUR 125.9 billion). **Allowances for loans and receivables to customers** declined to EUR 4.9 billion (EUR 6.0 billion), mostly on the back of the improvement in asset quality and the sale of non-performing loans.

The **NPL ratio** – non–performing loans as a percentage of loans to customers – declined again significantly to 5.5% (7.1%). The **NPL coverage ratio** stood at 67.7% (64.5%).

Intangible assets amounted to EUR 1.4 billion (EUR 1.5 billion). **Miscellaneous assets** declined to EUR 7.4 billion (EUR 7.7 billion). **Financial liabilities – held for trading** increased to EUR 6.3 billion (EUR 5.9 billion), partly as a result of an increase in the line item other trading liabilities.

Deposits from banks were higher at EUR 15.2 billion (EUR 14.2 billion). **Deposits from customers** rose due to increased savings and overnight deposits mainly in Austria and in the Czech Republic to EUR 134.0 billion (EUR 127.9 billion). The **loan-to-deposit ratio** stood at 96.2% (98.4%). **Debt securities in issue**, mainly bonds, declined to EUR 27.3 billion (EUR 29.7 billion). **Miscellaneous liabilities** rose to EUR 7.5 billion (EUR 7.3 billion).

Erste Group's **total equity** increased to EUR 16.5 billion (EUR 14.8 billion). Since June 2016, this includes AT1-instruments in the amount of EUR 497 million. After regulatory deductions and filtering according to the CRR and taking into account the result for the first half of the year 2016 but not of the third quarter and deducting the risk costs of the third quarter, **common equity tier 1 capital** (CET 1, Basel 3 phased-in) rose to EUR 13.3 billion (EUR 12.1 billion), **total own funds** (Basel 3 phased-in) to EUR 18.5 billion (EUR 17.6 billion). **Total risk** (**risk-weighted assets** including credit, market and operational risk, Basel 3 phased-in) increased to EUR 100.7 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 18.4% (17.9%), well above the legal minimum requirement.

The **tier 1 ratio** (Basel 3 phased in) in relation to total risk stood at 13.2% (12.3%). The **common equity tier 1 ratio** (Basel 3 phased in) amounted to 13.2% (12.3%).

SEGMENT REPORTING

January-September 2016 compared with January-September 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	1-9 15	1-9 16	Change
Net interest income	1,662.4	1,626.1	-2.2%
Net fee and commission income	767.9	715.2	-6.9%
Net trading and fair value result	54.5	73.3	34.4%
Operating income	2,506.3	2,438.2	-2.7%
Operating expenses	-1,368.5	-1,385.6	1.3%
Operating result	1,137.9	1,052.6	-7.5%
Cost/income ratio	54.6%	56.8%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-254.8	-21.9	-91.4%
Other result	-179.1	-22.1	-87.7%
Net result attributable to owners of the parent	570.0	774.0	35.8%
Return on allocated capital	30.0%	45.8%	

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 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 higher loan volumes in Slovakia and the Czech Republic and an increased contribution from the 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 card 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 higher personnel and IT expenses. 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 Hungary, Croatia and Romania due to portfolio quality improvement. Risk costs also decreased markedly in the Czech Republic. Other result improved significantly due to the non-recurrence of last year provisions for Swiss franc loan conversion in the amount of EUR 144.9 million in Croatia. This line item also included selling gains on property in Austria. Overall, the net result attributable to the owners of the parent went up.

Corporates

in EUR million	1-9 15	1-9 16	Change
Net interest income	750.9	747.6	-0.4%
Net fee and commission income	191.8	190.9	-0.5%
Net trading and fair value result	59.7	60.8	1.7%
Operating income	1,090.0	1,085.2	-0.4%
Operating expenses	-409.4	-410.7	0.3%
Operating result	680.6	674.5	-0.9%
Cost/income ratio	37.6%	37.8%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-175.3	-1.3	-99.2%
Other result	-38.3	-15.8	-58.9%
Net result attributable to owners of the parent	336.8	500.8	48.7%
Return on allocated capital	14.8%	22.5%	

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 commercial real estate business in the Holding and lower asset margins in Croatia. These negative effects were partially offset by a higher contribution from investment loans and project finance in Erste Bank Oesterreich. Net fee and commission income declined moderately although positive results in Romania and the Czech Republic almost fully compensated the reduction in Corporate business in the Holding. Net trading and fair value result improved marginally. Operating expenses as well as the cost/income ratio remained nearly stable. The line item net impairment loss on financial assets not measured at FV through profit and loss improved substantially on the back of net releases of risk provisions in Romania and Hungary as well as lower risk costs in Holding, Erste Bank Oesterreich and in Croatia. The other result improved on the back of lower provisions for contingent credit risk liabilities. Consequently, the net result attributable to the owners of the parent improved notably.

Group Markets

in EUR million	1-9 15	1-9 16	Change
Net interest income	168.5	162.6	-3.5%
Net fee and commission income	146.8	145.3	-1.0%
Net trading and fair value result	56.8	66.5	17.1%
Operating income	373.6	375.7	0.6%
Operating expenses	-166.1	-155.4	-6.4%
Operating result	207.5	220.2	6.1%
Cost/income ratio	44.5%	41.4%	
Net impairment loss on financial assets not measured at fair value through profit or loss	7.1	8.6	21.7%
Other result	-2.9	6.1	n/a
Net result attributable to owners of the parent	161.4	177.0	9.7%
Return on allocated capital	31.2%	38.0%	

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

Net interest income decreased primarily due to the generally low interest rate environment and lower margins on loans granted to financial institutions. Net fee and commission income declined on the back of lower average asset management volumes and decreased margins on fixed income and money market funds. Net trading and fair value result increased due to the positive market developments affecting fixed income and credit trading products. Therefore, operating income increased. As operating expenses decreased mainly due to lower IT and legal costs in the Holding, this led to an improvement in operating result and the cost/income ratio. Other result improved due to the resolution of a claim. Overall, net result attributable to the owners of the parent increased.

Asset/Liability Management & Local Corporate Center

in EUR million	1-9 15	1-9 16	Change
Net interest income	36.6	-50.5	n/a
Net fee and commission income	-45.5	-43.3	-4.9%
Net trading and fair value result	-43.5	-8.2	-81.1%
Operating income	-18.2	-66.2	>100%
Operating expenses	-50.0	-79.2	58.4%
Operating result	-68.2	-145.4	>100%
Cost/income ratio	>100%	>100%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-7.0	-7.7	9.6%
Other result	-92.0	46.9	n/a
Net result attributable to owners of the parent	-130.7	-75.0	-42.6%
Return on allocated capital	-7.8%	-4.4%	

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 improvement in net fee and commission income was primarily related to lower fee expenses in Slovakia. Net trading and fair value result improved mainly due to valuation effects of derivatives. The increase in operating expenses was attributable to higher IT costs in Slovakia, the first time depreciation of the new headquarter in Vienna and the booking of deposit insurance fund contributions for some countries. Overall, operating result deteriorated. Other result improved mostly due to the selling gain of the shares in VISA Europe (EUR 138.7 million) as well as the reduction of the banking tax in Hungary. The net result attributable to the owners of the parent improved substantially.

Savings Banks

in EUR million	1-9 15	1-9 16	Change
Net interest income	679.7	712.6	4.8%
Net fee and commission income	319.7	311.5	-2.6%
Net trading and fair value result	14.1	-0.7	n/a
Operating income	1,062.3	1,067.6	0.5%
Operating expenses	-714.6	-745.0	4.3%
Operating result	347.6	322.6	-7.2%
Cost/income ratio	67.3%	69.8%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-42.6	-36.2	-15.0%
Other result	27.8	-22.2	n/a
Net result attributable to owners of the parent	36.5	30.2	-17.3%
Return on allocated capital	17.2%	12.0%	

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 and insurance business. Net trading and fair value result decreased driven by derivatives valuation. 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 22.8 million (EUR 10.3 million) as well as higher personnel and IT expenses. Therefore, operating result decreased, the cost/income ratio went up. Net impairment loss on financial assets not measured at FV through profit and loss decreased. Other result deteriorated due to valuation effects and due to the selling gain on AfS securities in 2015. Banking tax increased slightly to EUR 11.3 million (EUR 10.8 million). The payment into the recovery and resolution fund increased to EUR 8.5 million (EUR 6.8 million). Overall, the net result attributable to owners of the parent decreased.

Group Corporate Center

in EUR million	1-9 15	1-9 16	Change
Net interest income	52.8	59.8	13.2%
Net fee and commission income	15.6	6.0	-61.8%
Net trading and fair value result	16.9	0.9	-94.7%
Operating income	110.9	86.8	-21.7%
Operating expenses	-504.5	-678.5	34.5%
Operating result	-393.6	-591.7	50.3%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-45.8	-4.7	-89.8%
Other result	292.6	366.1	25.1%
Net result attributable to owners of the parent	-209.8	-227.8	8.6%
Return on allocated capital	-7.4%	-5.4%	

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 as well as internal non-profit service providers, therefore, in particular the line items “other operating result” and “general administrative expenses” should be considered together with intragroup eliminations. Furthermore, the free capital of Erste Group is included.

Net interest income increased mainly due to a higher capital benefit from the free capital of the group. Net fee and commission decreased driven by lower fees from service providers. Net trading and fair value result decreased due to valuation effects. The increase in operating expenses was mainly due to higher IT expenses and costs related to the move into the new headquarters in Vienna. Other result improved due to higher income from non-profit service entities. Consequently, the net result attributable to the owners of the parent declined.

GEOGRAPHICAL SEGMENTS

Erste Bank Oesterreich & Subsidiaries

in EUR million	1-9 15	1-9 16	Change
Net interest income	478.1	475.5	-0.5%
Net fee and commission income	276.3	249.1	-9.9%
Net trading and fair value result	-1.6	12.2	n/a
Operating income	778.5	758.7	-2.5%
Operating expenses	-465.0	-483.3	4.0%
Operating result	313.6	275.4	-12.2%
Cost/income ratio	59.7%	63.7%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-29.0	-8.3	-71.4%
Other result	-7.3	14.6	n/a
Net result attributable to owners of the parent	202.2	199.8	-1.2%
Return on allocated capital	22.1%	22.0%	

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 decreased moderately as higher loan volumes and repricing of deposits could not fully 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 increased primarily due to valuation effects of derivatives. Operating expenses increased due to the booking of deposit insurance contributions for the full year in the amount of EUR 18.5 million (EUR 8.1 million – in 2015, the first payment was due only in the second half of the year) as well as due to higher personnel and IT costs. 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 corporate business. The improvement of other result was driven by releases of provisions for contingent credit risk liabilities. The selling gains of the shares in VISA Europe contributed EUR 12.2 million. Banking tax remained almost unchanged at EUR 10.8 million (EUR 10.7 million). Payment into recovery and resolution fund increased to EUR 7.1 million (EUR 4.3 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	1-9 15	1-9 16	Change
Net interest income	314.2	293.6	-6.6%
Net fee and commission income	150.3	144.2	-4.1%
Net trading and fair value result	7.0	14.7	>100.0%
Operating income	505.6	498.9	-1.3%
Operating expenses	-253.5	-257.8	1.7%
Operating result	252.1	241.1	-4.4%
Cost/income ratio	50.1%	51.7%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-69.9	-28.5	-59.3%
Other result	-26.9	29.9	n/a
Net result attributable to owners of the parent	108.7	187.6	72.6%
Return on allocated capital	9.2%	16.5%	

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 primarily due to the non-recurrence of one-off income in the real estate business in Austria and a lower contribution of Immorent AG. Net fee and commission income declined due to lower asset management volumes, lower fees from lending business and a weaker performance of money market and fixed income funds. The increase of net trading and fair value result was predominantly attributable to the positive impact of mark-to-market valuations and better performance of credit trading products. Lower operating income along with higher operating expenses resulted in a decline of 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 provisioning requirements in the corporate business of Holding. Other result improved significantly due to releases of provisions for contingent credit risk liabilities. This line item also included a resolution fund contribution of EUR 3.1 million (EUR 4.2 million). The net result attributable to the owners of the parent increased significantly.

Czech Republic

in EUR million	1-9 15	1-9 16	Change
Net interest income	687.0	686.4	-0.1%
Net fee and commission income	275.2	255.1	-7.3%
Net trading and fair value result	81.8	71.3	-12.8%
Operating income	1,067.8	1,029.1	-3.6%
Operating expenses	-498.4	-489.4	-1.8%
Operating result	569.3	539.7	-5.2%
Cost/income ratio	46.7%	47.6%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-68.8	-39.3	-42.9%
Other result	-20.4	30.5	n/a
Net result attributable to owners of the parent	384.6	417.2	8.5%
Return on allocated capital	30.7%	32.4%	

Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) benefitted from higher average loan volumes. Net fee and commission income declined mostly due to lower private current account fees and the implementation of debit and credit card fee caps as of the third quarter of 2015. Net trading and fair value result decreased due to a lower result from derivatives. Operating expenses declined on the back of a lower deposit insurance contribution of EUR 7.4 million (EUR 26.9 million), although personnel and marketing costs increased. Operating result thus 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 on the back of the selling gains of the shares in VISA Europe in the amount of EUR 52.6 million. The recovery and resolution fund contribution amounted to EUR 14.7 million (EUR 16.2 million). Overall, these developments led to an increase in the net result attributable to the owners of the parent.

Slovakia

in EUR million	1-9 15	1-9 16	Change
Net interest income	342.1	339.6	-0.7%
Net fee and commission income	92.9	92.6	-0.4%
Net trading and fair value result	6.0	9.4	56.8%
Operating income	450.0	447.5	-0.6%
Operating expenses	-195.3	-205.5	5.2%
Operating result	254.7	242.0	-5.0%
Cost/income ratio	43.4%	45.9%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-32.7	-30.5	-7.0%
Other result	-21.9	15.2	n/a
Net result attributable to owners of the parent	152.9	170.7	11.7%
Return on allocated capital	32.1%	35.1%	

Net interest income in the Slovakia segment (comprising Slovenská sporitel'ňa Group) decreased slightly mainly due to a lower asset/liability management contribution in the low interest rate environment that was not fully compensated by higher loan volumes, particularly in housing and consumer loans. Net fee and commission income remained stable as lower fee expenses for card transactions and higher loan prepayment fees were offset by lower card and deposit account maintenance 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 contributions for the full year in an amount of EUR 2.5 million (EUR 1.7 million) as well as higher personnel and IT expenses. Consequently, operating result decreased, the cost/income ratio went up. Net impairment loss on financial assets not measured at FV through profit and loss decreased due to lower provisioning requirements in corporate business. The selling gains of the shares in VISA Europe (EUR 26.8 million) impacted the other result positively, the payment into the recovery and resolution fund increased to EUR 4.0 million (2.4 million). Banking tax increased slightly to EUR 18.6 million (EUR 17.5 million). Overall, the net result attributable to the owners of the parent improved.

Romania

in EUR million	1-9 15	1-9 16	Change
Net interest income	332.0	285.7	-14.0%
Net fee and commission income	119.7	118.8	-0.8%
Net trading and fair value result	52.3	56.4	7.9%
Operating income	512.4	470.2	-8.2%
Operating expenses	-249.1	-248.9	-0.1%
Operating result	263.3	221.3	-15.9%
Cost/income ratio	48.6%	52.9%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-12.4	50.8	n/a
Other result	-19.2	-3.4	-82.4%
Net result attributable to owners of the parent	185.4	225.9	21.8%
Return on allocated capital	23.7%	32.7%	

Net interest income in the Romania segment (comprising Banca Comercială Română Group) decreased mainly due to an adapted loan pricing, a mortgage loan re-financing campaign and a lower unwinding contribution. Net fee and commission income remained largely stable. The increase in net trading and fair value result was mostly attributable to the revaluation of some foreign currency denominated participations. Operating expenses remained almost stable, lower IT costs were largely offset by higher personnel expenses. Contribution to deposit insurance fund amounted to EUR 14.6 million (EUR 15.9 million). Operating result declined and the cost/income ratio deteriorated. Successful insurance claims, lower provisioning requirements and the sale of non-performing portfolio led to net provision releases (net impairment loss on financial assets not measured at FV through profit and loss). Other result improved as the negative effect of the impairments related to a real estate project was offset by the selling gains of the shares in VISA Europe in the amount of EUR 24.3 million. Overall, the net result attributable to the owners of the parent improved.

Hungary

in EUR million	1-9 15	1-9 16	Change
Net interest income	160.8	129.7	-19.3%
Net fee and commission income	103.5	103.9	0.4%
Net trading and fair value result	1.7	14.6	>100.0%
Operating income	266.7	251.2	-5.8%
Operating expenses	-132.0	-139.7	5.8%
Operating result	134.7	111.5	-17.2%
Cost/income ratio	49.5%	55.6%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-93.1	71.0	n/a
Other result	-80.1	-65.5	-18.2%
Net result attributable to owners of the parent	-46.1	109.6	n/a
Return on allocated capital	-11.9%	30.2%	

Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) declined considerably mainly due to lower market interest rates and the impact of the consumer loan law. Net fee and commission income remained stable. 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 7.2 million (EUR 3.4 million) as well as higher personnel costs. Consequently, operating result deteriorated, the cost/income ratio went up. The net release of risk provisions (net impairment loss on financial assets not measured at FV through profit and loss) was largely driven by the retail business. Other result improved, although the positive impact of the reduced banking tax of EUR 19.6 million (EUR 46.2 million) was offset by higher provisions for contingent credit risk liabilities. This line item was positively impacted by a gain related to the sale of shares in VISA Europe in the amount of EUR 12.8 million; it also included the contribution to the resolution fund of EUR 1.8 million (EUR 2.4 million). Overall, the net result attributable to the owners of the parent improved substantially and turned positive.

Croatia

in EUR million	1-9 15	1-9 16	Change
Net interest income	203.0	199.1	-1.9%
Net fee and commission income	63.5	66.6	5.0%
Net trading and fair value result	10.0	23.6	>100.0%
Operating income	298.8	310.6	4.0%
Operating expenses	-139.3	-144.7	3.8%
Operating result	159.4	165.9	4.1%
Cost/income ratio	46.6%	46.6%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-111.3	-28.6	-74.3%
Other result	-143.8	3.0	n/a
Net result attributable to owners of the parent	-53.2	76.9	n/a
Return on allocated capital	-18.7%	27.0%	

Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) declined mainly due to lower asset margins in the corporate business and a reduction in the loan portfolio. Net fee and commission income went up due to higher fees from payment transfers. The net trading and fair value result improved significantly as the negative impact 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 increased due to consolidation of the IT service entity and higher personnel costs. Overall, the operating result improved, the cost/income ratio remained stable. 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 corporate as well as retail businesses. Other result improved significantly due to the non-recurrence of last year's provision for Swiss franc loan conversion in the amount of EUR 144.9 million. Other result included a gain related to the sale of shares in VISA Europe in the amount of EUR 10.0 million as well as the contribution to the resolution fund of EUR 5.2 million (EUR 1.7 million). Consequently, the net result attributable to the owners of the parent improved considerably.

Serbia

in EUR million	1-9 15	1-9 16	Change
Net interest income	31.1	34.6	11.3%
Net fee and commission income	9.1	8.2	-10.8%
Net trading and fair value result	2.5	2.5	0.9%
Operating income	43.2	45.6	5.7%
Operating expenses	-28.7	-29.7	3.7%
Operating result	14.5	15.9	9.7%
Cost/income ratio	66.5%	65.2%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-6.8	-2.8	-58.5%
Other result	-0.3	-0.6	>100.0%
Net result attributable to owners of the parent	6.0	9.5	58.2%
Return on allocated capital	10.5%	13.7%	

Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased due to higher loan and deposit volumes despite decreasing margins. Net fee and commission income declined mostly due to lower fees from 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	1-9 15	1-9 16	Change
Net interest income	96.2	110.7	15.0%
Net fee and commission income	-37.7	-30.1	-20.1%
Net trading and fair value result	19.2	-12.4	n/a
Operating income	105.7	80.3	-24.0%
Operating expenses	-176.4	-219.0	24.2%
Operating result	-70.7	-138.7	96.1%
Cost/income ratio	>100.0%	>100.0%	
Net impairment loss on financial assets not measured at fair value through profit or loss	-51.6	-10.8	-79.0%
Other result	-26.6	-106.3	>100.0%
Net result attributable to owners of the parent	-212.8	-248.2	16.6%
Return on allocated capital	-5.7%	-5.0%	

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.

While net interest income increased mainly due to a higher capital benefit from the free capital of the group and net fee and commission income improved, net trading and fair value result decreased due to valuation effects. Operating expenses increased due to IT expenses and costs related to the move to the new headquarters in Vienna. Consequently, operating result decreased. Other result deteriorated due to the higher provisions for contingent credit risk liabilities. Net result attributable to the owners of the parent thus decreased.

Group condensed consolidated financial statements of Erste Group Bank AG

Interim report – third quarter of 2016

I. Group statement of comprehensive income

Income statement

in EUR thousand	Notes	1-9 15	1-9 16
Net interest income	1	3,324,265	3,267,492
Net fee and commission income	2	1,372,555	1,319,772
Dividend income	3	43,294	36,221
Net trading and fair value result	4	192,950	191,613
Net result from equity method investments		14,362	5,894
Rental income from investment properties & other operating leases	5	143,490	138,674
Personnel expenses	6	-1,667,492	-1,724,677
Other administrative expenses	6	-855,225	-909,983
Depreciation and amortisation	6	-329,717	-328,386
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	7	58,782	147,715
Net impairment loss on financial assets not measured at fair value through profit or loss	8	-518,357	-63,210
Other operating result	9	-377,425	-252,420
Levies on banking activities	9	-187,721	-151,691
Pre-tax result from continuing operations		**1,401,484**	**1,828,704**
Taxes on income	10	-362,298	-403,905
Net result for the period		**1,039,187**	**1,424,799**
Net result attributable to non-controlling interests		275,017	245,622
Net result attributable to owners of the parent		**764,170**	**1,179,177**

Statement of comprehensive income

in EUR thousand	1-9 15	1-9 16
Net result for the period	**1,039,187**	**1,424,799**
Other comprehensive income		
Items that may not be reclassified to profit or loss		
Remeasurement of net liability of defined benefit plans	51,612	-109,250
Deferred taxes relating to items that may not be reclassified	-23,247	28,570
Total	**28,365**	**-80,680**
Items that may be reclassified to profit or loss		
Available for sale reserve (including currency translation)	-156,102	132,171
Gain/loss during the period	-96,591	288,909
Reclassification adjustments	-59,511	-156,739
Cash flow hedge reserve (including currency translation)	-22,241	1,954
Gain/loss during the period	15,608	58,169
Reclassification adjustments	-37,849	-56,215
Currency translation	99,357	57,658
Gain/loss during the period	99,357	57,658
Reclassification adjustments	0	0
Deferred taxes relating to items that may be reclassified	54,476	-36,664
Gain/loss during the period	27,680	-78,016
Reclassification adjustments	26,795	41,352
Total	**-24,510**	**155,118**
Total other comprehensive income	**3,854**	**74,438**
Total comprehensive income	**1,043,041**	**1,499,237**
Total comprehensive income attributable to non-controlling interests	171,580	315,927
Total comprehensive income attributable to owners of the parent	**871,461**	**1,183,310**

Earnings per share

		1-9 15	1-9 16
Net result attributable to owners of the parent	in EUR thousand	764,170	1,179,177
Dividend on AT1 capital	in EUR thousand	0	-14,670
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	764,170	1,164,507
Weighted average number of outstanding shares		426,744,545	426,667,600
Earnings per share	**in EUR**	**1.79**	**2.73**
Weighted average diluted number of outstanding shares		426,744,545	426,667,600
Diluted earnings per share	**in EUR**	**1.79**	**2.73**

Changes in number of shares

	1-9 15	1-9 16
Shares outstanding at the beginning of the period	409,940,635	410,487,814
Acquisition of treasury shares	-5,133,161	-5,802,806
Disposal of treasury shares	5,284,262	4,821,135
Shares outstanding at the end of the period	410,091,736	409,506,143
Treasury shares	19,708,264	20,293,857
Number of shares issued at the end of the period	**429,800,000**	**429,800,000**
Weighted average number of outstanding shares	426,744,545	426,667,600
Weighted average diluted number of outstanding shares	426,744,545	426,667,600

Quarterly results

in EUR million	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16
Income statement					
Net interest income	1,112.3	1,120.4	1,092.2	1,101.9	1,073.4
Net fee and commission income	455.2	489.2	443.1	441.8	434.9
Dividend income	11.2	6.6	2.6	28.8	4.8
Net trading and fair value result	56.4	17.2	43.5	64.0	84.1
Net result from equity method investments	4.7	3.1	1.9	3.7	0.2
Rental income from investment properties & other operating leases	51.7	44.4	45.9	47.1	45.7
Personnel expenses	-553.6	-577.1	-565.4	-587.2	-572.0
Other administrative expenses	-295.6	-324.1	-333.5	-276.6	-299.9
Depreciation and amortisation	-106.4	-115.3	-109.8	-107.7	-110.8
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	22.8	42.1	2.4	146.0	-0.7
Net impairment loss on financial assets not measured at fair value through profit or loss	-144.4	-210.7	-56.4	30.6	-37.4
Other operating result	-176.8	-258.2	-139.5	-52.6	-60.3
Levies on banking activities	-50.5	-48.5	-62.8	-44.9	-44.0
Pre-tax result from continuing operations	**437.4**	**237.6**	**427.0**	**839.7**	**562.0**
Taxes on income	-88.9	-1.6	-104.5	-174.3	-125.1
Net result for the period	**348.5**	**236.0**	**322.6**	**665.3**	**436.9**
Net result attributable to non-controlling interests	71.6	32.0	47.8	98.4	99.4
Net result attributable to owners of the parent	**276.9**	**204.0**	**274.7**	**567.0**	**337.4**

Statement of comprehensive income					
Net result for the period	**348.5**	**236.0**	**322.6**	**665.3**	**436.9**
Other comprehensive income					
Items that may not be reclassified to profit or loss					
Remeasurement of net liability of defined benefit plans	0.8	49.4	-77.9	-3.8	-27.6
Deferred taxes relating to items that may not be reclassified	-0.3	-10.4	19.2	2.3	7.0
Total	**0.5**	**39.0**	**-58.6**	**-1.5**	**-20.6**
Items that may be reclassified to profit or loss					
Available for sale reserve (including currency translation)	50.8	124.5	112.7	-92.6	112.1
Gain/loss during the period	96.6	86.5	110.4	60.7	117.8
Reclassification adjustments	-45.7	38.0	2.2	-153.3	-5.7
Cash flow hedge reserve (including currency translation)	33.0	-5.2	41.5	-30.4	-9.1
Gain/loss during the period	38.5	-4.3	48.8	10.3	-0.9
Reclassification adjustments	-5.5	-0.9	-7.4	-40.7	-8.1
Currency translation	18.9	-8.4	22.5	-34.4	69.5
Gain/loss during the period	18.9	-8.4	22.5	-34.4	69.5
Reclassification adjustments	0.0	0.0	0.0	0.0	0.0
Deferred taxes relating to items that may be reclassified	-24.5	-18.6	-37.0	22.1	-21.8
Gain/loss during the period	-34.4	-21.3	-38.4	-15.0	-24.7
Reclassification adjustments	9.9	2.7	1.4	37.1	2.9
Total	**78.2**	**92.4**	**139.7**	**-135.4**	**150.8**
Total other comprehensive income	**78.7**	**131.4**	**81.0**	**-136.9**	**130.3**
Total comprehensive income	**427.2**	**367.3**	**403.6**	**528.5**	**567.1**
Total comprehensive income attributable to non-controlling interests	49.4	58.2	87.8	109.2	119.0
Total comprehensive income attributable to owners of the parent	**377.8**	**309.2**	**315.9**	**419.3**	**448.1**

II. Group balance sheet

in EUR thousand	Notes	Dec 15	Sep 16
Assets			
Cash and cash balances	11	12,350,003	14,743,086
Financial assets - held for trading		8,719,244	9,730,600
Derivatives	12	5,303,001	5,297,325
Other trading assets	13	3,416,243	4,433,276
Financial assets - at fair value through profit or loss	14	358,959	476,687
Financial assets - available for sale	15	20,762,661	20,405,666
Financial assets - held to maturity	16	17,700,886	18,450,594
Loans and receivables to credit institutions	17	4,805,222	5,190,988
Loans and receivables to customers	18	125,896,650	128,984,677
Derivatives - hedge accounting	19	2,191,175	2,208,458
Property and equipment		2,401,868	2,334,932
Investment properties		753,243	657,598
Intangible assets		1,464,529	1,443,010
Investments in associates and joint ventures		166,541	184,715
Current tax assets		118,786	129,861
Deferred tax assets		310,370	245,048
Assets held for sale		526,451	371,901
Other assets	20	1,216,785	1,253,516
Total assets		**199,743,371**	**206,811,336**
Liabilities and equity			
Financial liabilities - held for trading		5,867,450	6,271,634
Derivatives	12	5,433,865	4,932,572
Other trading liabilities	21	433,586	1,339,062
Financial liabilities - at fair value through profit or loss		1,906,766	1,737,081
Deposits from banks		0	0
Deposits from customers		148,731	78,995
Debt securities issued	22	1,758,035	1,658,087
Other financial liabilities		0	0
Financial liabilities measured at amortised cost		170,786,703	175,780,169
Deposits from banks	23	14,212,032	15,227,922
Deposits from customers	23	127,797,081	133,943,952
Debt securities issued	23	27,895,975	25,641,975
Other financial liabilities		881,616	966,320
Derivatives - hedge accounting	19	592,891	642,032
Changes in fair value of portfolio hedged items		965,583	1,127,512
Provisions	24	1,736,367	1,757,931
Current tax liabilities		89,956	62,134
Deferred tax liabilities		95,787	173,878
Liabilities associated with assets held for sale		577,953	3,013
Other liabilities	25	2,316,601	2,726,581
Total equity		**14,807,313**	**16,529,371**
Equity attributable to non-controlling interests		3,801,997	4,062,971
Equity attributable to owners of the parent		11,005,316	12,466,400
Total liabilities and equity		**199,743,371**	**206,811,336**

III. Group 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	Additional components of equity	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**	**0**	**3,802**	**14,808**
Changes in treasury shares	0	0	-12	0	0	0	0	0	-12	0	0	-12
Dividends paid	0	0	-205	0	0	0	0	0	-205	0	-59	-265
Capital increases	0	0	0	0	0	0	0	0	0	497	0	497
Participation capital	0	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	0
Other changes	0	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	0	5	3
Total comprehensive income	0	0	1,179	7	8	50	-64	3	1,183	0	316	1,499
Net result for the period	0	0	1,179	0	0	0	0	0	1,179	0	246	1,425
Other comprehensive income	0	0	0	7	8	50	-64	3	4	0	70	74
As of 30 September 2016	**860**	**1,478**	**10,031**	**122**	**696**	**-709**	**-398**	**-109**	**11,970**	**497**	**4,063**	**16,529**
As of 1 January 2015	**860**	**1,478**	**8,116**	**140**	**580**	**-849**	**-394**	**-92**	**9,838**	**0**	**3,605**	**13,444**
Changes in treasury shares	0	0	-5	0	0	0	0	0	-5	0	0	-5
Dividends paid	0	0	0	0	0	0	0	0	0	0	-31	-31
Capital increases	0	0	0	0	0	0	0	0	0	0	0	0
Participation capital	0	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	0
Other changes	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of non-controlling interest	0	0	-14	0	0	0	0	0	-14	0	0	-14
Total comprehensive income	0	0	764	-20	-8	97	31	8	872	0	171	1,043
Net result for the period	0	0	764	0	0	0	0	0	764	0	275	1,039
Other comprehensive income	0	0	0	-20	-8	97	31	8	107	0	-104	4
As of 30 September 2015	**860**	**1,478**	**8,861**	**119**	**572**	**-752**	**-363**	**-84**	**10,691**	**0**	**3,746**	**14,437**

In June 2016 Erste Group increased its capital by issuing Additional Tier 1 bonds with a nominal value of EUR 500 million. After deduction of costs directly attributable to the capital increase, the net increase in capital amounted to EUR 497 million. The costs of the capital increase reduced the capital by EUR 3 million.

Additional Tier 1 bonds are unsecured and subordinated bonds of Erste Group Bank AG which are classified as equity under IFRS and are reported under the additional components of equity.

IV. Group cash flow statement

in EUR million	1-9 15	1-9 16
Net result for the period	**1,039**	**1,425**
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation, impairment and reversal of impairment, revaluation of assets	357	396
Allocation to and release of provisions (including risk provisions)	827	394
Gains from the measurement and sale of assets	-204	-308
Other adjustments	-88	104
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Financial assets - held for trading	1,784	-989
Financial assets - at fair value through profit or loss	16	-112
Financial assets - available for sale	1,224	521
Loans and advances to credit institutions	-947	-395
Loans and advances to customers	-4,348	-3,450
Derivatives - hedge accounting	567	-10
Other assets from operating activities	258	330
Financial liabilities - held for trading	-1,374	404
Financial liabilities - at fair value through profit or loss	-140	-170
Financial liabilities measured at amortised cost		
Deposits from banks	2,611	1,016
Deposits from customers	2,980	6,147
Debt securities issued	-468	-2,267
Other financial liabilities	150	85
Derivatives - hedge accounting	-105	49
Other liabilities from operating activities	155	-16
Cash flow from operating activities	**4,294**	**3,155**
Proceeds from disposal/redemption		
Financial assets - held to maturity and associated companies	0	1,663
Property and equipment, intangible assets and investment properties	244	499
Acquisition of		
Financial assets - held to maturity and associated companies	-675	-2,422
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	**-1,065**	**-1,033**
Capital increases	0	497
Capital decrease	0	0
Acquisition of non-controlling interest	0	0
Dividends paid to equity holders of the parent	0	-205
Dividends paid to non-controlling interests	-31	-59
Other financing activities	0	0
Cash flow from financing activities	**-31**	**232**
Cash and cash equivalents at the beginning of the period	**7,835**	**12,350**
Cash flow from operating activities	4,294	3,155
Cash flow from investing activities	-1,065	-1,033
Cash flow from financing activities	-31	232
Effect of currency translation	64	40
Cash and cash equivalents at the end of period	**11,097**	**14,743**
Cash flows related to taxes, interest and dividends	**3,104**	**3,105**
Payments for taxes on income (included in cash flow from operating activities)	-264	-313
Interest received	4,634	4,560
Dividends received	43	36
Interest paid	-1,310	-1,178

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 30 September 2016

BASIS OF PREPARATION

The condensed consolidated interim financial statements ("interim financial statements") of Erste Group for the period from 1 January to 30 September 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.

Evolvement of number of entities and funds included in Erste Group's IFRS consolidation scope

As of 31 December 2015	**496**
Additions	
Entities newly added to the scope of consolidation	6
Disposals	
Companies sold or liquidated	-20
Mergers	-17
As of 30 September 2016	**465**

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 IFRS 10,12 and IAS 28 – Investment Entities: Applying the consolidation exception
- 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	1-9 15	1-9 16
Interest income		
Financial assets - held for trading	371.5	539.3
Financial assets - at fair value through profit or loss	1.7	6.6
Financial assets - available for sale	344.1	324.5
Financial assets - held to maturity	441.8	410.7
Loans and receivables	3,359.7	3,111.6
Derivatives - hedge accounting, interest rate risk	84.5	-1.3
Other assets	13.8	22.6
Total interest income	**4,634.1**	**4,414.0**
Interest expenses		
Financial liabilities - held for trading	-192.9	-342.5
Financial liabilities - at fair value through profit or loss	-34.7	-40.1
Financial liabilities measured at amortised cost	-1,276.9	-1,051.6
Derivatives - hedge accounting, interest rate risk	222.9	301.2
Other liabilities	-18.7	-20.0
Total interest expense	**-1,309.8**	**-1,152.9**
Negative interest from financial liabilities	17.0	36.1
Negative Interest from financial assets	-9.6	-29.7
Net interest income	**3,324.3**	**3,267.5**

2. Net fee and commission income

in EUR million	1-9 15	1-9 16
Securities	141.2	118.6
Own issues	13.2	13.9
Transfer orders	123.5	97.7
Other	4.5	7.0
Clearing and settlement	-0.1	2.4
Asset management	183.9	184.5
Custody	59.4	57.1
Fiduciary transactions	1.7	2.1
Payment services	671.2	653.1
Card business	163.1	145.9
Other	508.1	507.2
Customer resources distributed but not managed	121.5	112.5
Collective investment	8.8	10.9
Insurance products	77.2	73.8
Building society brokerage	13.2	11.2
Foreign exchange transactions	14.5	16.2
Other	7.8	0.4
Structured finance	0.0	0.0
Servicing fees from securitization activities	0.0	0.0
Lending business	145.5	132.4
Guarantees given, guarantees received	40.6	42.6
Loan commitments given, loan commitments received	26.8	18.3
Other lending business	78.0	71.6
Other	48.2	57.1
Net fee and commission income	**1,372.6**	**1,319.8**

3. Dividend income

in EUR million	1-9 15	1-9 16
Financial assets - held for trading	0.6	0.5
Financial assets - at fair value through profit or loss	3.2	2.2
Financial assets - available for sale	32.7	29.0
Dividend income from equity investments	6.8	4.5
Dividend income	**43.3**	**36.2**

4. Net trading and fair value result

in EUR million	1-9 15	1-9 16
Net trading result	168.8	218.7
Securities and derivatives trading	-44.2	26.7
Foreign exchange transactions	193.9	162.4
Result from hedge accounting	19.1	29.6
Result from financial assets and liabilities designated at fair value through profit or loss	24.2	-27.1
Result from measurement/sale of financial assets designated at fair value through profit or loss	-1.4	5.9
Result from measurement/sale of financial liabilities designated at fair value through profit or loss	25.6	-32.9
Net trading and fair value result	**193.0**	**191.6**

5. Rental income from investment properties & other operating leases

in EUR million	1-9 15	1-9 16
Investment properties	62.0	58.2
Other operating leases	81.5	80.4
Rental income from investment properties & other operating leases	**143.5**	**138.7**

6. General administrative expenses

in EUR million	1-9 15	1-9 16
Personnel expenses	**-1,667.5**	**-1,724.7**
Wages and salaries	-1,251.8	-1,285.0
Compulsory social security	-324.2	-335.9
Long-term employee provisions	-18.1	-25.4
Other personnel expenses	-73.4	-78.4
Other administrative expenses	**-855.2**	**-910.0**
Deposit insurance contribution	-76.1	-83.4
IT expenses	-214.9	-251.5
Expenses for office space	-177.0	-184.8
Office operating expenses	-89.6	-82.6
Advertising/marketing	-113.3	-111.6
Legal and consulting costs	-90.1	-98.3
Sundry administrative expenses	-94.2	-97.8
Depreciation and amortisation	**-329.7**	**-328.4**
Software and other intangible assets	-121.2	-120.9
Owner occupied real estate	-54.5	-60.0
Investment properties	-78.4	-77.0
Customer relationships	-5.0	-3.8
Office furniture and equipment and sundry property and equipment	-70.7	-66.7
General administrative expenses	**-2,852.4**	**-2,963.0**

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

in EUR million	1-9 15	1-9 16
From sale of financial assets available for sale	49.8	157.4
From sale of financial assets held to maturity	1.6	2.9
From sale of loans and receivables	-1.0	0.1
From repurchase of liabilities measured at amortised cost	8.4	-12.7
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	**58.8**	**147.7**

In June 2016 Erste Group sold its shares in VISA Europe Ltd. which resulted in a gain related to the sale of shares of EUR 138.7 million included in the line item “Gains/losses from sale of financial assets available for sale”.

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

in EUR million	1-9 15	1-9 16
Financial assets - available for sale	-3.2	-1.2
Loans and receivables	-514.9	-62.1
Allocation to risk provisions	-1,796.8	-1,510.0
Release of risk provisions	1,238.0	1,301.0
Direct write-offs	-105.7	-161.8
Recoveries recorded directly to the income statement	149.7	308.6
Financial assets - held to maturity	-0.3	0.1
Net impairment loss on financial assets not measured at fair value through profit or loss	**-518.4**	**-63.2**

9. Other operating result

in EUR million	1-9 15	1-9 16
Result from properties/movables/other intangible assets other than goodwill	0.5	-41.1
Allocation to/release of other provisions	-146.8	5.6
Allocation to/release of provisions for commitments and guarantees given	-15.2	-28.9
Levies on banking activities	-187.7	-151.7
Banking tax	-159.3	-123.9
Financial transaction tax	-28.4	-27.8
Other taxes	-14.5	-14.5
Impairment of goodwill	0.0	0.0
Result from other operating expenses/income	-13.7	-21.8
Other operating result	**-377.4**	**-252.4**

In the line item “result from other operating expenses/income” the contributions to national resolution funds for the full-year 2016 (according to the Bank Recovery and Resolution Directive) of EUR 64.6 million (EUR 56.2 million) are included.

10. Taxes on income

The consolidated net tax expense for the reporting period amounted to EUR 403.9million (EUR 362.3 million), thereof EUR 135.9 million (EUR 98.6 million) net deferred tax expense.

11. Cash and cash balances

in EUR million	Dec 15	Sep 16
Cash on hand	2,794	3,243
Cash balances at central banks	7,328	9,048
Other demand deposits	2,228	2,453
Cash and cash balances	**12,350**	**14,743**

12. Derivatives – held for trading

in EUR million	Dec 15 Notional value	Dec 15 Positive fair value	Dec 15 Negative fair value	Sep 16 Notional value	Sep 16 Positive fair value	Sep 16 Negative fair value
Derivatives held in the trading book	**164,243**	**4,673**	**4,360**	**157,774**	**5,052**	**4,580**
Interest rate	124,450	4,139	4,109	117,232	4,716	4,400
Equity	820	21	6	674	23	9
Foreign exchange	38,073	476	205	39,172	296	147
Credit	532	3	6	435	1	6
Commodity	368	35	35	261	16	18
Other	0	0	0	0	0	0
Derivatives held in the banking book	**36,877**	**1,008**	**1,524**	**31,455**	**993**	**1,429**
Interest rate	17,552	737	908	15,325	742	993
Equity	2,091	106	68	2,108	99	67
Foreign exchange	16,156	121	534	13,055	92	355
Credit	542	13	11	471	13	12
Commodity	47	1	0	27	1	0
Other	488	30	2	468	45	2
Total gross amounts	**201,119**	**5,682**	**5,884**	**189,229**	**6,045**	**6,009**
Offset		-379	-450		-748	-1,076
Total		**5,303**	**5,434**		**5,297**	**4,933**

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	Sep 16
Equity instruments	253	105
Debt securities	3,159	3,614
General governments	2,393	2,815
Credit institutions	393	456
Other financial corporations	120	157
Non-financial corporations	254	185
Loans and advances	4	714
Other trading assets	**3,416**	**4,433**

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

in EUR million	Dec 15	Sep 16
Equity instruments	183	182
Debt securities	176	292
General governments	5	31
Credit institutions	159	256
Other financial corporations	12	5
Non-financial corporations	0	0
Loans and advances	0	2
Financial assets - at fair value through profit or loss	**359**	**477**

15. Financial assets – available for sale

in EUR million	Dec 15	Sep 16
Equity instruments	1,456	1,432
Debt securities	19,307	18,973
General governments	13,169	13,046
Credit institutions	2,779	2,590
Other financial corporations	796	696
Non-financial corporations	2,564	2,641
Loans and advances	0	0
Financial assets - available for sale	**20,763**	**20,406**

16. Financial assets – held to maturity

in EUR million	Gross carrying amount		Collective allowances		Net carrying amount	
	Dec 15	Sep 16	Dec 15	Sep 16	Dec 15	Sep 16
General governments	16,050	16,907	-1	-1	16,049	16,906
Credit institutions	1,010	991	-1	0	1,009	991
Other financial corporations	194	133	0	0	194	133
Non-financial corporations	449	422	-1	-1	448	421
Financial assets - held to maturity	**17,703**	**18,453**	**-2**	**-2**	**17,701**	**18,451**

17. Loans and receivables to credit institutions

Loans and receivables to credit institutions

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 30 September 2016				
Debt securities	209	0	-1	209
Central banks	0	0	0	0
Credit institutions	209	0	-1	209
Loans and receivables	4,988	-2	-4	4,982
Central banks	1,968	0	0	1,968
Credit institutions	3,020	-2	-4	3,014
Total	**5,198**	**-2**	**-5**	**5,191**
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						Sep 16		
Specific allowances	**-8**	**0**	**7**	**0**	**0**	**0**	**-2**	**-9**	**3**
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	7	0	0	0	-2	-9	3
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-8	0	7	0	0	0	-2	-9	3
Collective allowances	**-5**	**-5**	**0**	**5**	**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	-5	0	5	0	1	-3	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-4	-5	0	5	0	1	-4	0	0
Total	**-13**	**-6**	**7**	**5**	**0**	**1**	**-6**	**-9**	**3**
	Dec 14						Sep 15		
Specific allowances	**-15**	**0**	**0**	**1**	**0**	**0**	**-15**	**-6**	**6**
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	1	0	0	-15	-6	6
Central banks	0	0	0	1	0	-1	0	0	0
Credit institutions	-15	0	0	0	0	0	-15	-6	6
Collective allowances	**-3**	**-7**	**0**	**7**	**0**	**-3**	**-6**	**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	-7	0	7	0	-3	-5	0	0
Central banks	0	-2	0	0	0	0	-3	0	0
Credit institutions	-2	-4	0	7	0	-3	-2	0	0
Total	**-17**	**-7**	**0**	**8**	**0**	**-4**	**-20**	**-6**	**6**

18. Loans and receivables to customers

Loans and receivables to customers

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 30 September 2016				
Debt securities with customers	94	-2	-4	88
General governments	55	0	0	55
Other financial corporations	0	0	0	0
Non-financial corporations	40	-2	-4	34
Loans and advances to customers	133,838	-4,224	-718	128,896
General governments	7,387	-7	-15	7,365
Other financial corporations	3,279	-98	-21	3,160
Non-financial corporations	57,900	-2,336	-386	55,178
Households	65,272	-1,783	-296	63,193
Total	**133,933**	**-4,226**	**-722**	**128,985**
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						Sep 16		
Specific allowances	**-5,276**	**-1,134**	**1,222**	**899**	**80**	**-16**	**-4,226**	**-153**	**306**
Debt securities with customers	-14	0	12	0	0	0	-2	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-14	0	12	0	0	0	-2	0	0
Loans and advances to customers	-5,262	-1,134	1,210	899	80	-16	-4,224	-153	306
General governments	-7	-3	0	3	0	-1	-7	0	0
Other financial corporations	-154	-19	46	18	2	10	-98	0	0
Non-financial corporations	-3,195	-610	951	489	36	-7	-2,336	-121	171
Households	-1,907	-502	213	390	42	-18	-1,783	-32	134
Collective allowances	**-733**	**-371**	**0**	**397**	**0**	**-15**	**-722**	**0**	**0**
Debt securities with customers	-2	-3	0	1	0	0	-4	0	0
General governments	-2	0	0	1	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	-3	0	0	0	0	-4	0	0
Loans and advances to customers	-731	-368	0	396	0	-15	-718	0	0
General governments	-14	-10	0	16	0	-7	-15	0	0
Other financial corporations	-26	-15	0	18	0	2	-21	0	0
Non-financial corporations	-424	-145	0	191	0	-8	-386	0	0
Households	-268	-198	0	171	0	-2	-296	0	0
Total	**-6,009**	**-1,504**	**1,222**	**1,296**	**80**	**-31**	**-4,948**	**-153**	**306**

	Dec 14						Sep 15		
Specific allowances	**-6,723**	**-1,467**	**1,314**	**911**	**125**	**-108**	**-5,948**	**-99**	**144**
Debt securities with customers	-13	-1	0	1	0	-1	-14	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-13	-1	0	1	0	0	-14	0	0
Loans and advances to customers	-6,710	-1,466	1,314	910	125	-108	-5,934	-99	144
General governments	-6	-1	2	1	0	-1	-5	0	0
Other financial corporations	-142	-30	15	18	3	3	-133	-2	2
Non-financial corporations	-4,134	-831	669	562	63	-73	-3,744	-75	119
Households	-2,428	-605	629	330	59	-37	-2,052	-22	22
Collective allowances	**-768**	**-323**	**0**	**319**	**0**	**-1**	**-774**	**0**	**0**
Debt securities with customers	-2	0	0	0	0	0	-2	0	0
General governments	-1	0	0	0	0	0	-1	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-1	0	0	0	0	0	-1	0	0
Loans and advances to customers	-766	-323	0	319	0	-1	-772	0	0
General governments	-14	-9	0	11	0	0	-13	0	0
Other financial corporations	-25	-36	0	21	0	-29	-69	0	0
Non-financial corporations	-440	-153	0	145	0	29	-418	0	0
Households	-287	-125	0	142	0	-1	-271	0	0
Total	**-7,491**	**-1,790**	**1,314**	**1,230**	**125**	**-109**	**-6,721**	**-99**	**144**

19. Derivatives – hedge accounting

in EUR million	Dec 15			Sep 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**	**23,909**	**2,396**	**682**
Interest rate	25,430	2,108	601	23,909	2,396	682
Equity	0	0	0	0	0	0
Foreign exchange	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Cash flow hedges	**4,547**	**161**	**12**	**831**	**20**	**1**
Interest rate	4,000	160	10	831	20	1
Equity	0	0	0	0	0	0
Foreign exchange	547	0	2	0	0	0
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**	**24,740**	**2,417**	**683**
Offset		-77	-21		-208	-41
Total		**2,192**	**593**		**2,208**	**642**

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	Sep 16
Prepayments and accrued income	197	190
Inventories	270	261
Sundry assets	750	802
Other assets	**1,217**	**1,254**

21. Other trading liabilities

in EUR million	Dec 15	Sep 16
Short positions	382	316
Equity instruments	191	249
Debt securities	191	68
Debt securities issued	51	56
Sundry trading liabilities	0	967
Other trading liabilities	**434**	**1,339**

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

Debt securities issued

in EUR million	Dec 15	Sep 16
Subordinated liabilities	423	560
Subordinated issues	423	560
Supplementary capital	0	0
Hybrid issues	0	0
Other debt securities issued	1,335	1,098
Bonds	953	797
Certificates of deposit	0	0
Other certificates of deposits/name certificates	74	70
Mortgage covered bonds	308	232
Public sector covered bonds	0	0
Other	0	0
Debt securities issued	**1,758**	**1,658**

23. Financial liabilities measured at amortised costs

Deposits from banks

in EUR million	Dec 15	Sep 16
Overnight deposits	3,272	4,620
Term deposits	9,665	9,711
Repurchase agreements	1,275	897
Deposits from banks	**14,212**	**15,228**

Deposits from customers

in EUR million	Dec 15	Sep 16
Overnight deposits	**73,716**	**81,363**
Savings deposits	19,066	21,907
General governments	0	0
Other financial corporations	191	286
Non-financial corporations	1,154	1,237
Households	17,721	20,383
Non-savings deposits	54,651	59,456
General governments	3,398	4,167
Other financial corporations	4,402	4,487
Non-financial corporations	16,625	17,812
Households	30,225	32,991
Term deposits	**53,671**	**52,165**
Deposits with agreed maturity	48,842	47,214
Savings deposits	34,142	31,890
General governments	0	0
Other financial corporations	1,060	655
Non-financial corporations	1,447	1,534
Households	31,635	29,701
Non-savings deposits	14,700	15,324
General governments	1,764	2,591
Other financial corporations	2,153	2,238
Non-financial corporations	3,006	2,959
Households	7,776	7,536
Deposits redeemable at notice	4,829	4,951
General governments	0	1
Other financial corporations	69	56
Non-financial corporations	163	82
Households	4,597	4,813
Repurchase agreements	**410**	**416**
General governments	304	310
Other financial corporations	11	3
Non-financial corporations	95	102
Households	0	0
Deposits from customers	**127,797**	**133,944**
General governments	**5,466**	**7,069**
Other financial corporations	**7,886**	**7,724**
Non-financial corporations	**22,490**	**23,727**
Households	**91,955**	**95,424**

Debt securities issued

in EUR million	Dec 15	Sep 16
Subordinated liabilities	5,815	5,663
Subordinated issues	5,068	5,333
Supplementary capital	393	330
Hybrid issues	354	0
Other debt securities issued	22,081	19,979
Bonds	11,355	10,008
Certificates of deposit	120	107
Other certificates of deposits/name certificates	1,138	905
Mortgage covered bonds	7,699	7,376
Public sector covered bonds	1,559	1,455
Other	209	128
Debt securities issued	**27,896**	**25,642**

24. Provisions

in EUR million	Dec 15	Sep 16
Long-term employee provisions	1,010	1,073
Pending legal issues and tax litigation	258	246
Commitments and guarantees given	297	336
Provisions for guarantees - off balance sheet (defaulted customers)	179	201
Provisions for guarantees - off balance sheet (non-defaulted customers)	118	135
Other provisions	171	103
Provisions for onerous contracts	5	5
Other	166	98
Provisions	**1,736**	**1,758**

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 reduced as of 30 September 2016 to 1.20% (31 December 2015: 2.45%) in order to reflect the lower interest rate levels. The expected collective agreement trend was reduced to 1.50% (31 December 2015: 1.70%). All other valuation parameters remained unchanged. According to IAS 19 the resulting measurement adjustments for pension and severance payment provisions amounting to EUR -109.2 million (before tax) have been recognised in other comprehensive income and those for jubilee provisions, an amount of EUR -8.3 million, have been considered in the income statement.

25. Other liabilities

in EUR million	Dec 15	Sep 16
Deferred income and accrued fee expenses	232	231
Sundry liabilities	2,084	2,496
Other liabilities	**2,317**	**2,727**

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 segment 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 sporitel'ňa Group)
_ **Romania** (comprising Banca Comercială Română Group)
_ **Hungary** (comprising Erste Bank Hungary Group)
_ **Croatia** (comprising Erste Bank Croatia Group), and
_ **Serbia** (comprising Erste Bank Serbia Group).

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

	Retail		Corporates		Group Markets		ALM&LCC	
in EUR million	**1-9 15**	**1-9 16**	**1-9 15**	**1-9 16**	**1-9 15**	**1-9 16**	**1-9 15**	**1-9 16**
Net interest income	1,662.4	1,626.1	750.9	747.6	168.5	162.6	36.6	-50.5
Net fee and commission income	767.9	715.2	191.8	190.9	146.8	145.3	-45.5	-43.3
Dividend income	1.8	2.0	0.0	0.6	1.5	1.3	13.5	8.9
Net trading and fair value result	54.5	73.3	59.7	60.8	56.8	66.5	-43.5	-8.2
Net result from equity method investments	3.1	5.3	0.0	0.0	0.0	0.0	7.5	3.4
Rental income from investment properties & other operating leases	16.8	16.3	87.6	85.5	0.0	0.0	13.2	23.6
General administrative expenses	-1,368.5	-1,385.6	-409.4	-410.7	-166.1	-155.4	-50.0	-79.2
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.0	0.0	4.8	3.3	1.4	2.4	22.1	130.8
Net impairment loss on financial assets not measured at fair value through profit or loss	-254.8	-21.9	-175.3	-1.3	7.1	8.6	-7.0	-7.7
Other operating result	-179.1	-22.1	-43.2	-19.0	-4.3	3.7	-114.1	-83.9
Levies on banking activities	-31.7	-32.1	-10.6	-11.2	-1.4	-1.2	-59.1	-32.4
Pre-tax result from continuing operations	**704.0**	**1,008.6**	**467.0**	**657.4**	**211.6**	**235.0**	**-167.2**	**-106.1**
Taxes on income	-150.6	-202.4	-106.1	-127.8	-45.8	-52.2	38.4	33.5
Net result for the period	**553.4**	**806.2**	**360.9**	**529.6**	**165.9**	**182.8**	**-128.8**	**-72.6**
Net result attributable to non-controlling interests	-16.6	32.3	24.1	28.8	4.5	5.8	1.9	2.4
Net result attributable to owners of the parent	**570.0**	**774.0**	**336.8**	**500.8**	**161.4**	**177.0**	**-130.7**	**-75.0**
Operating income	2,506.3	2,438.2	1,090.0	1,085.2	373.6	375.7	-18.2	-66.2
Operating expenses	-1,368.5	-1,385.6	-409.4	-410.7	-166.1	-155.4	-50.0	-79.2
Operating result	**1,137.9**	**1,052.6**	**680.6**	**674.5**	**207.5**	**220.2**	**-68.2**	**-145.4**
Risk-weighted assets (credit risk, eop)	18,345	17,606	34,033	33,812	4,169	4,185	5,901	4,941
Average allocated capital	2,470	2,350	3,254	3,141	711	643	2,208	2,220
Cost/income ratio	54.6%	56.8%	37.6%	37.8%	44.5%	41.4%	>100.0%	>100.0%
Return on allocated capital	30.0%	45.8%	14.8%	22.5%	31.2%	38.0%	-7.8%	-4.4%
Total assets (eop)	49,979	52,435	46,262	46,272	25,338	29,286	49,989	51,058
Total liabilities excluding equity (eop)	68,269	73,256	21,934	24,287	19,364	22,257	54,831	49,288
Impairments and risk provisions	**-253.6**	**-25.4**	**-257.8**	**-29.9**	**7.1**	**8.4**	**-26.1**	**-48.4**
Net impairment loss on loans and receivables to credit institutions/customers	-254.8	-22.0	-175.4	-1.0	7.1	8.6	-6.5	-7.7
Net impairment loss on other financial assets not measured at fair value through profit or loss	0.0	0.1	0.1	-0.4	0.0	0.0	-0.5	0.1
Allocations/releases of provisions for contingent credit risk liabilities	1.4	-0.5	-77.3	-13.8	0.0	-0.2	-11.5	2.3
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	-3.0	-5.3	-14.7	0.0	0.0	-7.6	-43.0

Business segments (2)

in EUR million	Savings Banks 1-9 15	Savings Banks 1-9 16	Group Corporate Center 1-9 15	Group Corporate Center 1-9 16	Intragroup Elimination 1-9 15	Intragroup Elimination 1-9 16	Total Group 1-9 15	Total Group 1-9 16
Net interest income	679.7	712.6	52.8	59.8	-26.6	9.4	3,324.3	3,267.5
Net fee and commission income	319.7	311.5	15.6	6.0	-23.6	-5.7	1,372.6	1,319.8
Dividend income	18.1	14.7	8.6	10.9	-0.2	-2.1	43.3	36.2
Net trading and fair value result	14.1	-0.7	16.9	0.9	34.4	-0.8	193.0	191.6
Net result from equity method investments	0.0	0.0	3.7	-2.9	0.0	0.0	14.4	5.9
Rental income from investment properties & other operating leases	30.7	29.6	13.2	12.1	-17.9	-28.4	143.5	138.7
General administrative expenses	-714.6	-745.0	-504.5	-678.5	360.8	491.4	-2,852.4	-2,963.0
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	28.6	11.9	3.0	0.1	-1.1	-0.7	58.8	147.7
Net impairment loss on financial assets not measured at fair value through profit or loss	-42.6	-36.2	-45.8	-4.7	0.0	0.0	-518.4	-63.2
Other operating result	-0.8	-34.1	289.6	366.1	-325.6	-463.1	-377.4	-252.4
Levies on banking activities	-10.8	-11.3	-74.1	-63.4	0.0	0.0	-187.7	-151.7
Pre-tax result from continuing operations	**332.9**	**264.1**	**-146.9**	**-230.3**	**0.0**	**-0.1**	**1,401.5**	**1,828.7**
Taxes on income	-61.8	-76.3	-36.4	21.2	0.0	0.0	-362.3	-403.9
Net result for the period	**271.1**	**187.8**	**-183.2**	**-209.0**	**0.0**	**-0.1**	**1,039.2**	**1,424.8**
Net result attributable to non-controlling interests	234.6	157.7	26.5	18.7	0.0	0.0	275.0	245.6
Net result attributable to owners of the parent	**36.5**	**30.2**	**-209.8**	**-227.8**	**0.0**	**-0.1**	**764.2**	**1,179.2**
Operating income	1,062.3	1,067.6	110.9	86.8	-34.1	-27.7	5,090.9	4,959.7
Operating expenses	-714.6	-745.0	-504.5	-678.5	360.8	491.4	-2,852.4	-2,963.0
Operating result	**347.6**	**322.6**	**-393.6**	**-591.7**	**326.7**	**463.7**	**2,238.5**	**1,996.6**
Risk-weighted assets (credit risk, eop)	22,191	21,227	1,205	1,250	0	0	85,844	83,021
Average allocated capital	2,111	2,095	3,311	5,178	0	0	14,065	15,628
Cost/income ratio	67.3%	69.8%	>100.0%	>100.0%	>100.0%	>100.0%	56.0%	59.7%
Return on allocated capital	17.2%	12.0%	-7.4%	-5.4%			9.9%	12.2%
Total assets (eop)	56,916	58,217	10,359	3,737	-37,672	-34,194	201,171	206,811
Total liabilities excluding equity (eop)	52,868	53,869	7,214	1,486	-37,746	-34,159	186,734	190,282
Impairments and risk provisions	**-40.1**	**-25.8**	**13.4**	**-37.3**	**0.0**	**0.0**	**-557.2**	**-158.4**
Net impairment loss on loans and receivables to credit institutions/customers	-41.9	-35.0	-43.4	-5.0	0.0	0.0	-514.9	-62.1
Net impairment loss on other financial assets not measured at fair value through profit or loss	-0.7	-1.3	-2.4	0.3	0.0	0.0	-3.5	-1.1
Allocations/releases of provisions for contingent credit risk liabilities	3.3	10.5	68.9	-27.1	0.0	0.0	-15.2	-28.9
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	-0.8	-0.1	-9.7	-5.5	0.0	0.0	-23.6	-66.3

Geographical segmentation - overview

	Austria		Central and Eastern Europe		Other		Total Group	
in EUR million	**1-9 15**	**1-9 16**	**1-9 15**	**1-9 16**	**1-9 15**	**1-9 16**	**1-9 15**	**1-9 16**
Net interest income	1,472.0	1,481.7	1,756.0	1,675.1	96.2	110.7	3,324.3	3,267.5
Net fee and commission income	746.3	704.8	664.0	645.1	-37.7	-30.1	1,372.6	1,319.8
Dividend income	30.2	23.9	4.7	3.5	8.4	8.8	43.3	36.2
Net trading and fair value result	19.5	26.2	154.2	177.8	19.2	-12.4	193.0	191.6
Net result from equity method investments	2.1	1.5	8.5	7.3	3.7	-2.9	14.4	5.9
Rental income from investment properties & other operating leases	76.3	87.3	51.4	45.2	15.8	6.2	143.5	138.7
General administrative expenses	-1,433.1	-1,486.2	-1,242.9	-1,257.8	-176.4	-219.0	-2,852.4	-2,963.0
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	34.9	31.8	8.4	121.8	15.4	-5.8	58.8	147.7
Net impairment loss on financial assets not measured at fair value through profit or loss	-141.6	-73.0	-325.2	20.6	-51.6	-10.8	-518.4	-63.2
Other operating result	-41.3	-9.4	-294.1	-142.5	-42.0	-100.5	-377.4	-252.4
Levies on banking activities	-21.5	-22.2	-92.1	-66.1	-74.1	-63.4	-187.7	-151.7
Pre-tax result from continuing operations	**765.4**	**788.4**	**785.1**	**1,296.2**	**-149.0**	**-255.9**	**1,401.5**	**1,828.7**
Taxes on income	-164.2	-200.1	-160.8	-230.2	-37.3	26.4	-362.3	-403.9
Net result for the period	**601.2**	**588.4**	**624.3**	**1,066.0**	**-186.3**	**-229.5**	**1,039.2**	**1,424.8**
Net result attributable to non-controlling interests	253.9	170.8	-5.4	56.2	26.5	18.7	275.0	245.6
Net result attributable to owners of the parent	**347.4**	**417.6**	**629.6**	**1,009.8**	**-212.8**	**-248.2**	**764.2**	**1,179.2**
Operating income	2,346.4	2,325.2	2,638.8	2,554.1	105.7	80.3	5,090.9	4,959.7
Operating expenses	-1,433.1	-1,486.2	-1,242.9	-1,257.8	-176.4	-219.0	-2,852.4	-2,963.0
Operating result	**913.3**	**839.1**	**1,395.9**	**1,296.3**	**-70.7**	**-138.7**	**2,238.5**	**1,996.6**
Risk-weighted assets (credit risk, eop)	50,175	47,371	34,016	33,927	1,653	1,723	85,844	83,021
Average allocated capital	5,118	4,913	4,605	4,522	4,342	6,192	14,065	15,628
Cost/income ratio	61.1%	63.9%	47.1%	49.2%	>100.0%	>100.0%	56.0%	59.7%
Return on allocated capital	15.7%	16.0%	18.1%	31.5%	-5.7%	-5.0%	9.9%	12.2%
Total assets (eop)	133,616	137,820	79,217	85,540	-11,661	-16,549	201,171	206,811
Total liabilities excluding equity (eop)	110,185	113,660	71,141	76,018	5,408	604	186,734	190,282
Impairments and risk provisions	**-226.9**	**-47.0**	**-331.6**	**-69.4**	**1.3**	**-42.0**	**-557.2**	**-158.4**
Net impairment loss on loans and receivables to credit institutions/customers	-140.9	-71.9	-324.8	20.9	-49.2	-11.1	-514.9	-62.1
Net impairment loss on other financial assets not measured at fair value through profit or loss	-0.7	-1.1	-0.4	-0.3	-2.4	0.3	-3.5	-1.1
Allocations/releases of provisions for contingent credit risk liabilities	-74.4	40.2	-3.5	-43.4	62.7	-25.7	-15.2	-28.9
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	-11.0	-14.2	-2.9	-46.6	-9.7	-5.5	-23.6	-66.3

Geographical area - Austria

in EUR million	EBOe & Subsidiaries 1-9 15	EBOe & Subsidiaries 1-9 16	Savings Banks 1-9 15	Savings Banks 1-9 16	Other Austria 1-9 15	Other Austria 1-9 16	Austria 1-9 15	Austria 1-9 16
Net interest income	478.1	475.5	679.7	712.6	314.2	293.6	1,472.0	1,481.7
Net fee and commission income	276.3	249.1	319.7	311.5	150.3	144.2	746.3	704.8
Dividend income	9.9	6.8	18.1	14.7	2.2	2.4	30.2	23.9
Net trading and fair value result	-1.6	12.2	14.1	-0.7	7.0	14.7	19.5	26.2
Net result from equity method investments	1.4	0.8	0.0	0.0	0.7	0.7	2.1	1.5
Rental income from investment properties & other operating leases	14.4	14.4	30.7	29.6	31.2	43.3	76.3	87.3
General administrative expenses	-465.0	-483.3	-714.6	-745.0	-253.5	-257.8	-1,433.1	-1,486.2
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.0	14.1	28.6	11.9	6.3	5.8	34.9	31.8
Net impairment loss on financial assets not measured at fair value through profit or loss	-29.0	-8.3	-42.6	-36.2	-69.9	-28.5	-141.6	-73.0
Other operating result	-7.3	0.6	-0.8	-34.1	-33.2	24.1	-41.3	-9.4
Levies on banking activities	-10.7	-10.8	-10.8	-11.3	0.0	0.0	-21.5	-22.2
Pre-tax result from continuing operations	**277.3**	**281.7**	**332.9**	**264.1**	**155.2**	**242.6**	**765.4**	**788.4**
Taxes on income	-65.9	-72.8	-61.8	-76.3	-36.5	-51.0	-164.2	-200.1
Net result for the period	**211.4**	**208.9**	**271.1**	**187.8**	**118.8**	**191.6**	**601.2**	**588.4**
Net result attributable to non-controlling interests	9.2	9.1	234.6	157.7	10.1	4.0	253.9	170.8
Net result attributable to owners of the parent	**202.2**	**199.8**	**36.5**	**30.2**	**108.7**	**187.6**	**347.4**	**417.6**
Operating income	778.5	758.7	1,062.3	1,067.6	505.6	498.9	2,346.4	2,325.2
Operating expenses	-465.0	-483.3	-714.6	-745.0	-253.5	-257.8	-1,433.1	-1,486.2
Operating result	**313.6**	**275.4**	**347.6**	**322.6**	**252.1**	**241.1**	**913.3**	**839.1**
Risk-weighted assets (credit risk, eop)	12,504	12,010	22,191	21,227	15,480	14,134	50,175	47,371
Average allocated capital	1,278	1,271	2,111	2,095	1,728	1,548	5,118	4,913
Cost/income ratio	59.7%	63.7%	67.3%	69.8%	50.1%	51.7%	61.1%	63.9%
Return on allocated capital	22.1%	22.0%	17.2%	12.0%	9.2%	16.5%	15.7%	16.0%
Total assets (eop)	40,284	40,618	56,916	58,217	36,415	38,984	133,616	137,820
Total liabilities excluding equity (eop)	38,726	39,027	52,868	53,869	18,591	20,764	110,185	113,660
Impairments and risk provisions	**-36.5**	**-4.1**	**-40.1**	**-25.8**	**-150.3**	**-17.1**	**-226.9**	**-47.0**
Net impairment loss on loans and receivables to credit institutions/customers	-29.0	-8.3	-41.9	-35.0	-70.0	-28.7	-140.9	-71.9
Net impairment loss on other financial assets not measured at fair value through profit or loss	0.0	0.0	-0.7	-1.3	0.1	0.2	-0.7	-1.1
Allocations/releases of provisions for contingent credit risk liabilities	-1.1	4.7	3.3	10.5	-76.7	25.0	-74.4	40.2
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	-6.4	-0.5	-0.8	-0.1	-3.7	-13.6	-11.0	-14.2

Geographical area - Central and Eastern Europe

	Czech Republic		Romania		Slovakia		Hungary		Croatia		Serbia		Central and Eastern Europe	
in EUR million	**1-9 15**	**1-9 16**	**1-9 15**	**1-9 16**	**1-9 15**	**1-9 16**	**1-9 15**	**1-9 16**	**1-9 15**	**1-9 16**	**1-9 15**	**1-9 16**	**1-9 15**	**1-9 16**
Net interest income	687.0	686.4	332.0	285.7	342.1	339.6	160.8	129.7	203.0	199.1	31.1	34.6	1,756.0	1,675.1
Net fee and commission income	275.2	255.1	119.7	118.8	92.9	92.6	103.5	103.9	63.5	66.6	9.1	8.2	664.0	645.1
Dividend income	2.4	2.1	1.2	0.6	0.7	0.7	0.2	0.1	0.2	0.2	0.0	0.0	4.7	3.5
Net trading and fair value result	81.8	71.3	52.3	56.4	6.0	9.4	1.7	14.6	10.0	23.6	2.5	2.5	154.2	177.8
Net result from equity method investments	0.0	0.0	0.4	0.3	6.8	4.4	0.0	0.0	1.0	2.5	0.2	0.1	8.5	7.3
Rental income from investment properties & other operating leases	21.2	14.1	6.7	8.5	1.4	0.8	0.7	2.9	21.2	18.6	0.2	0.2	51.4	45.2
General administrative expenses	-498.4	-489.4	-249.1	-248.9	-195.3	-205.5	-132.0	-139.7	-139.3	-144.7	-28.7	-29.7	-1,242.9	-1,257.8
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	11.8	52.6	1.1	24.9	0.0	26.7	-4.7	9.0	0.2	8.5	0.0	0.0	8.4	121.8
Net impairment loss on financial assets not measured at fair value through profit or loss	-68.8	-39.3	-12.4	50.8	-32.7	-30.5	-93.1	71.0	-111.3	-28.6	-6.8	-2.8	-325.2	20.6
Other operating result	-32.2	-22.1	-20.4	-28.3	-21.9	-11.5	-75.4	-74.5	-144.0	-5.5	-0.3	-0.6	-294.1	-142.5
Levies on banking activities	0.0	0.0	0.0	0.0	-17.5	-18.6	-74.6	-47.4	0.0	0.0	0.0	0.0	-92.1	-66.1
Pre-tax result from continuing operations	**480.1**	**530.8**	**231.6**	**268.7**	**200.1**	**226.7**	**-38.5**	**117.0**	**-95.6**	**140.4**	**7.4**	**12.5**	**785.1**	**1,296.2**
Taxes on income	-91.5	-109.1	-33.5	-27.3	-47.2	-56.0	-7.6	-7.5	18.9	-29.7	0.0	-0.7	-160.8	-230.2
Net result for the period	**388.5**	**421.7**	**198.2**	**241.4**	**152.9**	**170.7**	**-46.1**	**109.6**	**-76.7**	**110.7**	**7.4**	**11.8**	**624.3**	**1,066.0**
Net result attributable to non-controlling interests	3.9	4.6	12.8	15.5	0.0	0.0	0.0	0.0	-23.5	33.8	1.4	2.3	-5.4	56.2
Net result attributable to owners of the parent	**384.6**	**417.2**	**185.4**	**225.9**	**152.9**	**170.7**	**-46.1**	**109.6**	**-53.2**	**76.9**	**6.0**	**9.5**	**629.6**	**1,009.8**
Operating income	1,067.8	1,029.1	512.4	470.2	450.0	447.5	266.7	251.2	298.8	310.6	43.2	45.6	2,638.8	2,554.1
Operating expenses	-498.4	-489.4	-249.1	-248.9	-195.3	-205.5	-132.0	-139.7	-139.3	-144.7	-28.7	-29.7	-1,242.9	-1,257.8
Operating result	**569.3**	**539.7**	**263.3**	**221.3**	**254.7**	**242.0**	**134.7**	**111.5**	**159.4**	**165.9**	**14.5**	**15.9**	**1,395.9**	**1,296.3**
Risk-weighted assets (credit risk, eop)	14,390	15,384	5,618	5,467	4,869	4,503	3,338	3,447	5,078	4,227	723	899	34,016	33,927
Average allocated capital	1,690	1,739	1,117	986	637	650	518	485	549	548	95	115	4,605	4,522
Cost/income ratio	46.7%	47.6%	48.6%	52.9%	43.4%	45.9%	49.5%	55.6%	46.6%	46.6%	66.5%	65.2%	47.1%	49.2%
Return on allocated capital	30.7%	32.4%	23.7%	32.7%	32.1%	35.1%	-11.9%	30.2%	-18.7%	27.0%	10.5%	13.7%	18.1%	31.5%
Total assets (eop)	35,286	40,185	13,587	14,507	13,792	14,683	6,211	6,225	9,435	8,821	905	1,119	79,217	85,540
Total liabilities excluding equity (eop)	31,462	35,803	12,286	12,947	12,455	13,149	5,688	5,347	8,478	7,796	772	975	71,141	76,018
Impairments and risk provisions	**-68.5**	**-82.9**	**-17.1**	**45.7**	**-30.6**	**-28.9**	**-92.8**	**37.4**	**-116.0**	**-37.3**	**-6.6**	**-3.4**	**-331.6**	**-69.4**
Net impairment loss on loans and receivables to credit institutions/customers	-68.8	-39.6	-12.1	50.9	-32.7	-30.4	-93.1	71.0	-111.2	-28.1	-6.8	-2.8	-324.8	20.9
Net impairment loss on other financial assets not measured at fair value through profit or loss	0.0	0.2	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	-0.5	0.0	0.0	-0.4	-0.3
Allocations/releases of provisions for contingent credit risk liabilities	-3.9	-13.2	-1.3	5.5	3.9	1.1	0.5	-33.6	-3.0	-2.2	0.3	-1.0	-3.5	-43.4
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	4.2	-30.3	-3.4	-10.6	-1.7	0.5	-0.2	-0.1	-1.7	-6.5	-0.1	0.4	-2.9	-46.6

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 2.6% or EUR 5.5 billion from EUR 212.2 billion as of 31 December 2015 to EUR 217.7 billion as of 30 September 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 30 September 2016			
Cash and cash balances - other demand deposits	2,453	0	2,453
Loans and receivables to credit institutions	5,198	7	5,191
Loans and receivables to customers	133,933	4,975	128,985
Financial assets - held to maturity	18,453	2	18,451
Financial assets - held for trading	4,328	0	4,328
Financial assets - at fair value through profit or loss	295	0	295
Financial assets - available for sale	18,973	0	18,973
Positive fair value of derivatives	7,506	0	7,506
Contingent credit risk liabilities	26,519	309	--
Total	**217,657**	**5,293**	**186,181**
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 net 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	Loans and receivables to customers	Debt securities: Financial assets - held to maturity	Debt securities: Financial assets - held for trading	Debt securities: Financial assets - at fair value through profit or loss	Debt securities: Financial assets - available-for-sale	Positive fair value of derivatives	Contingent credit risk liabilities	Gross exposure
		At amortised cost			At fair value					
Sep 16										
Sovereigns	3	1,987	7,364	17,648	3,524	43	15,109	346	1,572	47,596
Institutions	2,433	2,486	110	488	434	123	1,758	6,640	277	14,750
Corporates	16	724	58,210	317	370	129	2,106	519	18,299	80,690
Retail	0	0	68,248	0	0	0	0	1	6,372	74,621
Total	**2,453**	**5,198**	**133,933**	**18,453**	**4,328**	**295**	**18,973**	**7,506**	**26,519**	**217,657**
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 30 September 2016					
Agriculture and forestry	1,940	496	37	165	2,639
Mining	643	54	3	110	809
Manufacturing	11,877	1,347	178	920	14,321
Energy and water supply	3,495	368	28	132	4,024
Construction	7,916	1,259	124	686	9,985
Development of building projects	3,758	457	22	242	4,480
Trade	8,033	1,848	144	737	10,762
Transport and communication	6,004	415	51	173	6,643
Hotels and restaurants	2,714	850	159	486	4,210
Financial and insurance services	25,190	634	59	166	26,050
Holding companies	2,158	138	45	125	2,466
Real estate and housing	20,157	2,923	262	997	24,340
Services	8,199	1,232	131	385	9,947
Public administration	39,118	646	4	33	39,802
Education, health and art	2,380	452	34	240	3,107
Households	51,650	5,526	600	2,508	60,284
Other	419	3	300	15	736
Total	**189,737**	**18,054**	**2,113**	**7,752**	**217,657**
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 30 September 2016					
Core markets	**158,920**	**16,249**	**1,970**	**6,979**	**184,118**
Austria	83,933	8,156	1,220	2,460	95,769
Czech Republic	32,878	2,893	190	932	36,893
Romania	11,554	1,917	120	1,231	14,822
Slovakia	16,381	1,077	95	701	18,254
Hungary	6,515	698	133	592	7,938
Croatia	6,856	1,057	196	928	9,037
Serbia	801	452	15	136	1,404
Other EU	**23,856**	**1,197**	**77**	**517**	**25,647**
Other industrialised countries	**3,910**	**152**	**6**	**58**	**4,127**
Emerging markets	**3,052**	**456**	**60**	**198**	**3,765**
Southeastern Europe/CIS	1,473	280	55	175	1,983
Asia	995	96	1	1	1,093
Latin America	73	28	1	17	119
Middle East/Africa	511	52	1	5	570
Total	**189,737**	**18,054**	**2,113**	**7,752**	**217,657**
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 30 September 2016					
Retail	45,894	5,241	550	2,316	54,000
Corporates	50,304	5,430	508	3,334	59,575
Group Markets	17,757	507	10	5	18,278
Asset/Liability Management and Local Corporate Center	28,996	323	128	8	29,456
Savings Banks	46,711	6,507	854	2,083	56,155
Group Corporate Center	75	47	63	7	193
Total	**189,737**	**18,054**	**2,113**	**7,752**	**217,657**
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 30 September 2016					
Austria	110,338	10,565	1,379	3,792	126,074
EBOe & Subsidiaries	34,768	2,689	394	842	38,693
Savings Banks	46,711	6,507	854	2,083	56,155
Other Austria	28,859	1,369	132	867	31,227
Central and Eastern Europe	71,699	7,437	671	3,918	83,725
Czech Republic	33,634	2,759	180	769	37,341
Romania	10,627	1,945	119	1,172	13,864
Slovakia	14,008	938	86	592	15,623
Hungary	5,543	500	103	517	6,662
Croatia	7,141	946	168	806	9,061
Serbia	746	350	15	63	1,174
Other	7,701	52	63	42	7,858
Total	**189,737**	**18,054**	**2,113**	**7,752**	**217,657**
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 30 September 2016					
Retail	41,057	4,881	524	2,296	48,758
Corporates	35,694	4,529	423	2,996	43,642
Group Markets	1,007	124	0	0	1,131
Asset/Liability Management and Local Corporate Center	167	24	0	7	198
Savings Banks	31,939	5,507	718	2,009	40,173
Group Corporate Center	16	12	1	2	31
Total	**109,881**	**15,077**	**1,666**	**7,308**	**133,933**
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 30 September 2016					
Austria	69,704	8,889	1,070	3,628	83,291
Erste Bank Oesterreich & Subsidiaries	27,558	2,380	247	799	30,985
Savings Banks	31,939	5,507	718	2,009	40,173
Other Austria	10,206	1,001	105	821	12,133
Central and Eastern Europe	40,077	6,177	595	3,645	50,495
Czech Republic	18,515	2,287	156	720	21,678
Romania	5,381	1,552	111	1,084	8,128
Slovakia	8,712	883	60	527	10,182
Hungary	2,455	478	102	461	3,497
Croatia	4,410	865	151	793	6,219
Serbia	605	111	15	61	791
Other	100	12	1	35	147
Total	**109,881**	**15,077**	**1,666**	**7,308**	**133,933**
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 30 September 2016					
Retail	2,296	48,758	1,667	4.7%	72.6%
Corporates	2,996	43,642	2,059	6.9%	68.7%
Group Markets	0	1,131	3	0.0%	4,242.8%
Asset/Liability Management and Local Corporate Center	7	198	-1	3.3%	-12.5%
Savings Banks	2,009	40,173	1,203	5.0%	59.9%
Group Corporate Center	2	31	17	5.5%	1,000.9%
Total	**7,308**	**133,933**	**4,948**	**5.5%**	**67.7%**
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%	7,240.8%
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 30 September 2016					
Austria	3,628	83,291	2,180	4.4%	60.1%
Erste Bank Oesterreich & Subsidiaries	799	30,985	492	2.6%	61.5%
Savings Banks	2,009	40,173	1,203	5.0%	59.9%
Other Austria	821	12,133	485	6.8%	59.2%
Central and Eastern Europe	3,645	50,495	2,718	7.2%	74.6%
Czech Republic	720	21,678	578	3.3%	80.2%
Romania	1,084	8,128	863	13.3%	79.7%
Slovakia	527	10,182	349	5.2%	66.3%
Hungary	461	3,497	318	13.2%	69.0%
Croatia	793	6,219	551	12.8%	69.5%
Serbia	61	791	58	7.7%	96.0%
Other	35	147	50	23.6%	144.1%
Total	**7,308**	**133,933**	**4,948**	**5.5%**	**67.7%**
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 30 September 2016						
Austria	74,176	0	5,363	2,193	1,559	83,291
Erste Bank Oesterreich & Subsidiaries	28,610	0	2,141	79	155	30,985
Savings Banks	36,140	0	3,079	52	901	40,173
Other Austria	9,426	0	142	2,061	503	12,133
Central and Eastern Europe	22,143	27,588	182	475	107	50,495
Czech Republic	2,566	18,936	1	88	88	21,678
Romania	3,983	3,933	0	212	0	8,128
Slovakia	10,128	0	0	40	14	10,182
Hungary	585	2,819	68	25	0	3,497
Croatia	4,276	1,733	99	106	5	6,219
Serbia	605	167	14	5	0	791
Other	104	34	0	8	0	147
Total	**96,424**	**27,623**	**5,545**	**2,676**	**1,666**	**133,933**
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	Sep 16
Interest	2.1	1.4
Currency	0.6	0.7
Shares	1.1	1.3
Commodity	0.1	0.4
Volatility	0.5	0.5
Total	**2.9**	**2.0**

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

Due to the comfortable liquidity position and the usage of the TLTRO II programme (Targeted Longer-Term Refinancing Operations II) of the European Central Bank, Erste Group Bank has reduced its budgeted long term issuance for 2016 from EUR 2.6 billion to 1.85 billion. The planned issuance structure includes the issuance of one benchmark covered bond (EUR 750 million, reduced from 2 billion) while the remaining amount is split between senior unsecured (EUR 400 million), Tier 2 (EUR 200 million) and AT1 capital (EUR 500 million) issues. As year-to-date issuance already amounted to EUR 1.71 billion, 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 30 September 2016, the leverage ratio for Erste Group Bank AG at consolidated level amounted to 6.1% (Basel 3 final), comfortably above the 3.0% minimum requirement expected to apply from 2018. Core capital amounted to EUR 13.5 billion at the reference date, while total leverage exposure stood at EUR 220.5 billion.

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 29.0% 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 0.8 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 103.0 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 0.3 million (EUR 2.9 million). The interest income of Erste Group in the reporting period amounted to EUR 5.3 million (EUR 6.2 million) while the interest expenses amounted to EUR 3.3 million (EUR 6.0 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 -36.0 million (EUR -43.9 million) and the total DVA-adjustment amounts to EUR 8.2 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				Sep 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	2,955	6,575	201	9,731
Derivatives	2	5,158	143	5,303	18	5,135	144	5,297
Other trading assets	2,798	611	7	3,416	2,937	1,440	57	4,433
Financial assets - at fair value through profit or loss	221	88	50	359	360	68	49	477
Financial assets - available for sale	17,759	2,306	627	20,692	17,533	2,107	705	20,345
Derivatives - hedge accounting	0	2,191	0	2,191	4	2,205	0	2,208
Assets held for sale	0	0	0	0	0	0	0	0
Total assets	**20,780**	**10,353**	**827**	**31,961**	**20,851**	**10,954**	**955**	**32,760**
Liabilities								
Financial liabilities - held for trading	363	5,503	1	5,867	322	5,950	0	6,272
Derivatives	14	5,418	1	5,434	11	4,922	0	4,933
Other trading liabilities	349	85	0	434	311	1,028	0	1,339
Financial liabilities - at fair value through profit or loss	0	1,907	0	1,907	0	1,737	0	1,737
Deposits from customers	0	149	0	149	0	79	0	79
Debt securities issued	0	1,758	0	1,758	0	1,658	0	1,658
Other financial liabilities	0	0	0	0	0	0	0	0
Derivatives - hedge accounting	0	593	0	593	0	642	0	642
Total liabilities	**363**	**8,002**	**1**	**8,367**	**323**	**8,328**	**0**	**8,651**

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		Sep 16	
in EUR million	Level 1	Level 2	Level 1	Level 2
Securities				
Net transfer from Level 1	0	-839	0	111
Net transfer from Level 2	839	0	-111	0
Net transfer from Level 3	-6	-58	-157	-131
Purchases/sales/expiries	617	-2,363	318	631
Changes in derivatives	1	-2,565	20	-9
Total year-to-date change	**1,451**	**-5,825**	**71**	**601**

Level 1 Movements in the reporting period. Level 1 financial assets increased by EUR 71 million. The change in volume of Level 1 securities (increase by EUR 51 million) was determined on the one hand by matured or sold assets in the amount of EUR 3,464 million and on the other hand by new investments in the amount of EUR 3,507 million. The volume growth for securities that were allocated to Level 1 at both reporting dates amounted to EUR 177 million (due to purchases and partial sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 100 million could be reclassified from Level 2 to Level 1. This applied to securities issued by financial institutions (EUR 46 million), to securities issued by governments (EUR 20 million) and other corporates (EUR 34 million). Due to lower market activity and change to modelled fair value, securities in total of EUR 211 million have been moved from Level 1 to Level 2. This applies to securities issued by financial institutions (EUR 83 million) and other corporates (EUR 85 million) as well as securities issued by governments (EUR 42 million). Level 3 instruments in the amount of EUR 1 million were reclassified to Level 1. Securities in the amount of EUR 157 million moved from Level 1 to Level 3. The remaining change in the amount of EUR 97 million was due to partial sales and fair value changes of reclassified instruments. Level 1 derivatives increased by EUR 20 million.

Level 2 Movements in the reporting period. The total amount of Level 2 financial assets increased by EUR 601 million compared to year end 2015. The change in volume of Level 2 securities (increase by EUR 610 million) was determined on the one hand by matured or sold assets in the amount of EUR 512 million and on the other hand by new investments in the amount of EUR 420 million. The decrease in volume for securities that were allocated to Level 2 at both reporting dates amounted to EUR 2 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 211 million have been moved from Level 1 to Level 2. But due to improved market liquidity, assets in the amount of EUR 100 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 177 million. On the other hand, securities in the amount of EUR 45 million could be reclassified from Level 3 to Level 2. Loans and advances measured at fair value increased by EUR 711 million in the reporting period. The residual decrease in Level 2 securities, in the amount of EUR 15 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 9 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	Settlements	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	As of
	Dec 15											**Sep 16**
Assets												
Financial assets - held for trading	150	0	0	36	-12	-2	0	0	62	-34	0	201
Derivatives	143	1	0	3	0	-2	0	0	34	-34	0	144
Other trading assets	7	-1	0	33	-12	0	0	0	29	0	0	57
Financial assets - at fair value through profit or loss	50	-1	0	4	-3	0	0	0	0	0	0	49
Financial assets - available-for-sale	627	5	34	221	-217	-132	0	0	221	-56	2	705
Derivatives - hedge accounting	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	**827**	**4**	**34**	**261**	**-232**	**-134**	**0**	**0**	**283**	**-91**	**2**	**955**
	Dec 14											**Sep 15**
Assets												
Financial assets - held for trading	130	15	3	7	-1	-3	0	0	5	-12	1	144
Derivatives	124	15	3	5	0	-2	0	0	5	-12	1	136
Other trading assets	6	0	0	2	-1	0	0	0	1	0	0	8
Financial assets - at fair value through profit or loss	39	0	0	0	-9	0	0	0	14	0	0	45
Financial assets - available-for-sale	428	1	0	40	-81	-9	0	-1	121	-193	1	306
Derivatives - hedge accounting	6	0	-3	2	0	0	0	0	0	-3	0	2
Total assets	**603**	**15**	**0**	**48**	**-91**	**-11**	**0**	**-1**	**141**	**-209**	**2**	**497**

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 177 million were reclassified from Level 2 to Level 3. On the other hand securities in the amount of EUR 45 million were reclassified from Level 3 to Level 2 mainly due to the change of inputs for pricing models. The net movement from Level 3 to Level 1 amounted to EUR 1 million while securities in the amount of EUR 157 million were reclassified from Level 1 to Level 3. 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 1 million and on the other hand by purchases, sales and changes in market value of securities amounting to EUR 161 million.

In the second quarter of 2016, the shares in VISA Europe were sold. The amendment of the initial offer led to an increase in the fair value which was accounted for in other comprehensive income. The final selling price in the amount of EUR 139 million comprising of an up-front cash consideration, shares and a deferred cash consideration is disclosed in the column 'Sales' of Level 3 financial assets.

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	**1-9 15**	**1-9 16**
Assets		
Financial assets - held for trading	-8.9	23.8
Derivatives	-8.7	23.3
Other trading assets	-0.3	0.5
Financial assets - at fair value through profit or loss	-0.3	-0.9
Financial assets - available for sale	-3.2	0.0
Derivatives - hedge accounting	0.0	0.0
Total	**-12.5**	**22.9**

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

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

Unobservable inputs and sensitivity analysis for Level 3 measurements

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

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

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
As of 30 September 2016					
Positive fair value of derivatives	Forwards, swaps, options	175.1	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	1.32% – 100% (6.85%)
				LGD	60%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	11.5	Discounted cash flow	Credit spread	0.1% – 1.5% (0.4%)
Financial assets - available for sale	Fixed and variable coupon bonds	401.3	Discounted cash flow	Credit spread	0.1% – 5.3% (2.3%)
As of 31 December 2015					
Positive fair value of derivatives	Forwards, swaps, options	142.9	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.96% – 100% (11.7%)
				LGD	60%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	10.9	Discounted cash flow	Credit spread	0.1% – 1.5% (0.4%)
Financial assets - available for sale	Fixed and variable coupon bonds	270.9	Discounted cash flow	Credit spread	0.1% – 9.9% (2.2%)

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

in EUR million	Dec 15 Fair value changes Positive	Dec 15 Fair value changes Negative	Sep 16 Fair value changes Positive	Sep 16 Fair value changes Negative
Derivatives	10.5	-8.8	8.2	-7.6
Income statement	10.5	-8.8	8.2	-7.6
Other comprehensive income	0.0	0.0	0.0	0.0
Debt securities	13.5	-18.0	68.1	-90.7
Income statement	0.6	-0.8	3.0	-3.9
Other comprehensive income	12.9	-17.2	65.1	-86.8
Equity instruments	9.9	-19.7	11.8	-23.5
Income statement	1.1	-2.3	1.1	-2.3
Other comprehensive income	8.7	-17.4	10.6	-21.3
Total	**33.8**	**-46.5**	**88.0**	**-121.9**
Income statement	**12.2**	**-11.9**	**12.2**	**-13.8**
Other comprehensive income	**21.6**	**-34.7**	**75.7**	**-108.1**

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.

in EUR million	Dec 15 Carrying amount	Dec 15 Fair value	Sep 16 Carrying amount	Sep 16 Fair value
Assets				
Cash and cash balances	12,350	12,350	14,743	14,743
Financial assets - held to maturity	17,701	19,514	18,451	20,434
Loans and receivables to credit institutions	4,805	4,881	5,191	5,247
Loans and receivables to customers	125,897	129,000	128,985	132,578
Liabilities				
Financial liabilities measured at amortised cost	170,787	173,274	175,780	176,563
Deposits from banks	14,212	14,493	15,228	15,141
Deposits from customers	127,797	128,719	133,944	133,810
Debt securities issued	27,896	29,238	25,642	26,658
Other financial liabilities	882	825	966	954
Financial guarantees and commitments				
Financial guarantees	n/a	-14	n/a	-167
Irrevocable commitments	n/a	-25	n/a	-218

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)

	1-9 15	1-9 16
Domestic	**15,620**	**15,750**
Erste Group, EB Oesterreich and subsidiaries	8,391	8,516
Haftungsverbund savings banks	7,229	7,234
Abroad	**30,986**	**31,001**
Česká spořitelna Group	10,541	10,384
Banca Comercială Română Group	7,071	7,126
Slovenská sporiteľňa Group	4,255	4,236
Erste Bank Hungary Group	2,921	2,912
Erste Bank Croatia Group	2,815	2,932
Erste Bank Serbia Group	971	992
Savings banks subsidiaries	1,204	1,188
Other subsidiaries and foreign branch offices	1,207	1,232
Total	**46,606**	**46,751**

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 +0.002% countercyclical capital buffer), 6.9% for tier 1 capital (sum of 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. The capital buffers regulation was amended on 23 May 2016 to include requirements for O-SII buffers. As of the reporting date 30 September 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 buffer in line with section 23b ABA. According to Section 7b of the amended capital buffers regulation, Erste Group has to establish an O-SII buffer under section 23c ABA in the amount of 2%. However, Erste Group is only required to hold the higher of the O-SII and the systemic risk buffer under section 23d ABA. As the size of the O-SII buffer as well as the transitional arrangements for its introduction are identical to the provisions for the systemic risk buffer as set out below, the amendment to the capital buffers regulation does not lead to additional buffer requirements for Erste Group.

With respect to the systemic risk buffer under section 23d ABA, the capital buffers regulation specifies

_ According to section 7 para 1 (2) 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 (1) 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 since the first quarter of 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)

in EUR million	Article pursuant to CRR	Dec 15 Phased-in	Dec 15 Final	Sep 16 Phased-in	Sep 16 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	-36	-36
Retained earnings	26 (1) (c), 26 (2)	8,811	8,811	8,806	8,806
Interim profit	26 (2)	0	0	632	632
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	-190	-190	-321	-321
Minority interest recognised in CET1	4 (1) (120) 84	3,395	3,395	3,513	3,513
Transitional adjustments due to additional minority interests	479, 480	57	0	36	0
Prudential filter: cash flow hedge reserve	33 (1) (a)	-97	-97	-99	-99
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	-38	-38	-37	-37
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	-8	-8
Value adjustments due to the requirements for prudent valuation	34, 105	-112	-112	-88	-88
Regulatory adjustments relating to unrealised gains and losses (40%)	467, 468	-571	-238	-362	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	-606	-606
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	-93	-93	-26	-26
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-220	-220	-204	-204
Development of unaudited risk provisions during the year (EU No 183/2014)		0	0	-61	-61
Other transitional adjustments CET1	469 to 472, 478, 481	1,030	0	648	0
Goodwill (40%)		462	0	308	0
Other intangible assets (40%)		394	0	242	0
IRB shortfall of provisions to expected losses (40%)		132	0	81	0
Deferred tax assets that rely on future profitability and do not arise from temporary differences (80%)		42	0	16	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	-663	0	-95	0
Common equity tier 1 capital (CET1)	**50**	**12,136**	**12,045**	**13,257**	**13,029**
Additional tier 1 capital (AT1)					
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	0	0	497	497
Own AT1 instruments	52 (1) (b), 56 (a), 57	-4	0	-2	-2
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	0	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	-591	0
Goodwill (40%)		-462	0	-308	0
Other intangible assets (40%)		-394	0	-242	0
IRB shortfall of provisions to expected losses (20%)		-66	0	-41	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	663	0	95	0
Additional tier 1 capital (AT1)	**61**	**0**	**1**	**0**	**496**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**12,136**	**12,046**	**13,257**	**13,526**

Minority interest recognised in CET1 includes interim result of the savings banks in an amount of EUR 75 million.

The table will be continued on the subsequent page.

Continuation of the table:

in EUR million	Article pursuant to CRR	Dec 15		Sep 16	
		Phased-in	Final	Phased-in	Final
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**12,136**	**12,046**	**13,257**	**13,526**
Tier 2 capital (T2)					
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	4,649	4,649	4,615	4,615
Own T2 instruments	63 (b) (i), 66 (a), 67	-50	-50	-58	-58
Instruments issued by subsidiaries recognised in T2	87, 88	233	233	235	235
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	191	0	120	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	67	0	0	0
IRB excess of provisions over expected losses eligible	62 (d)	408	408	398	398
Standardised approach general credit risk adjustments	62 (c)	0	0	0	0
Other transitional adjustments to T2	476, 477, 478, 481	-66	0	-41	0
IRB shortfall of provisions to expected losses (20%)		-66	0	-41	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**	**5,269**	**5,190**
Total own funds	**4 (1) (118) and 72**	**17,566**	**17,284**	**18,526**	**18,715**
Capital requirement	**92 (3), 95, 96, 98**	**7,864**	**8,023**	**8,058**	**8,195**
CET1 capital ratio	**92 (2) (a)**	**12.3%**	**12.0%**	**13.2%**	**12.7%**
Tier 1 capital ratio	**92 (2) (b)**	**12.3%**	**12.0%**	**13.2%**	**13.2%**
Total capital ratio	**92 (2) (c)**	**17.9%**	**17.2%**	**18.4%**	**18.3%**

The capital structure table above is based on EBA´s final draft for implementing technical standards on disclosure for own funds published in the Official Journal of the European Union on 20 December 2013. Positions, 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		Sep 16	
		Calculation base/total risk	Capital requirement	Calculation base/total risk (phased-in)	Capital requirement (phased-in)
Total risk exposure amount	92 (3), 95, 96, 98	98,300	7,864	100,722	8,058
Risk-weighted assets (credit risk)	92 (3) (a) (f)	83,445	6,676	81,763	6,541
Standardised approach		15,528	1,242	15,464	1,237
IRB approach		67,917	5,433	66,299	5,304
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	2,686	215
Operational risk	92 (3) (e) 92 (4) (b)	10,755	860	15,016	1,201
Exposure for CVA	92 (3) (d)	1,252	100	1,258	101
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	0	0	0	0

in EUR million	Article pursuant to CRR	Dec 15		Sep 16	
		Calculation base/total risk	Capital requirement	Calculation base/total risk (final)	Capital requirement (final)
Total risk exposure amount	92 (3), 95, 96, 98	100,281	8,023	102,433	8,195
Risk-weighted assets (credit risk)	92 (3) (a) (f)	85,427	6,834	83,474	6,678
Standardised approach		15,528	1,242	15,464	1,237
IRB approach		69,899	5,592	68,010	5,441
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	2,686	215
Operational risk	92 (3) (e) 92 (4) (b)	10,755	860	15,016	1,201
Exposure for CVA	92 (3) (d)	1,252	100	1,258	101
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	0	0	0	0

33. Events after the reporting date

There are no significant events after the balance sheet date.

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

28 February 2017	Full-year preliminary results 2016
31 March 2017	Annual financial report 2016
5 May 2017	Results for the first quarter of 2017
17 May 2017	Annual general meeting
4 August 2017	Half year financial report 2017
3 November 2017	Results for the first three quarters of 2017

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

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