ERSTE FINANCE (JERSEY) (4) LIMITED

DIRECTORS' REPORT &

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2014

Company Registration No. 83373

ERSTE FINANCE (JERSEY) (4) LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2014

Contents

ERSTE FINANCE (JERSEY) (4) LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2014

General Information

Registration

Erste Finance (Jersey) (4) Limited (the "Company") is registered in Jersey, Channel Islands as a public limited liability Company under the Companies (Jersey) Law, 1991. The Company's registration number is 83373.

Directors

Executive Directors

Martin Sadleder
Marouska Agius
Gerald Fleischmann
Gareth Essex-Carter
Helen Grant
Chris Ruark

Company Secretary

Sanne Secretaries Limited

Registered Office

13 Castle Street
St. Helier
Jersey JE 5UT
Channel Islands

Independent Auditor

Ernst & Young LLP
Liberation House
Castle Street
St. Helier
Jersey JE1 1EY
Channel Islands

ERSTE FINANCE (JERSEY) (4) LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors present their report together with the audited Financial Statements for the year ended 31 December 2014.

Principal activity

The Company is engaged in raising finance for the ultimate parent company as disclosed in Note 13 of these Financial Statements.

Results

The results for the year and the movement on the reserves are as set out on pages 5 and 7 of the financial statements respectively.

Directors

The names of the Directors of the Company who held office during the year ended 31 December 2014 to date are set out on page 1.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Financial Statements in accordance with applicable law and regulations.

Jersey Company law requires the Directors to prepare Financial Statements for each financial period in accordance with any generally accepted accounting principles. The Financial Statements of the Company are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the directors should:

- Select suitable accounting policies and then apply them consistently;
- Make judgement and estimates that are reasonable and appropriate;
- Specify which generally accepted accounting principles have been adopted in their preparation; and
- Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of persons responsible within the issuer

With regard to Regulation 2004/109/EC of the European Union, the Directors of the Company whose names appear on page 1 confirm to the best of our knowledge that the Financial Statements for the year ended 31 December 2014 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by the applicable accounting standards.

The Directors' Report gives a true and fair view of important events that have occurred during the financial year and their impact on the Financial Statements. The principal financial risks and uncertainties faced by the Company are disclosed in Note 14 of these Financial Statements.

ERSTE FINANCE (JERSEY) (4) LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

Going Concern

Erste Group Bank has communicated to the Directors that currently it does not have the intention to redeem any of the outstanding preference shares within the next 12 months of this report. In the Directors' opinion, the Company has adequate resources to meet its obligations as they fall due for the foreseeable future. Consequently these Financial Statements have been prepared under the going concern basis.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office.

BY ORDER OF THE BOARD

Sanne Secretaries Limited
Secretary

Date 24 April 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERSTE FINANCE (JERSEY) (4) LIMITED

We have audited the financial statements of Erste Finance (Jersey) (4) Limited (the "Company") for the year ended 31 December 2014 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing. Those standards require us to comply with the International Federation of Accountants Handbook of the Code of Ethics for Professional Accountants.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Christopher James Matthews, FCA
for and on behalf of Ernst & Young LLP
Jersey, Channel Islands
28 April 2015

ERSTE FINANCE (JERSEY) (4) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

		Year 2014	Year 2013
		EUR	EUR
Finance Revenue	3	**2,281,880**	2,555,878
Finance Costs	4	**(2,241,717)**	(2,508,358)
Net Finance Income		**40,163**	47,520
Administrative Expenses	5	**(53,710)**	(33,073)
Operating (Loss)/Profit for Year		**(13,547)**	14,447
Other Comprehensive Income			
Items to be reclassified to profit or loss in subsequent periods (Loss)/Gain On Revaluation Of Available-For-Sale Financial Assets		**(14,227,032)**	22,423,372
Comprehensive (Loss)/Income for the Year		**(14,240,579)**	22,437,819

The accounting policies and explanatory notes on pages 10 to 22 form an integral part of the financial statements.

ERSTE FINANCE (JERSEY) (4) LIMITED

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	Note	31.12.14 EUR	31.12.13 EUR
Assets			
Current Assets			
Available-for-Sale Financial Assets	6	**71,172,469**	85,399,501
Receivables	7	**103,734**	55,271
Cash and Cash Equivalents	12	**385,354**	446,171
Total Assets		**71,661,557**	85,900,943
Capital and Reserves			
Issued Capital	8	**1**	1
Share Premium	9	**234**	234
Retained Earnings	8	**427,322**	440,869
Revaluation Reserve		**(55,868,531)**	(41,641,499)
Total Equity		**(55,440,974)**	(41,200,395)
Current Liabilities			
Preference Shares	10	**127,041,000**	127,041,000
Payables	11	**61,531**	60,338
Total Liabilities		**127,102,531**	127,101,338
Total Equity and Liabilities		71,661,557	85,900,943

The accounting policies and explanatory notes on pages 10 to 22 form an integral part of the financial statements.

The Financial Statements on pages 6 to 22 were approved and authorised for issue by the Board of Directors on 24 April 2015 and were signed on its behalf by

Director

ERSTE FINANCE (JERSEY) (4) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Total	Stated Capital	Share Premium	Retained Earnings	Revaluation Reserve
	EUR	EUR	EUR	EUR	EUR
At 1 January 2013	(63,638,214)	1	234	426,422	(64,064,871)
Operating Profit for the Year	14,447	-	-	14,447	-
Other Comprehensive Income	22,423,372	-	-	-	22,423,372
At 31 December 2013	(41,200,395)	1	234	440,869	(41,641,499)
Operating Loss for the Year	(13,547)	-	-	(13,547)	-
Other Comprehensive Loss	(14,227,032)	-	-		(14,227,032)
At 31 December 2014	**(55,440,974)**	**1**	**234**	**427,322**	**(55,868,531)**

The accounting policies and explanatory notes on pages 10 to 22 form an integral part of the financial statements.

ERSTE FINANCE (JERSEY) (4) LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Year 2014	Year 2013
	EUR	EUR
Cash Flows used in from Operating Activities		
Comprehensive Income for the Year	**(14,240,579)**	22,437,819
Adjustments for:		
Loss/(Gain) in revaluation of available for sale financial assets	**14,227,032**	(22,423,372)
Cash Flows for Operating Activities before Working Capital Changes	**(13,547)**	14,447
Movement in Receivables	**(48,463)**	(10,980)
Movement in Payables	**1,193**	6,772
Net Cash (used in)/genereated from Operating Activities	**(60,817)**	10,239
Net (Decrease)/Increase in Cash and Cash Equivalents	**(60,817)**	10,239
Cash and Cash Equivalents at Beginning of Year	**446,171**	435,932
Cash and Cash Equivalents at 31 December 2014	**385,354**	446,171

The accounting policies and explanatory notes on pages 10 to 22 form an integral part of the financial statements.

ERSTE FINANCE (JERSEY) (4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. Corporate Information

Erste Finance (Jersey) (4) Limited (the "Company") was incorporated in Jersey, Channel Islands on 31 October 2006, as a public Company with limited liability, under the Companies (Jersey) Law 1991. The principal activity of the Company is raising finance for its ultimate parent Company Erste Bank AG (formerly Erste Bank der Oesterreichischen Sparkassen AG and hereafter referred to as "Erste Bank), by issuing Series H Floating Rate Non-cumulative Non-Voting Preference Shares (the "Preference Shares"). The proceeds from the Preference Shares were used to purchase Subordinated Perpetual CMS Floating Rate Notes (the "Notes") issued by Erste Bank.

2.1 Basis of Preparation

These financial statements are prepared on the historical cost basis, except for the revaluation of the available-for-sale financial assets that have been measured at fair value and are presented in Euros. The principal accounting policies adopted in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to all periods presented unless otherwise stated.

Going concern

As at the date of approval of the Financial Statements, it is the Directors' understanding that it is not the intention of Erste Group Bank AG to redeem the Notes held by the Company or liquidate the Company. According to the projected cash flows the Directors expect sufficient cash flows to fulfil all commitments of the Company for the foreseeable future. Consequently, the Directors continue to adopt the going concern basis in preparing these financial statements.

Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable interpretations issued by the International Financial Reporting Interpretations Committee and comply with the Companies (Jersey) Law, 1991.

Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the year. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

The significant areas of uncertainty and critical judgements are as follows: (i) fair value estimation: further details in relation to the key assumptions made in determining fair value are disclosed in the "Fair value estimation" accounting policy; (ii) recognition and measurement of impairment: further details are disclosed in the "impairment" accounting policy; and, (iii) revision of expected cash flows on financial liabilities at amortised cost: further details are disclosed in the "revision of expected cash flows on financial liabilities at amortised cost" accounting policy.

ERSTE FINANCE (JERSEY) (4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

2.2 Changes in Accounting Policies

Standards, interpretations and amendments to published standards that have not yet been endorsed by the EU

IFRS 9, "Financial Instruments" (Replacement of IAS 39 — "Financial Instruments: Recognition and Measurement") – effective date 1st January 2018

IFRS 9 addresses the recognition, classification and measurement of financial assets and financial liabilities and may be adopted to replace IAS 39.

IFRS 9 requires financial assets to be classified into the following measurement categories: (i) those measured at fair value through profit or loss; (ii) those measured at fair value through other comprehensive income; and, (iii) those measured at amortised cost. The determination is made at initial recognition. Unless the option to designate a financial asset as measured at fair value through profit or loss is applicable, the classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. IFRS9 will also involve a significant change in how impairment is calculated.

The mandatory effective date for application of IFRS 9 is for accounting periods beginning on or after 1st January 2018, but early adoption is permitted at any time. However, the standard has not yet been endorsed for use in the EU. The Company intends to adopt IFRS 9 no later than the mandatory effective date, provided that the standard has also been endorsed for use in the EU on such date. In the Directors' opinion, early adoption of IFRS 9 would have no material impact on the recognition, measurement or disclosures relating to its financial instruments

2.3 Significant Accounting Policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

Available-for-sale financial assets ("AFS financial assets")

The Company has classified its investment in the Notes as an AFS financial asset under International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' ("IAS 39"). AFS financial assets are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the asset. Subsequent to initial recognition they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on AFS monetary items, are recognised directly in other comprehensive income. When an AFS financial asset is derecognised, the cumulative gain or loss in equity is transferred to profit and loss.

AFS financial assets are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all risks and rewards of ownership. Consequently, the Notes are derecognised upon redemption by Erste Bank. Any cumulative revaluation reserve attributable to derecognised AFS financial assets will be transferred from OCI to profit or loss.

The Notes are potentially perpetual securities, as they are not redeemable at the option of the Company. However, the Notes may be redeemed on each interest payment date at the option of Erste Bank upon giving the Company not less than 30 nor more than 60 business days' notice. Consequently, the Notes are classified as current assets in the statement of financial position.

ERSTE FINANCE (JERSEY) (4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2.3 Significant Accounting Policies *(Contd.)*

Impairment

As required by IAS 39.58, a financial asset is assessed as at each reporting date to determine whether there is any objective evidence that it is impaired. An impairment is recognised if, and only if, there is objective evidence of impairment as a result of one or more 'loss events' that has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. In accordance with IAS 39.59, the Directors consider that loss events may include: failure to receive interest on the Notes; reduction or write down of principal, notional or redemption amounts; notice of default or bankruptcy; other indications that Erste Bank may be unlikely to meet its obligations under the Notes as they fall due, such as a credit rating downgrade.

Subsequent to an initial recognition of impairment, any further decrease in the fair value of the Notes would be considered to represent a further loss event and any increase in the fair value of the Notes would be considered to represent a reversal of such a loss event.

When considering whether or not objective evidence of impairment of the Notes exists, the Directors will initially consider whether or not the Company is continuing to receive interest on the Notes. However, whilst the failure to receive interest on the Notes during the financial year or subsequently may be an indicator of impairment, it is unlikely that this alone would give rise to an impairment adjustment for a financial instrument such as the Notes. Interest on the Notes is contingent upon Erste Bank having sufficient distributable profits and in the absence of such, the Company is not entitled to receive any interest. Thus, the Directors would not consider a failure to receive interest as a loss event when considered in isolation. However, a failure to receive interest together with one or more other loss events, such as a significant and prolonged decrease in the fair value of the Notes, is considered to represent objective evidence of impairment.

As at the reporting date, the Company had received interest on the Notes since acquisition at the full coupon rate as stated in the Pricing Supplement applicable to the Notes. Consequently, despite the significant and prolonged decrease in the fair value of the Notes that had occurred, no objective evidence of impairment of the Notes existed as at the reporting date.

Preference Shares - financial liabilities at amortised cost

The Directors have considered the characteristics of the Preference Shares and the requirements of International Accounting Standard 32 'Financial Instruments: Presentation' ("IAS 32"). Preference Shares are classified as financial liabilities at amortised cost since the payments thereon are obligatory, the Company having no discretion to avoid payments.

The Preference Shares are recognised initially at the issue proceeds received less attributable cost. Subsequent to initial recognition, the Preference Shares are stated at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Consequently, the Preference Shares are derecognised upon repurchase by the Company. Gains and losses thereon are recognised in profit or loss when the liability is derecognised as well as through the amortisation process.

ERSTE FINANCE (JERSEY) (4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2.3 Significant Accounting Policies *(Contd.)*

Revision of expected cash flows on financial liabilities at amortised cost

In accordance with IAS 39 AG8, the Directors review at each reporting date whether or not there has been any change in the projected cash flows payable on the Preference Shares in order to determine whether or not an adjustment to the carrying amount is required under the effective interest method. If such adjustment is required at any time, the carrying value of the Preference Shares will be adjusted to the net present value of projected future cash flows payable, discounted at the original projected internal rate of return on the Preference Shares (the "NPV"). As at the reporting date, no such change in projected cash flows had occurred since issue, with interest expected to continue to be paid under the Preference Shares in perpetuity.

Embedded derivative contracts

As disclosed in notes 6 and 10, the Notes held by the Company and the Preference Shares issued by it each contain an embedded derivative, being the fact that payments of interest thereon are contingent upon the existence of sufficient distributable profits at Erste Bank and the fact that payment of principal may be subject to a pro rata deduction of the net losses of Erste Bank, if any. The Directors have assessed that all embedded derivatives are closely related to their host contract in their nature and have therefore not separately accounted for them.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Interest income on Notes

Interest income on Notes is recognised in profit or loss on the accruals basis, using the effective interest rate method, unless collectability is in doubt.

Interest expense on Preference Shares

The interest expense on the Preference Shares is recognised in profit or loss on the accruals basis using the effective interest rate method.

Foreign currency translation

Transactions in foreign currency are translated to Euro, which is also the functional and reporting currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

ERSTE FINANCE (JERSEY) (4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

2.3 Significant Accounting Policies *(Contd.)*

Taxation

Profits arising from the Company are subject to Jersey Income Tax currently at a rate of 0%.

Receivables

Receivables are recognized and carried at the expected recoverable amount.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Payables

Amounts payable are recognized and carried at cost which is the consideration to be paid for services received, whether or not billed to the Company.

Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Directors perform a regular review of the operating results of the Company and make decisions using financial information at the entity level only. Accordingly, the Directors believe that the Company has only one operating segment (see note 15).

The Directors are responsible for ensuring that the Company carries out business activities in line with the transaction documents. They may delegate some or all of the day to day management of the business including the decisions to purchase and sell securities to other parties both internal and external to the Company. The decisions of such parties are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Directors. Therefore the Directors retain full responsibility as to the major allocation decisions of the Company.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received).

The fair value of the Preference Shares as disclosed in Note 13 is obtained directly from the closing quoted market price as reported by Bloomberg on or immediately prior to the reporting date.

The Notes are neither quoted nor traded in an active market, being held exclusively by the Company. Consequently, no quoted market price exists for the Notes. The terms of the Notes are identical in all material respects to those of the Preference Shares, except for the fact that the Notes bear interest at the reference rate plus a margin of 0.13149%, whilst the Preference Shares bear interest at the reference rate plus a margin of 0.10%, a different of 0.03149%.

2.3 Significant Accounting Policies *(Contd.)*

Fair value estimation *(Contd.)*

Accordingly, in the Directors' opinion the fair value of the Notes may be estimated to be approximately equal and opposite to the fair value of the Preference Shares at all times, as adjusted for the estimated NPV of the margin differential, assuming that such margin differential is receivable in perpetuity, estimated using a discounted cash flow ("DCF") valuation model. The principal assumption adopted by the Directors in the DCF valuation model was that the Preference Shares and Notes are both potentially perpetual securities and it was therefore assumed that the coupon margin differential would be received on the Notes until 2023, as an approximation of the NPV in perpetuity.

IFRS 13 "Fair Value Measurement" ("IFRS 13") defines a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under IFRS 13 are as follows:
Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the valuation date;
Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices), including inputs from markets that are not considered to be active;
Level 3 – Inputs that are not based upon observable market data.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "active" and/or "observable" requires significant judgment by the Company. The Company considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the financial instrument and does not necessarily correspond to the Company's perceived risk inherent in such financial instrument.

The Preference Shares and the related accrued interest thereon are currently classified within Level 2 of the fair value hierarchy on the basis that the market for the Preference Shares is currently not an active market as defined by IFRS 13. Although a number of brokers may provide quoted prices on a continuous basis, the volume of trading appears to be relatively low and such prices have larger spreads between the bid and offer prices than might be expected in an active market.

The Notes and the related accrued interest thereon are currently classified within Level 2 of the fair value hierarchy on the basis that the adjustment to the fair value for the NPV of the margin differential (approximately 0.09%) is not significant. Consequently, the fair value of the Notes is considered to have been determined directly from the fair value of the Preference Shares, which is a Level 2 fair value.

If the market for the Preference Shares should become active during any future reporting year and remain active as at such reporting period end, then the Preference Shares and the related accrued interest thereon would be reclassified within Level 1 of the fair value hierarchy, whilst the Notes and the related accrued interest thereon would remain as classified within Level 2 of the fair value hierarchy. Similarly, should quoted prices no longer be available during any future reporting year and remain unavailable as at such reporting date, then the Preference Shares, Notes and the related accrued interest thereon would be reclassified within Level 3 of the fair value hierarchy.

ERSTE FINANCE (JERSEY) (4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

3. Finance Revenue

	Year 2014	Year 2013
	EUR	EUR
Interest from Financial Assets	**2,281,880**	2,555,878

4. Finance Costs

	Year 2014	Year 2013
	EUR	EUR
Dividends on Preference Shares	**2,241,717**	2,508,358

5. Administrative Expenses

	Year 2014	Year 2013
	EUR	EUR
Accounting Fees	**5,000**	-
Auditors' Remuneration	**13,000**	13,600
Bank Charges	**299**	1,061
Professional Fees	**35,411**	18,412
	53,710	33,073

6. Available-for-Sale Financial Assets

	31.12.14	31.12.13
	EUR	EUR
Cost	**127,041,000**	127,041,000
Fair Value		
Opening balance	**85,399,501**	62,976,129
Fair value movement	**(14,227,032)**	22,423,372
Closing balance	**71,172,469**	85,399,501

ERSTE FINANCE (JERSEY) (4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

6. Available-for-Sale Financial Assets *(Contd.)*

At 31 December 2014, the Company held Series 232 EUR 127,041,000 Subordinated Perpetual CMS Floating Rate Notes issued by Erste Group Bank AG (formerly Erste Bank der Oesterreichischen Sparkassen AG).

The Notes are redeemable at the option of Erste Bank on any interest payment date. Interest was receivable at the ten-year mid swap rate in EUR vs 6 month euribor (the Reference Rate) plus available margin depending on the fixing of the EUR CMS 10, with a maximum rate of 8.335% per annum until 24 June 2013. On 19 June 2013 the Pricing Supplement dated 22 March 2004 was amended such that the interest rate for the interest period from and including 24 June 2013 to (but excluding) 24 September 2013 was at the Reference Rate plus a fixed margin of 0.44635% per annum (with a maximum rate of 9.3474% per annum) and the interest rate thereafter is now at the Reference Rate plus a fixed margin of 0.13149% per annum (with a maximum rate of 9.0325% per annum). Interest is receivable quarterly in arrears on each 24 March, 24 June, 24 September and 24 December.

Assets held by Erste Capital Finance (Jersey) (4) Limited entitle the entity to a coupon payment if the coupon is covered by a profit of Erste Group Bank AG according to its single financial statements according to Austrian GAAP. Because of its loss position in 2014, Erste Group Bank AG is not allowed to pay the coupon for 2015.

7. Receivables

	31.12.14	31.12.13
	EUR	EUR
Interest Income Receivable	**32,478**	55,271
Prepayments	**21,950**	-
Other Receivables	**49,306**	-
	103,734	55,271

8. Stated Capital

	31.12.14	31.12.13
	EUR	EUR
Authorised		
500,000 Ordinary Shares of GBP 0.01 each		
500,000 Unclassified Shares of GBP 0.01 each		
500,000 Ordinary Shares of EUR 0.01 each		
500,000 Unclassified Shares of EUR 0.01 each		
500,000 Ordinary Shares of USD 0.01 each		
500,000 Unclassified Shares of USD 0.01 each		
5,000 Ordinary Shares of JPY 0.01 each		
5,000 Unclassified Shares of JPY 0.01 each		
Issued and Fully Paid Up		
10 Ordinary Shares of EUR 0.01 each	**1**	1
1 Ordinary Share of EUR 0.01 each	**-**	-
	1	1

ERSTE FINANCE (JERSEY) (4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

8. Stated Capital *(Contd.)*

The rights attaching to the Ordinary Shares are as follows:

- **As regards Income** – Subject to the provision of the Company's Articles of Association, each ordinary share shall confer on the holder thereof the right to receive such profits of the company available for distribution as the Directors may declare or the Members may resolve by ordinary resolution after any payment to or provision for the holders of the Preference shares of any amount then payable in accordance with any Statement of Rights relating thereto an after payment of any other preferential dividend then payable on any other class of shares.

- **As regards Capital** - Subject to the Law and the provisions of the Company's Articles of Association, on a winding-up or other return of capital (other than a purchase or redemption of any Preference share or any share of any other class of redeemable shares) the holder of each ordinary share shall be entitled, following the payment to the holders of the Preference Shares of all amounts then payable in accordance with any Statement of Rights and following payment in accordance with the rights of any other class of shares having priority in accordance herewith and following the repayment of the nominal amount of the capital paid-up on the nominal shares, to repayment of the nominal amount of the capital paid up thereon and thereafter any surplus assets then remaining shall be distributed *pari passu* among the holders of the ordinary shares in proportion to the amounts paid up thereon.

- **As regards Voting** – The holder of each ordinary share shall be entitled to receive notice of general meetings of the Company and class meetings relating to ordinary shares and to attend and vote thereat.

9. Share Premium

	31.12.14	31.12.13
	EUR	EUR
10 Ordinary Shares issued at a premium of Eur 0.99 each	**9**	9
1 Ordinary Share issued at a premium of Eur 224.99	**225**	225
	234	234

10. Preference Shares

	31.12.14	31.12.13
	EUR	EUR
127,041 Series H Preference Shares of EUR 0.01 each issued at a premium of EUR 999.99 each	**127,041,000**	127,041,000

ERSTE FINANCE (JERSEY) (4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

10. Preference Shares *(Contd.)*

At 31 December 2014, 127,041 Series H Floating Rate Non-cumulative Non-voting Preference Shares bearing a liquidation preference of EUR1,000 each were in issue (31 December 2013: 127,041 Preference Shares).

Dividends on the Preference Shares are payable at the Reference Rate plus 0.10% per annum, with a maximum rate of 9% per annum, subject to Erste Bank having sufficient distributable funds. Dividends are payable quarterly in arrears on each 24 March, 24 June, 24 September and 24 December.

Preference Shares are redeemable at the option of the Company, subject to the prior consent of Erste Bank on any dividend payment date and upon giving not less than 30 nor more than 60 business days notice to the holders of the Preference Shares. Upon redemption, the holders of Preference Shares will be entitled to receive EUR 1,000 per share plus accrued dividends, less any pro rata deduction of the net losses of Erste Bank, if applicable.

These Preference Shares are listed on the Luxembourg Stock Exchange.

The Preference Shares rank ahead of the Ordinary shares in the event of liquidation, dissolution or winding up of the company and have the benefit of a 'Support Agreement' entered into by the Company and Erste Bank for the purpose of fulfilling the Company's payment obligations in respect of the Preference Shares. Preference Shares do not carry the right to vote unless dividends are in arrears.

Notwithstanding the availability of sufficient assets of the Company to pay any liquidation distribution to the holders of the Preference shares, if at the time such liquidation distribution is to be paid, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, dissolution or winding up of Erste Bank, the liquidation distribution paid to the holders of the Preference Shares shall not exceed the amount per share that would have been paid as the liquidation distribution from the assets of Erste pari passu with any asset party securities of Erste Bank and senior to Erste Bank's share capital.

11. Payables

	31.12.14	31.12.13
	EUR	EUR
Accrued Charges	**31,705**	5,844
Dividends Payable on Preference Shares	**29,826**	54,494
	61,531	60,338

12. Cash and Cash Equivalents

Cash and cash equivalents comprise the following balances:

	31.12.14	31.12.13
	EUR	EUR
Cash at Bank	**385,354**	446,171

ERSTE FINANCE (JERSEY) (4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

13. Related Party Disclosures

The parent and ultimate parent company
The parent company of the Company is Erste Bank (Malta) Limited, a company registered in Malta, with its registered address at 6, Rosa Marina Building, 216, Marina Seafront, Pieta PTA 9041. Erste Bank (Malta) Limited owns 100% of the ordinary shares in the Company.

The ultimate parent of the Company is Erste Group Bank AG ("Erste Bank") (formerly Erste Bank der Oesterreichischen Sparkassen AG) incorporated under the laws of Austria, with its registered office at Graben 21, 1010 Vienna, Austria. In light of the ownership structure of Erste Group Bank AG, there is no one controlling party.

Related party transactions and balances
During the financial year, interest receivable on Subordinated Perpetual CMS Floating Rate Notes issued by the ultimate parent company amounted to EUR 2,281,880 (2013 - EUR 2,555,878). Interest income receivable at 31 December 2014 is separately disclosed in Note 7.

Each of G.P. Essex–Cater, H.C. Grant and C.D. Ruark is a Director of Sanne Corporate Services Limited, a company which provides administrative services to the Company at commercial rates.

C.D. Ruark is also a Director of Sanne Secretaries Limited, a Company which provides Company secretarial services to the Company at commercial rates.

14. Financial Instruments

Financial risk management policies
Erste Bank (Malta) Limited, being the 100% owner of the Company use a control and risk management system that is proactive and tailored to the group's risk profile. This system is based on a clear risk strategy consistent with the Company's business strategy. The system's goal is the early identification and management of risks and trends.

Due to the static nature of the Company, risk was assessed upfront during the set-up of the special purpose vehicle, between lawyers and Erste Group Bank AG itself. This resulted in careful selection of assets and liabilities with similar terms to minimise the risk within the Company. The Directors believe that there has been no change to the risk profile of the Company during the year.

The Company's principal financial assets comprise of available-for-sale financial instruments, cash and cash equivalents and receivables. Financial liabilities compromise preference shares and payables.

14. Financial Instruments *(Contd.)*

Fair values

As at 31 December 2014, the carrying amounts of cash and cash equivalents, receivables and payables approximated their fair values due to the short-term maturities of these assets and liabilities.

	Carrying value 31.12.14 EUR	**Fair value 31.12.14 EUR**	Carrying value 31.12.13 EUR	Fair value 31.12.13 EUR
AFS Financial assets(the notes)	71,172,469	71,172,469	85,399,501	85,399,501
Subordinated Notes(preference shares)	127,041,000	70,507.755	127,041,000	85,117,470

As stated in note 2.3, the AFS financial assets and the Preference Shares are both classified within Level 2 of the fair value hierarchy.

Market risk

Market risk is the risk of performance impact from the fluctuation in interest rates, exchange rate and security prices. However as the Company has only one loan outstanding which is not traded, where the borrower is the ultimate parent of the Company, Erste Group Bank AG, security price risk can be considered as very limited. Interest rate risk and foreign currency risk, making up market risk, are dealt in detail below.

Although the commercial substance of the transactions entered into by the Company result in no material market price risk to the Company itself, the accounting mismatch between the Notes, which are carried at fair value with changes in such fair value being presented in OCI, and the Preference Shares, which are carried at amortised cost, is likely to produce fluctuations in the Company's results and financial position as presented in the Company's financial statements.

Interest rate risk

Interest rate risk is the risk of adverse change in the fair value of financial instruments caused by movement in market interest rates. This type of risk arises, when mismatches exist between assets and liabilities in respect of their maturities or of the timing of interest rate adjustments.

As detailed in Note 6 and 10 there is a mismatch in the calculation method for interest receivable on the assets and payable on the preference shares. However this is considered insignificant and interest rate caps are in place to limit this risk.

Foreign currency risk

Fluctuation in foreign exchange rates creates foreign currency risks The Company has transactional currency exposures arising from interest receivables and dividend payables in Euro. As the timing of interest receivables in Euro matches that of dividend payables in Euro and the fact, that the base currency of the financial statement is Euro as well, the foreign currencies risk is negligible and limited only to certain administrative expenses incurred in foreign currencies, predominantly sterling.

Credit risk

The Company's exposure to credit risk with respect to financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts. In particular, the Company is exposed to Erste Bank's credit risk as there is a concentration of credit risk with the ultimate parent company. Erste Group Bank AG's credit rating as at 31 December 2014 was A as categorised by Standard and Poor's. The financial assets of the Company are neither past due nor impaired. The Company's maximum exposure to credit risk is EUR71,661,557 (2013: EUR85,900,943)

ERSTE FINANCE (JERSEY) (4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

14. Financial Instruments *(Contd.)*

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

The Company manages liquidity by timing the financial asset maturities on a basis similar to those of the financial liabilities. The Company also has the benefit of the Preference Shares in issue being limited recourse.

Liquidity risk relates principally to the Company's dividend payment obligations under the Preference Shares. The timing of cash flows receivable on interest accruing to the Company on its investments matches that of dividend payments. Therefore we consider that there is no liquidity risk at all.

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2014, including estimated interest payable over the next 12 months and assuming that the Preference Shares might be redeemed within the next 12 months, based on contractual undiscounted repayment obligations. The repayment obligations are based on the assumption that interest rates in the future will be similar to those prevailing at 31 December 2014.

	Less than 1 month	Between 1 & 3 months	Between 3 months & 1 year	Between 1 year & 5 years	More than 5 years	Undated	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
31 December 2014							
Liabilities							
Preference Shares	-	-	**127,041,000**	-	-	-	**127,041,000**
Other Liabilities	-	**61,531**	-	-	-	-	**61,531**
Total Liabilities	-	**61,531**	**127,041,000**	-	-	-	**127,102,531**
31 December 2013							
Liabilities							
Preference Shares	-	653,922	129,142,893	-	-	-	129,796,815
Other Liabilities	-	60,338	-	-	-	-	60,338
Total Liabilities	-	714,260	129,142,893	-	-	-	129,857,153

ERSTE FINANCE (JERSEY) (4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Financial Instruments *(Contd.)*

Liquidity Risk (Contd.)

The table below summarises the undiscounted maturity profile of the Company's financial assets, including estimated interest receivable over the next 12 months, assuming that the Notes might be redeemed within the next 12 months, as at 31 December 2014 and 31 December 2013:

	Less than 1 month	Between 1 & 3 Months	Between 3 months & 1 year	Between 1 year & 5 years	More than 5 years	Undated	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
31 December 2014							
Assets							
Financial Assets	-		127,041,000	-	-	-	127,041,000
Receivables	-	103,734	-	-	-	-	103,734
Cash and Cash Equivalents	385,354	-	-	-	-	-	385,354
Total Assets	385,354	103,734	127,041,000	-	-	-	127,530,088
31 December 2013							
Assets							
Financial Assets	-	663,257	129,172,897	-	-	-	129,836,154
Receivables	-	55,271	-	-	-	-	55,271
Cash and Cash Equivalents	446,171	-	-	-	-	-	446,171
Total Assets	446,171	718,528	129,172,897	-	-	-	130,337,596

Capital management
The primary objective of the Company is to raise capital for the Erste Bank group by raising money in the form of Preference Shares and in turn lend this capital to Erste Group Bank AG (formerly Erste Bank der Oesterreichischen Sparkassen AG). In doing so, the Company supports the group's requirements, whilst retaining sufficient financial independence therefrom.

15. Operating Segments

Geographical information

All of the Company's revenues are generated from external sources as follows: Austria 100%.

Non-current assets

The Company does not have non-current assets.

Major investment company

The Company's Note interest income is derived solely from Erste Bank, the issuer of the Notes.

16. Subsequent Events

In the opinion of the directors, there are no significant events subsequent to the year end that require adjustment or disclosure in the financial statements