ERSTE GROUP

Half Year Financial Report 2012

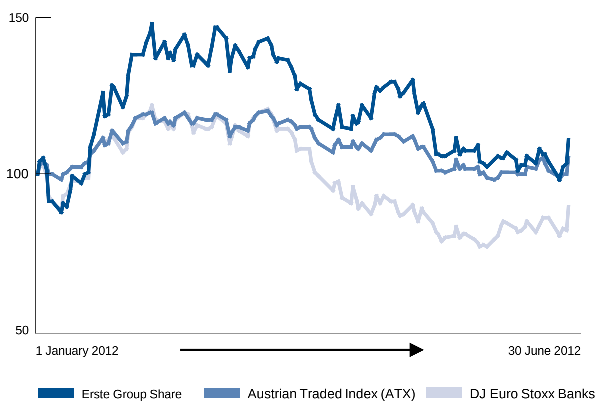
KEY FINANCIAL AND SHARE DATA

in EUR million	1-6 12	1-6 11
Income statement		
Net interest income	2,651.7	2,703.9
Risk provisions for loans and advances	-981.8	-920.8
Net fee and commission income	865.5	906.1
Net trading result	121.5	288.8
General administrative expenses	-1,887.4	-1,926.3
Other result	-41.8	-264.0
Pre-tax profit/loss	727.7	787.7
Attributable to owners of the parent	**453.6**	**520.8**
Profitability ratios		
Net interest margin	2.8%	3.0%
Cost/income ratio	51.9%	49.4%
Return on equity	7.2%	7.7%
Earnings per share	0.98	1.20
	Jun 12	**Dec 11**
Balance sheet		
Loans and advances to credit institutions	13,311	7,578
Loans and advances to customers	133,944	134,750
Risk provisions for loans and advances	-7,612	-7,027
Trading assets, derivative financial instruments	17,927	16,807
Financial assets	41,264	38,132
Other assets	16,394	19,766
Total assets	**215,228**	**210,006**
Deposits by banks	24,844	23,785
Customer deposits	122,252	118,880
Debt securities in issue	30,254	30,782
Trading liabilities, derivative financial instruments	10,981	9,873
Other liabilities	6,696	5,723
Subordinated liabilities	4,309	5,783
Total equity	15,892	15,180
Attributable to non-controlling interests	3,267	3,143
Attributable to owners of the parent	12,625	12,037
Total liabilities and equity	**215,228**	**210,006**
Changes in total qualifying capital		
Risk pursuant to section 22 (1) 1 Banking Act	92,639	97,630
Tier-1 ratio – credit risk (in %)	12.6	12.2
Tier-1 ratio – total risk (in %)	10.7	10.4
Solvency ratio (in %)	14.3	14.4
	1-6 12	**1-6 11**
Stock market data (Vienna Stock Exchange)		
High (EUR)	19.76	39.45
Low (EUR)	11.95	32.80
Closing price (EUR)	14.95	36.15
Market capitalisation (EUR billion)	5.89	13.68

Ratings at 30 June 2012

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

Performance of the Erste Group Share (indexed)



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Highlights[1]

- **Net interest income eased 1.9% to EUR 2,651.7 million in H1 2012 driven by the reduction of non-core assets and subdued credit demand. Net fee and commission income amounted to EUR 865.5 million in H1 2012, down 4.5% on H1 2011 due to weaker securities business. The deterioration in net trading result from EUR 288.8 million in H1 2011 to EUR 121.5 million in H1 2012 was due to valuation gains in H1 2011, which did not recur in H1 2012.**

- **Driven by the lower net trading result, operating income was down 6.7% to EUR 3,638.7 million (H1 2011: EUR 3,898.8 million). Effective cost management resulted in a 2.0% drop in general administrative expenses from EUR 1,926.3 million in H1 2011 to EUR 1,887.4 million in H1 2012. Thus, the operating result amounted to EUR 1,751.3 million (H1 2011: EUR 1,972.5 million). The cost/income ratio stood at 51.9% (H1 2011: 49.4%).**

- **Risk costs rose 6.6% from EUR 920.8 million in H1 2011 to EUR 981.8 million in H1 2012, or to 146 basis points of average customer loans. With the exception of Romania and Croatia, the provisioning level for the core countries declined or remained stable. Asset quality was mixed, with Austria, the Czech Republic and Slovakia showing improving trends while Romania, Hungary and Croatia deteriorated. Overall, the NPL ratio increased to 9.2% as of 30 June 2012 (year-end 2011: 8.5%), while the NPL coverage ratio improved to 61.2% (year-end 2011: 61.0%).**

- **Other operating result improved to EUR -68.1 million in H1 2012 compared to EUR -260.2 million. This was mainly due to a EUR 413.2 million contribution from the buy-back of tier 1 and tier 2 instruments, which was partly offset by a goodwill adjustment of EUR 210.0 million for Banca Comercială Română as well as a EUR 60.6 million charge related to the FX mortgage interest subsidy legislation in Hungary (booked as risk costs in Q1 2012 and now presented as other operating result). A banking tax charge of EUR 114.5 million continued to weigh on this position in H1 2012.**

- **Thus, net profit after minorities[2] declined by 12.9% to EUR 453.6 million in H1 2012.**

- **Core tier 1 capital improved significantly to EUR 11.3 billion (year-end 2011: EUR 10.7 billion), resulting in a rise of the core tier 1 ratio (total risk; Basel 2.5) to 10.4% (year-end 2011: 9.4%). The EBA capital ratio increased to 9.9% (year-end 2011: 8.9%). Including retained earnings, the EBA capital ratio reached 10.4%. The continued improvement in capital ratios was supported by a decline in total risk-weighted assets of 4.4% to EUR 109.0 billion as of 30 June 2012 (year-end 2011: EUR 114.0 billion). Shareholders' equity[3] rose substantially to EUR 12.6 billion (year-end 2011: EUR 12.0 billion).**

- **Driven by deposit growth and investments into highly liquid assets, total assets grew by 2.5% to EUR 215.2 billion versus EUR 210.0 billion at year-end 2011. The loan-to-deposit ratio improved to 109.6% as of 30 June 2012 (year-end 2011: 113.3%).**

[1] In accordance with IAS 8, comparative figures in the financial results have been restated. For further details see Notes to the financial statements.

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

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

Letter from the CEO

Dear shareholders,

Erste Group posted a net profit of EUR 453.6 million for the first six months of 2012. The key highlight from the first half of the year, however, is the fact that the EBA capital ratio, at 9.9%, comfortably met requirements. Including retained earnings on a pro-forma basis, it even reached 10.4% as of the end of June 2012. The operating result decreased to EUR 1,751.2 million as the economic environment became more challenging. This development was mainly due to the traditionally volatile net trading result, while net interest income remained nearly unchanged and net fee and commission income decreased only slightly in the first half of 2012. Risk costs rose due to higher provisioning requirements in Romania but were in line with our full-year forecast.

The business environment in Central and Eastern Europe continued to present a mixed picture in the first half of 2012. Economic growth slowed across the board due to the continuing uncertainty as to the future of the euro zone. With the exception of Austria, household consumption remained subdued in all markets and failed to provide growth momentum. Their competitive, export-driven industries were again the mainstays of economic development in the Czech Republic, Slovakia and Hungary. Public sector austerity measures dampened growth, however, as was the case in the Czech Republic, for example. In Austria, growth continued at a moderate pace but investment activity remained sluggish in a volatile environment. In Romania, fiscal consolidation was continued. Infrastructure projects that were partly financed by EU Structural Funds had a positive impact on the construction industry. The local currency weakened, however, as the political environment turned increasingly volatile. In Hungary, the focus was again on structural budget consolidation. The Hungarian government's austerity package paved the way for a rapprochement with the European Commission and the International Monetary Fund. This led to an appreciation of the Hungarian forint against the euro.

The reduction of non-core assets was rigorously continued in the first six months of 2012. In line with our strategy, we concentrated on the customer business in our region. One consequence of this policy was selective growth in lending to corporate customers. Net interest income declined slightly on the back of an, overall, stable loan book with a decreasing proportion of unsecured consumer loans. Net fee and commission income came in 4.5% lower, mainly due to declining securities business in Austria amid continuing weakness in customer activity. As the extraordinarily high valuation results posted in the previous year did not recur in the first half of 2012, this decline was not offset by the net trading result.

Strict cost management – a traditional strength of Erste Group – brought a reduction of general administrative expenses, with other administrative expenses being cut by more than 5%. The cost/income ratio stood at 51.9% in the first half of 2012. The item "other operating result" reflected one-off effects. Buying back tier 1 and tier 2 instruments boosted profit by about EUR 410 million while the adjustment of goodwill for the Romanian subsidiary Banca Comercială Română had a negative impact totalling EUR 210 million. Legislative changes regarding the Hungarian interest subsidy scheme for retail FX borrowers required shifting about EUR 61 million of the EUR 76 million in risk provisions booked in the first quarter to the item "other operating result". Also weighing on this line item were banking taxes of EUR 114.5 million (before tax) that were payable in Austria, Hungary and, for the first time, Slovakia .

Asset quality improved in Austria, the Czech Republic and Slovakia. With the exceptions of Romania and Croatia, risk provisions declined or were stable in all core markets. Risk costs were, overall, elevated at 146 basis points of average customer loans. This was largely attributable to provisioning requirements in Romania, which we expect to peak this year. Non-performing loans ("NPLs") in relation to total customer loans rose to 9.2% while the NPL coverage ratio excluding collateral improved to 61.2%.

The trend in customer deposits was again solidly positive, with net inflows in Austria, the Czech Republic, and Slovakia. Overall, customer deposits grew by almost 3% to EUR 122.4 billion. This improved the loan-to-deposit ratio to 109.6%. Continuing high interest among retail investors in Austria and Germany to buy Erste Group bonds was likewise encouraging. Including the successful placement of bonds on the capital market (a 10-year EUR 1 billion benchmark mortgage bond issue and a 5-year EUR 500 million unsecured senior bond), a total of EUR 3.4 billion has been refinanced already. Hence, the funding volume planned for the financial year 2012 has been fully covered.

Even after adjustment for one-off items, the half-year result underscores that Erste Group's business model is profitable in an environment marked by continuing economic challenges. Despite a difficult market climate, we expect our Romanian subsidiary Banca Comercială Română to return to profitability in 2013 after the transformation year of 2012. In the second half of 2012, Erste Group will focus on generating a solid operating result – albeit one slightly smaller than that from 2011 – and on maintaining its already very strong capital position.

Andreas Treichl mp

Erste Group on the Capital Markets

EQUITY MARKET REVIEW

Key global stock indices declined in the second quarter, after they had rallied in the first three months of the year. While US indices (Dow Jones Industrial Index and the broader Standard & Poors 500 Index) decreased by about 3% in the reporting period, most European stock markets sustained more substantial losses, most notably Spain and Italy. The ATX (Austrian Traded Index) dropped by 8.5% to 1,975.35 points on concerns over the impact of the European debt crisis on the real economy and uncertainly prevailing within the euro zone even after the Greek elections. As stock markets declined, the prices of sovereign bonds deemed safe-haven assets – first and foremast German Bunds – rose to new historic highs.

Against the backdrop of the steep rise in interest rates on Spanish and Italian sovereign bonds, the EU member states' heads of state and government agreed on far-reaching measures at the EU Council summit in late June. It was decided to create a single supervisory mechanism for banks involving the European Central Bank and to expand the mandate of the euro rescue fund to provide direct assistance to banks. By passing these resolutions, the European leaders provided to Spain and Italy, whose sovereign bond yields had climbed to historic highs, at least some breathing space at the end of the second quarter.

World-wide, the central banks continued their expansionary monetary policies in view of the continuing subdued assessment of the global economy by OECD and EBRD and the onset of recession in several euro zone countries. The ECB lowered its interest rate for main refinancing operations by 25 basis points to 0.75%, a historic low in the euro zone. In the US, the Fed extended its Operation Twist, which is designed to lengthen maturities of securities in its portfolio. Under this programme, the Fed sells US treasuries with short maturities and buys bonds with extended maturities in the same amount in order to lower interest rates on the long end. Additional measures to expand global money supply were taken by the Chinese and the British central banks.

The Dow Jones European Bank Index, which is composed of leading European bank shares, retreated by 16.6% in the second quarter. Among the factors contributing to this negative performance were macroeconomic challenges resulting from the escalation of the European debt crisis and downgrading of the ratings of most pan-European banks by the rating agency Moody's.

PERFORMANCE OF THE ERSTE GROUP SHARE

The Erste Group share suffered a double-digit decline in the quarter ended, driven largely by the global downtrend in financials. Despite early compliance with EBA capital requirements and the relatively better situation of many states of Central and Eastern Europe in terms of sovereign debt and fiscal deficits, the Erste Group share was unable to escape the downtrend in European financials. Despite declining by 13.6% in the reporting period to EUR 14,945, the Erste Group share is still up 10.0% year to date on the back of its first-quarter rally, outperforming the ATX (+4.4%) and the DJ Euro Stoxx Bank Index (-10.3%).

FUNDING

Erste Group already covered its funding needs for 2012, by issuing, among other instruments, a 10y EUR 1 billion mortgage covered bond in the first quarter. The issue met with very strong demand by 120 investors and boasted the largest order book in the history of Austrian covered bonds, totalling EUR 2.05 billion. In spring, an attractive issuing window was used to place a 5y EUR 500 million senior unsecured bond. About 30% of all issuing activity in the first half of the year was targeted at the retail segment, which will also remain the key market for the rest of the year 2012. The funding profile has improved, with average maturity exceeding 7 years, continuing the positive trend of the previous year. Successful buy-back offers for tier 1 and tier 2 instruments (hybrid capital and subordinated bonds) improved the capital structure.

INVESTOR RELATIONS

In the second quarter 2012, Erste Group's management and its investor relations team conducted a large number of one-on-one and group meetings and attended international banking and investor conferences. In talks and conferences, Erste Group presented its strategy and plans against the backdrop of the current economic environment. Erste Group's investor relations team won the IR Magazine Europe's award for best investor relations in Austria for the second consecutive year.

Interim Management Report

In the interim management report, financial results from the first half of 2012 are compared with those from the first half of 2011. Unless stated otherwise, terms such as “in the previous year”, “2011” or “as of the first half of 2011” accordingly relate to the first half of 2011, and terms such as “this year”, “2012” or “as of the first half of 2012” relate to the first half of 2012. The term “net profit after minorities” corresponds with “net profit attributable to owners of the parent”.

EARNINGS PERFORMANCE IN BRIEF

Lower operating income led to a decline in the **operating result** from EUR 1,972.5 million to EUR 1,751.3 million, despite the reduction in operating expenses in the first half of 2012 versus the first half of 2011. This development was mainly driven by the reduced net trading result due to a lower valuation result.

Operating income amounted to EUR 3,638.7 million in the first half of 2012 (first half of 2011: EUR 3,898.8 million). The 6.7% decline was due to slightly lower net interest income, down 1.9% to EUR 2,651.7 million, lower net fee and commission income (-4.5% to EUR 865.5 million), and a weaker net trading result (-57.9% to EUR 121.5 million). General administrative expenses decreased by 2.0% to EUR 1,887.4 million (first half of 2011: EUR 1,926.3 million). This led to a cost/income ratio of 51.9% (first half of 2011: 49.4%).

Net profit after minorities declined by 12.9% from EUR 520.8 million in the first half of 2011 to EUR 453.6 million. Adjusted for major one-off items other than banking taxes, net profit came to about EUR 350 million.

Cash return on equity, i.e. return on equity adjusted for non-cash expenses such as goodwill impairment and straight-line amortisation of customer relationships, was 10.4% for the first half of 2012 (reported ROE: 7.2%) versus 8.0% for the first half of 2011 (reported ROE: 7.7%).

Cash earnings per share for the first half of 2012 amounted to EUR 1.51 (reported EPS: EUR 0.98) versus EUR 1.25 (reported EPS: EUR 1.20) for the first half of 2011.

Total assets, at EUR 215.2 billion, were up 2.5% versus year-end 2011. A strong rise in customer deposits resulted in the investment of excess liquidity into highly liquid financial assets and with central banks.

The **solvency ratio** remained almost unchanged at 14.3% as of 30 June 2012, while risk-weighted assets declined by EUR 5.1 billion to EUR 109.0 billion. Thus, the solvency ratio remained comfortably above the statutory minimum requirement of 8.0%. The tier 1 ratio relating to total risk and as defined by Basel 2.5, was 10.7% as of 30 June 2012 versus 10.4% as of 31 December 2011.

OUTLOOK

Macroeconomic prospects across Europe including Erste Group’s core markets have continued to weaken in the first half of 2012. While Austria, Slovakia and Romania are still expected to show some GDP growth in 2012, the other economies are forecast to see GDP contraction, driven by restrained public sector and private household spending as well as low investment activity and weakening exports. The sovereign debt crisis in the euro zone periphery continues to weigh heavily on the political agenda and on the economic lead indicators.

Against this background, Erste Group’s priorities for the remainder of 2012 will be the maintenance of the strong capital and liquidity position as well as strict cost management. The continued reduction of non-core assets, reducing yield levels on high-quality sovereign bonds, the absence of loan growth on an aggregated basis as well as the low level of consumer finance in new lending flows will negatively impact net interest income. Equally fee income from securities business/wealth management will remain under pressure. While the full-year operating result is expected to stay somewhat behind 2011, risk costs are also expected to decline to about EUR 2.0 billion in 2012, despite risk costs peaking in Romania this year. In addition, BCR, Erste Group’s Romanian subsidiary is expected to return to profitability in 2013.

Erste Group expects to comfortably and sustainably meet all capital requirements (EBA, Basel 3) as and when required, command a liquidity position superior to almost all competitors and, therefore, sees itself well positioned to take advantage of growth opportunities in its core customer business going forward.

PERFORMANCE IN DETAIL

in EUR million	1-6 12	1-6 11	Change
Net interest income	2,651.7	2,703.9	-1.9%
Risk provisions for loans and advances	-981.8	-920.8	6.6%
Net fee and commission income	865.5	906.1	-4.5%
Net trading result	121.5	288.8	-57.9%
General administrative expenses	-1,887.4	-1,926.3	-2.0%
Other result	-41.8	-264.0	na
Pre-tax profit/loss	**727.7**	**787.7**	**-7.6%**
Net profit/loss for the period	**531.1**	**612.3**	**-13.3%**
Attributable to non-controlling interests	77.5	91.5	-15.3%
Attributable to owners of the parent	**453.6**	**520.8**	**-12.9%**

Net interest income

Net interest income declined from EUR 2,703.9 million in the first half of 2011 to EUR 2,651.7 million for the first half of 2012. Over the same period, the net interest margin (net interest income as a percentage of average interest-bearing assets) contracted from 2.99% to 2.83%. This development was mainly due to subdued credit demand, especially for consumer loans, the reduction of non-core assets, and inclusion of trading assets into interest-bearing assets.

Net fee and commission income

in EUR million	1-6 12	1-6 11	Change
Lending business	141.6	133.2	6.3%
Payment transfers	427.0	432.3	-1.2%
Card business	103.0	96.1	7.2%
Securities transactions	173.4	203.5	-14.8%
Investment fund transactions	92.8	102.1	-9.1%
Custodial fees	15.5	17.1	-9.4%
Brokerage	65.1	84.3	-22.8%
Insurance brokerage business	45.1	49.0	-8.0%
Building society brokerage	15.2	17.9	-15.1%
Foreign exchange transactions	12.6	11.8	6.8%
Investment banking business	5.7	10.1	-43.6%
Other	44.9	48.3	-7.0%
Total	**865.5**	**906.1**	**-4.5%**

Net fee and commission income

Net fee and commission income decreased in the first half of 2012 from EUR 906.1 million to EUR 865.5 million. This development was mostly due to a decline in the securities business (primarily in Austria and the Czech Republic), as well as in building society/insurance brokerage and in investment banking. The result from the lending business was solid on the back of contributions from Erste Group's factoring subsidiary Intermarket Bank AG (consolidated since 1 August 2011).

Net trading result

The **net trading result** declined by 57.9% from EUR 288.8 million in the first half of 2011 to EUR 121.5 million in the first half of 2012. This was mainly attributable to significantly lower valuation gains and reclassification of interest income from securities carried as trading assets (now reported in net interest income rather than, as formerly, in the net trading result).

General administrative expenses

in EUR million	1-6 12	1-6 11	Change
Personnel expenses	-1,138.6	-1,142.3	-0.3%
Other administrative expenses	-565.0	-595.7	-5.2%
Depreciation and amortisation	-183.8	-188.3	-2.4%
Total	**-1,887.4**	**-1,926.3**	**-2.0%**

General administrative expenses declined by 2.0% from EUR 1,926.3 million to EUR 1,887.4 million (currency-adjusted: -0.4%).

Personnel expenses decreased by 0.3% (currency-adjusted +1.0%) from EUR 1,142.3 million to EUR 1,138.6 million. Major cost savings were achieved in other administrative expenses (mainly in office-related expenses), which declined by 5.2% (currency-adjusted: -3.0%) from EUR 595.7 million to EUR 565.0 million, and in depreciation and amortisation, which was down by 2.4% (currency-adjusted: -0.5%) from EUR 188.3 million to EUR 183.8 million.

The **headcount** was reduced by 2.3% since year-end 2011 to 49,285 employees. This was mainly due to reorganisation measures in Hungary, Romania, and Ukraine.

Headcount as of end of the period

	Jun 12	Dec 11	Change
Employed by Erste Group	**49,285**	**50,452**	**-2.3%**
Domestic	16,013	16,189	-1.1%
Erste Group, EB Oesterreich and subsidiaries	8,592	8,773	-2.1%
Haftungsverbund savings banks	7,421	7,416	0.1%
Abroad	33,272	34,263	-2.9%
Česká spořitelna Group	10,630	10,661	-0.3%
Banca Comercială Română Group	8,716	9,245	-5.7%
Slovenská sporiteľňa Group	4,200	4,157	1.0%
Erste Bank Hungary Group	2,598	2,948	-11.9%
Erste Bank Croatia Group	2,647	2,599	1.8%
Erste Bank Serbia	935	919	1.7%
Erste Bank Ukraine	1,552	1,685	-7.9%
Savings banks subsidiaries & foreign branch offices	1,108	1,117	-0.8%
Other subsidiaries and foreign branch offices	886	932	-4.9%

Operating result

Driven by the significant reduction in net trading result compared to the first half of 2011, operating income was down 6.7% to EUR 3,638.7 million in the first half of 2012 (first half of 2011: EUR 3,898.8 million). Despite the reduction in general administrative expenses by 2.0% from EUR 1,926.3 million to EUR 1,887.4 million, the **operating result** declined from EUR 1,972.5 million to EUR 1,751.3 million.

Risk provisions

Risk provisions (i.e. the balance of the allocation and release of provisions for the lending business together with the costs of direct loan write-offs offset by income received from the recovery of loans already written off) increased by 6.6% versus the first half of 2011, from EUR 920.8 million to EUR 981.8 million. This rise was attributable to the need for additional provisions in Romania which were not fully offset by lower risk costs in Hungary and in the Czech Republic. In the first half of 2012, risk costs in relation to the average volume of customer loans were 146 basis points (H1 2011: 139 basis points).

Other operating result

Other operating result improved from EUR -260.2 million in the first half of 2011 to EUR -68.1 million in the first half of 2012. This was mainly attributable to the buy-back of tier 1 and tier 2 instruments, which generated one-off income of EUR 413.2 million. Furthermore, there was a positive contribution from gains on the sale of properties amounting to EUR 42.7 million. On the other hand, a goodwill adjustment for Banca Comercială Română of EUR 210.0 million and a EUR 60.6 million shift from risk provisions to this line item negatively impacted other operating result. The latter related to the changed FX mortgage interest subsidy legislation in Hungary, which required a large part of the EUR 75.6 million booked as risk costs in the first quarter of 2012 to be presented as other operating result. Other taxes rose from EUR 110.2 million to EUR 188.5 million. That increase was driven primarily by banking taxes. In Slovakia, a banking tax of EUR 7.1 million had to be paid for the first time in 2012. The banking tax in Austria was raised by 25% to EUR 82.9 million, resulting in an annual charge of EUR 165.8 million, and banking taxes were levied again in Hungary in the amount of EUR 24.5 million. This line item also includes straight-line amortisation of intangible assets (i.e. customer relationships) of EUR 33.4 million (first half of 2011: 34.9 million) as well as deposit insurance contributions of EUR 43.7 million (first half of 2011: EUR 42.6 million).

Results from financial assets

The overall result from all categories of **financial assets** improved from EUR -3.8 million in the first half of 2011 to EUR 26.3 million in the first half of 2012. Valuation gains on assets held in the fair value portfolio more than offset losses on sales of non-core assets and valuation losses in the available-for-sale and held-to-maturity portfolios in the first half of 2012.

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

Pre-tax profit, at EUR 727.7 million, was 7.6% lower in the first half of 2012 than in the first half of 2011 (EUR 787.7 million).

Net profit after minorities declined by 12.9% from EUR 520.8 million in the first half of 2011 to EUR 453.6 million in the first half of 2012. Adjusted for major one-off items other than banking taxes, i.e. one-off income from the buy-back of tier 1 and tier 2 instruments as well as property sales, and one-off expenses related to goodwill adjustments and the FX mortgage interest subsidy legislation in Hungary, net profit amounted to about EUR 350 million.

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Net interest income in the second quarter of 2012 amounted to EUR 1,314.8 million versus EUR 1,336.9 million in the first quarter. The slight decline was attributable to subdued credit demand, particularly for consumer loans, as well as the sale of non-core assets.

On the back of improvements in payment transactions (up 2.9% to EUR 216.5 million), **net fee and commission income** rose by 1.1% from EUR 430.3 million in the first quarter of 2012 to EUR 435.2 million in the second quarter.

The **net trading result** deteriorated by 70.2% from EUR 93.6 million in the first quarter 2012 to EUR 27.9 million. This was mainly attributable to a decline in the securities and derivatives businesses that was not offset by a positive contribution from foreign exchange trading.

General administrative expenses slightly decreased by 0.3% quarter-on-quarter, from EUR 945.1 million to EUR 942.3 million, as declining personnel expenses (down 0.4% from EUR 570.5 million to EUR 568.1 million) and other administrative expenses (down 0.6% from EUR 283.3 million to EUR 281.7 million) more than offset a rise in depreciation and amortisation (up 1.3% from EUR 91.3 million to EUR 92.5 million).

The **cost/income ratio** was 53.0% in the second quarter 2012 versus 50.8% in the first quarter of 2012.

Risk provisions for loans and advances decreased by 30.9% quarter-on-quarter, from EUR 580.6 million to EUR 401.2 million, primarily due to statutory changes in Hungary. The impact of the FX mortgage interest subsidy law passed in Hungary in the first quarter of 2012, which had required additional risk provisions, was modified substantially by a change in the bank taxation act in the second quarter. This led to reclassifying to other operating result a large part (EUR 60.6 million) of the risk provisions created in the first quarter in the amount of EUR 75.6 million.

Other operating result declined to EUR -199.3 million (Q1 2012: EUR 131.2 million) as a result of lower gains on the buy-back of tier 1 and tier 2 instruments in the second quarter amounting to EUR 162.6 million (first quarter: EUR 250.6 million) and write-off of goodwill of Banca Comercială Română in the amount of EUR 210.0 million. Expenses related to the FX mortgage interest subsidy legislation in Hungary amounting to EUR 60.6 million also had a negative impact on this line item. These were booked as risk costs in the fist quarter and are now presented as other operating result due to the change in legislation in the second quarter. The total charge related to the legislation remained unchanged at EUR 75.6 million. On the other hand, there was a positive effect from the gains on the sale of properties amounting to EUR 42.7 million in the second quarter.

The overall result from all categories of **financial assets** fell from EUR 20.8 million in the first quarter of 2012 to EUR 5.5 million in the second quarter. This was mainly attributable to higher valuation gains on assets held in the fair value portfolio in the first quarter.

Pre-tax profit decreased to EUR 240.6 million in the second quarter of 2012 from EUR 487.1 million in the first quarter.

Net profit after minorities stood at EUR 107.1 million for the second quarter of 2012 versus EUR 346.5 million for the first quarter.

Development of the balance sheet

in EUR million	Jun 12	Dec 11	Change
Loans and advances to credit institutions	13,311	7,578	75.7%
Loans and advances to customers	133,944	134,750	-0.6%
Risk provisions for loans and advances	-7,612	-7,027	8.3%
Trading assets, derivative financial instruments	17,927	16,807	6.7%
Financial assets	41,264	38,132	8.2%
Other assets	16,394	19,766	-17.1%
Total assets	**215,228**	**210,006**	**2.5%**

in EUR million	Jun 12	Dec 11	Change
Deposits by banks	24,844	23,785	4.5%
Customer deposits	122,252	118,880	2.8%
Debt securities in issue	30,254	30,782	-1.7%
Trading liabilities, derivative financial instruments	10,981	9,873	11.2%
Other liabilities	6,696	5,723	17.0%
Subordinated liabilities	4,309	5,783	-25.5%
Total equity	15,892	15,180	4.7%
Attributable to non-controlling interests	3,267	3,143	3.9%
Attributable to owners of the parent	12,625	12,037	4.9%
Total liabilities and equity	**215,228**	**210,006**	**2.5%**

Loans and advances to credit institutions rose significantly from a low level of EUR 7.6 billion as of 31 December 2011 to EUR 13.3 billion. This line item included EUR 2.5 billion in excess liquidity, which was deposited in the ECB's deposit facility as of 30 June 2012. An additional EUR 2.3 billion was deposited in other major central banks.

Loans and advances to customers decreased slightly from EUR 134.8 billion as of 31 December 2011 to EUR 133.9 billion due to a decline in lending to retail customers in Austria, Romania and Hungary.

Risk provisions increased from EUR 7.0 billion to EUR 7.6 billion due to additional allocations. The NPL ratio (non-performing loans as a percentage of loans to customers) stood at 9.2% as of 30 June 2012 (8.5% as of 31 December 2011). The NPL coverage ratio improved from 61.0% at year-end 2011 to 61.2%.

Investment securities held within the various categories of financial assets rose by 8.2% from EUR 38.1 billion at year-end 2011 to EUR 41.3 billion, on the back of increased investments into bonds allocated to the available-for sale and held-to-maturity portfolios. This development resulted from the acquisition of highly liquid assets in preparing for the new Basel 3 liquidity rules.

Customer deposits grew by 2.8% from EUR 118.9 billion to EUR 122.3 billion as of 30 June 2012. This development was driven primarily by a EUR 1 billion increase in savings deposits at Austrian savings banks, in the Czech Republic and in Slovakia, as well as by growth in other deposits from Czech customers. The rise in deposits by banks is mostly attributable to use of the 2nd tranche of the ECB's 3-year LTRO (longer-term refinancing operation) in the amount of EUR 1.1 billion.

At 109.6%, the **loan-to-deposit ratio** as of 30 June 2012 was lower than it had been as of 31 December 2011 (113.3%).

Debt securities in issue declined by 1.7% from EUR 30.8 billion to EUR 30.3 billion as of 30 June 2012 due to lower funding needs and despite successful placement of mortgage covered bonds and senior unsecured bonds.

The significant reduction of **subordinated liabilities** from EUR 5.8 billion to EUR 4.3 billion as of 30 June 2012 resulted primarily from the buy-back of tier 1 and tier 2 instruments in the total notional amount of approximately EUR 1.3 billion.

Erste Group's **shareholders' equity** rose to EUR 12.6 billion as of 30 June 2012 (year-end 2011: EUR 12.0 billion). This was attributable to profit from the first half of 2012 as well as to significant improvement in the available-for-sale reserve. Tier 1 capital after the deductions defined in the Austrian Banking Act amounted to EUR 11.7 billion (year-end 2011: EUR 11.9 billion).

Core tier 1 capital (excluding retained earnings for the first half of 2012) also improved markedly, to EUR 11.3 billion (year-end 2011: EUR 10.7 billion), due to full recognition of collateral for defaulted loans in Romania.

At EUR 109.0 billion, total **risk-weighted assets** (RWA) as of 30 June 2012 were 4.4% lower than as of 31 December 2011 (EUR 114.0 billion). This decline was due to the sale of non-core assets as well as a large number of additional measures taken to meet the EBA's 9% equity capital requirement by the end of June 2012.

Total eligible qualifying capital of the Erste Group credit institution group, as defined by the Austrian Banking Act, declined from EUR 16.4 billion at year-end 2011 to EUR 15.6 billion as of 30 June 2012. The coverage ratio with respect to the statutory minimum requirement at the reporting date (EUR 8.7 billion) was 178.6% (year-end 2011: 179.9%).

The **tier 1 ratio**, which includes the capital requirements for market and operational risk (total risk), improved to 10.7% (year-end 2011: 10.4%). The core tier 1 ratio rose to 10.4% as of 30 June 2012 (year-end 2011: 9.4%). The core tier 1 ratio as defined by EBA stood at 9.9% as of 30 June 2012. (year-end 2011: 8.9%). Including retained earnings, the EBA capital ratio reached 10.4%.

The **solvency ratio** in relation to total risk (total eligible qualifying capital as a percentage of the assessment base for total risk pursuant to § 22 par. 1 of the Austrian Banking Act) remained almost unchanged at 14.3% as of 30 June 2012, which was well above the statutory minimum requirement of 8.0%.

SEGMENT REPORTING

Retail & SME

Erste Bank Oesterreich

The Erste Bank Oesterreich segment comprises the retail and SME business of Erste Bank Oesterreich and its subsidiaries, including all the savings banks in which Erste Bank Oesterreich holds majority stakes (savings banks in Salzburg, Tirol, and Hainburg), as well as s Bausparkasse.

The decline in net interest income from EUR 321.5 million in the first half of 2011 by EUR 9.3 million, or 2.9%, to EUR 312.2 million was primarily due to lower income from the banking book resulting from the development of interest rates over recent months. Margins in the customer business were again largely stable. Net fee and commission income improved slightly from EUR 160.1 million in the first half of 2011 by EUR 3.1 million, or 1.9%, to EUR 163.2 million in the first half of 2012, despite a reduction in the securities business. This was primarily attributable to a slight rise in net fee and commission income from the SME business as well as to the inclusion of Intermarket Bank AG in August 2011. The decline in the net trading result from EUR 4.8 million in the first half of 2011 by EUR 7.9 million to EUR -3.1 million in the first half of 2012 was due to negative valuation results totalling EUR 8.1 million. The slight rise in operating expenses from EUR 302.5 million by EUR 3.5 million, or 1.2% to EUR 306.0 million resulted from the integration of Intermarket Bank AG in August 2011.

The operating result decreased from EUR 183.9 million in the first half of 2011 by EUR 17.6 million, or 9.6%, to EUR 166.3 million. The cost/income ratio was 64.8% versus 62.2% in the first half of 2011. The sharp reduction in risk provisions by EUR 10.9 million, or 16.7%, from EUR 65.2 million in the previous year to EUR 54.3 million reflected the continuing stability of the risk profile in the retail and SME portfolios.

The rise in the "Other result" by EUR 24.1 million to EUR 17.7 million in the first half of 2012 was mainly driven by income from the sale of securities held in the available-for-sale portfolio and the sale of real estate. Banking tax amounted to EUR 4.7 million in the first half of 2012. Net profit after minorities rose from EUR 84.6 million in the first half of 2011 by EUR 13.3 million, or 15.7%, to EUR 97.9 million. Return on equity stood at 15.1% versus 15.4% in the first half of 2011.

Haftungsverbund/Savings Banks

Net interest income decreased by EUR 15.5 million, or 3.1%, from EUR 492.2 million to EUR 476.7 million in the first half of 2012. This development was attributable to the smaller contribution from asset/liability management as well as narrower deposit margins. Net fee and commission income declined slightly by EUR 3.1 million, or 1.6%, to EUR 193.5 million in the first half of 2012. The net trading result was down by 13% from EUR 10.0 million to EUR 8.7 million in the first half of 2012 due to lower valuation results. Operating expenses rose slightly by EUR 1.1 million, or 0.2%, to EUR 469.5 million. The operating result decreased from EUR 230.4 million by EUR 21.0 million, or 9.1%, to EUR 209.4 million. The cost/income ratio stood at 69.2% versus 67.0% in the first half of 2011.

Risk provisions fell substantially by EUR 12.3 million, or 10.0%, from EUR 123.1 million in the first half of 2011 to EUR 110.8 million. Improvement in the "Other result" from EUR -18.2 million by EUR 14.8 million to EUR -3.4 million was largely due to gains on disposal in the available-for-sale portfolio. Banking tax amounted to EUR 4.2 million in the first half of 2012. Net profit after minorities rose from EUR 2.1 million in the first half of 2011 by EUR 5.1 million to EUR 7.2 million for the first half of 2012.

Central and Eastern Europe

The segment Central and Eastern Europe includes primarily the retail and SME business of Česká spořitelna, Slovenská sporiteľňa, Erste Bank Hungary, Banca Comercială Română, Erste Bank Croatia, Erste Bank Serbia, and Erste Bank Ukraine. Contributions from the divisionalised business areas – Group

Corporate & Investment Banking and Group Markets – are reported in the respective segments.

Czech Republic

Net interest income from the Czech retail and SME business declined from EUR 590.0 million by EUR 19.4 million, or 3.3%, to EUR 570.6 million. Currency-adjusted, net interest income remained unchanged, despite the difficult market environment and the adverse trend in interest rates. Net fee and commission income was down by EUR 18.6 million, or 7.5% (currency-adjusted: -4.4%) from EUR 248.4 million in the previous year to EUR 229.8 million due to lower income from payment transfers and the securities business. The net trading result was down EUR 23.2 million to EUR -8.4 million as a result of higher provisions for counterparty risk (credit value adjustments) and negative valuation results from interest-bearing and currency positions. Operating expenses declined by EUR 7.1 million, or -1.9%, to EUR 358.9 million in the first half of 2012. Currency-adjusted, operating expenses increased by 1.4%.

The operating result declined from EUR 487.2 million in the first half of 2011 by EUR 54.1 million, or 11.1% (currency-adjusted: -8.1%), to EUR 433.1 million. Due to the continued stabilisation of the portfolio, risk provisions fell significantly by EUR 54.0 million, or 38.8% (currency-adjusted: -36.7%), to EUR 85.3 million in the first half of 2012. The improvement of the “Other result” from EUR -46.9 million by EUR 26.1 million to EUR -20.8 million was primarily driven by higher income from financial assets and lower revaluation of real estate.

At EUR 252.7 million, net profit after minorities increased by EUR 13.5 million, or 5.6% (currency-adjusted: +9.2%), thus significantly higher than in the first half of 2011 (EUR 239.2 million). The cost/income ratio was 45.3% versus 42.9% in 2011. Return on equity declined from 44.0% to 39.6%.

Romania

The result of the Romanian retail and SME business reflected the adverse economic environment. Net interest income declined by EUR 70.6 million or, 19.9% (currency-adjusted: -15.9%), to EUR 284.3 million. This development was mainly due to weak consumer credit demand and narrowing margins on retail and corporate business. The decline in net fee and commission income by EUR 5.3 million, or 8.0% (currency-adjusted: -3.4%), from EUR 65.9 million in the first half of 2011 to EUR 60.6 million in the first half of 2012 was mainly attributable to lower income from insurance brokerage and payment transfers. The increase in the net trading result by EUR 19.1 million from EUR 18.8 million in the first half of 2011 to EUR 37.9 million resulted largely from revaluation gains on currency positions. Comprehensive optimisation measures reduced operating expenses by EUR 21.0 million, or 10.8% (currency-adjusted: -6.4%), from EUR 194.0 million in the first half of 2011 to EUR 173.0 million in the first half of 2012.

Additional provisioning requirements in the corporate and real estate business resulted in an increase of risk costs by EUR 140.8 million, or 62.8% (currency-adjusted: +71.0%), from EUR 224.1 million to EUR 364.9 million in the first half of 2012. This led to a rise in the NPL coverage ratio to 53.6% as of 30 June 2012 versus 50.1% at year-end 2011.

The improvement in the item "Other result" from EUR -25.7 million by EUR 9.2 million, or 35.8% (currency-adjusted: +32.6%), to EUR -16.5 million in the first half of 2012 was mainly the result of higher income from financial assets and proceeds from the sale of real estate. At EUR -140.5 million, net loss after minorities deteriorated by EUR 138.2 million compared to the first half of 2011 (EUR -2.3 million). Owing to rigorous implementation of optimisation measures, the cost/income ratio rose only slightly from 44.1% in the previous year to 45.2%.

Triggered by BCR’s half year result, Erste Group conducted an impairment test on the goodwill as of June 2012, which resulted in an impairment of EUR 210.0 million. This effect was allocated to the Segment Group Corporate Center.

Slovakia

Net interest income in the Slovak retail and SME business declined by EUR 10.3 million, or 4.7%, from EUR 221.3 million in the first half of 2011 to EUR 211.0 million in the first half of 2012. This resulted mainly from a change in the investment strategy for financial assets and a slight decline in retail business margins. Net fee and commission income at EUR 56.0 million (H1 2011: EUR 56.8 million) and the net trading result at EUR 1.0 million (H1 2011: EUR 1.1 million) remained almost unchanged versus the same period of the previous year. Operating expenses rose by EUR 4.4 million, or 4.0%, from EUR 109.0 million to EUR 113.4 million due to higher IT depreciation charges.

Risk provisions reflected an improvement in the market environment versus the first half of 2011. The retail business benefited most, leading to a reduction by EUR 8.8 million, or 21.7%, from EUR 40.6 million in the first half of 2011 to EUR 31.8 million. The item “Other result” included banking tax of EUR 5.0 million. Net profit after minorities declined by EUR 2.4 million, or 2.6%, to EUR 89.0 million. The cost/income ratio increased from 39.0% in the first half of 2011 to 42.3% in the first half of 2012. Return on equity stood at 41.0% versus 44.2% in the first half of 2011.

Hungary

Net interest income in the Hungarian retail and SME business fell by EUR 13.2 million, or 7.0%, from EUR 189.1 million in the first half of 2011 to EUR 175.9 million in the first half of 2012. Currency-adjusted, an improvement of 1.9% was posted. Declining interest income resulting from the statutory early repayment of FX loans at non-market rates was offset by the shift of interest income from trading assets to net interest income. Net fee and commission income declined by EUR 3.7 million, or 7.6%, to EUR 45.3 million. Currency-adjusted, net fee income rose by 1.3% on the back of higher commissions from payment transactions and building society brokerage. The decline in the net trading result from EUR 6.6 million by EUR 13.3 million to EUR -6.7 million in the first half of 2012 was largely attributable to a change in reporting of interest income from securities held for trading. Due to the restructuring measures implemented in the fourth quarter 2011, operating expenses decreased from EUR 101.3 million in the first half of 2011 by EUR 19.3 million, or 19.1% (currency-adjusted: -11.3%), to EUR 82.0 million in the first half of 2012. As a result, the cost/income ratio improved to 38.2% from 41.4% in the first half of 2011.

The decline in risk provisions in the second quarter of 2012 was triggered by the change of the law on a subsidy scheme for FX retail borrowers applicable for the coming five years. Thus, EUR 60.6 million in risk provision was release out of the total provisioning of EUR 75.6 million made in the first quarter. At the same time, reserves in the same amount were created for future additional tax charges, thus causing the deterioration of the “Other result" item from EUR -36.5 million in the first half of 2011 by EUR 56.4 million to EUR -92.9 million. Net loss after minorities was EUR -72.7 million versus EUR -51.2 million in the first half of 2011.

Croatia

In Croatia, net interest income from the retail and SME business rose from EUR 127.9 million in the first half of 2011 by EUR 1.0 million, or 0.8% (currency-adjusted: +2.8%), to EUR 128.9 million. This was primarily due to higher margins in the corporate business. Reflecting the October 2011 transfer of the credit card processing subsidiary and therefore its allocation to the Corporate Center segment, net fee and commission income declined from EUR 36.3 million in the first half of 2011 by EUR 3.2 million, or 8.8% (currency-adjusted: -7.0%), to EUR 33.1 million. The decrease in the net trading result from EUR 5.4 million in the first half of 2011 by EUR 0.8 million, or 14.8% (currency-adjusted: -13.1%), to EUR 4.6 million was caused by negative valuation results. Operating expenses were down by EUR 4.2 million, or 5.8% (currency-adjusted: -4.0%), from EUR 72.3 million in the first half of 2011 to EUR 68.1 million in the first half of 2012, which was likewise attributable to the transfer of the credit card processing business.

The operating result was up EUR 1.2 million, or 1.2% (currency-adjusted: +3.2%), from EUR 97.3 million to EUR 98.5 million. Correspondingly, the cost/income ratio improved from 42.6% in the first half of 2011 to 40.9%. Increased risk provisioning requirements in the real estate and corporate business led to a rise in risk costs by EUR 20.6 million, or 40.9% (currency-adjusted: +43.6%), from EUR 50.4 million to EUR 71.0 million in the first half of 2012. Net profit after minorities declined from EUR 21.6 million in the first half of 2011 by EUR 9.0 million, or 41.7% (currency-adjusted: -40.5%), to EUR 12.6 million. Return on equity was 8.5% versus 16.8% in the first half of 2011.

Serbia

At EUR 18.1 million, net interest income at Erste Bank Serbia remained nearly unchanged in the first half of 2012 versus the previous year. Currency-adjusted, the figure was up by 8.4%. This improvement was driven by a rise in lending volumes to retail and corporate clients and higher margins in the retail business. Net fee and commission income improved from EUR 6.0 million by EUR 0.6 million, or 10.0% (currency-adjusted: +19.9%), to EUR 6.6 million. The net trading result rose by EUR 0.8 million on the back of growing income from foreign exchange business. Currency-adjusted, operating expenses increased by 6.4% to EUR 16.5 million in the first half of 2012 due to higher other administrative expenses. The cost/income ratio improved to 64.7% from 69.8% in the first half of 2011.

Risk costs declined by 4.4% from EUR 4.5 million to EUR 4.3 million. Net profit after minorities grew by EUR 1.2 million to EUR 2.8 million. Return on equity rose to 13.6% versus 7.4% in the previous year.

Ukraine

Net interest income at Erste Bank Ukraine increased from EUR 11.6 million in the first half of 2011 by EUR 2.8 million, or 24.1% (currency-adjusted: +15.8%), to EUR 14.4 million. This improvement was achieved on the back of higher income from the securities business. Higher income from payment transfers led to an improvement in net fee and commission income by EUR 0.5 million to EUR 2.6 million in the first half of 2012. Impacted by lower income from foreign exchange and securities business, the net trading result declined by EUR 10.7 million from EUR 7.3 million to EUR -3.4 million.

Operating expenses increased by EUR 0.2 million, or 0.8%, to EUR 24.0 million. Currency-adjusted, operating expenses fell by 5.9%. The reduction of risk provisions by EUR 0.8 million, or 12.3% (currency-adjusted: -18.2%), to EUR 5.7 million resulted from substantial portfolio stabilisation. The item “Other result” deteriorated by EUR 4.8 million to EUR -1.7 million due to losses on disposals related to the available-for-sale portfolio. Net loss after minorities dropped by EUR 11.6 million to EUR -17.8 million.

Group Corporate & Investment Banking (GCIB)

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

Net interest income was down by a moderate EUR 4.6 million, or 1.8%, versus the first half of 2011 to EUR 257.2 million. While net interest income from International Business declined by EUR 9.6 million, or 18.6%, to EUR 42.1 million on lower volume (as risk-weighted assets had been reduced by 41.9%), net interest income from real estate and large corporate business grew by EUR 5.1 million or 2.4%. Net fee and commission income decreased by EUR 18.1 million, or 29.4%, to EUR 43.4 million. This was attributable to a reduction in new business and declining income from real estate project development activities. The net trading result dropped by EUR 59.1 million, or 90%, to EUR 6.6 million. This was mainly attributable to non-recurring valuations gains in the first half of 2011 relating to the International Business unit's CDS investment portfolio, which has meanwhile been closed out completely.

Operating expenses increased by EUR 4.1 million, or 4.5%, to EUR 96.2 million. This development was driven primarily by organisational change, i.e. the shifting of units from the Group Markets segment to Group Corporate and Investment Banking. Risk provisions increased by EUR 34.6 million, or 30.8%, to EUR 147.1 million. This was mainly due to higher risk provisions in the real estate business and in the large corporate business in Romania. The operating result decreased from EUR 296.9 million in the first half of 2011 by EUR 85.9 million, or 28.9%, to EUR 211.0 million in the first half of 2012. Negative valuation results and losses on disposals resulting from the continued reduction of International Business assets resulted in the decline in the item "Other result" by EUR 63.5 million to EUR -57.0 million.

Net profit after minorities fell from EUR 139.1 million by EUR 140.0 million to EUR -0.9 million. This was mainly attributable to the net trading result in International Business, the rise in risk provisions, and the adverse impact of the reduction of non-core assets on the item "Other result". The cost/income ratio rose from 23.7% in the first half of 2011 to 31.3%.

Group Markets

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

The operating result of the Group Markets segment improved by EUR 43.1 million, or 26.9%, from EUR 160.2 million in the first half of 2011 to EUR 203.3 million in the first half of 2012. This was mainly due to an increase in net interest income, which grew from EUR 65.6 million by EUR 41.7 million, or 63.6%, to EUR 107.3 million. The gain in net interest income was attributable to higher income from government bonds, increased contributions from the money market desk, as well as to the shifting of funding costs and interest income from trading assets. The latter was the main factor in reducing the net trading result from EUR 146.3 million by EUR 7.7 million, or 5.3%, to EUR 138.6 million. Net fee and commission income declined by EUR 3.9 million, or 5.7%, to EUR 65.1 million, which was attributable in particular to lower profit contribution from asset management. Operating expenses, at EUR 107.7 million, were EUR 13.0 million, or 10.8%, lower in the first half of 2012 than in the first half of 2011. This decline was due to cost-cutting across all business units and to organisational changes (transfer of units from the Group Markets segment to Group Corporate and Investment Banking). The cost/income ratio improved from 43.0% to 34.6%.

Net profit after minorities rose by EUR 38.6 million, or 31.6%, from EUR 122.2 million in the first half of 2011 to EUR 160.8 million. Return on equity improved from 80.1% to 92.2%.

Corporate Center

The Corporate Center segment includes the results of those companies that cannot be directly allocated to a business segment, intragroup consolidation between the segments, straight-line amortisation of customer relationships especially for Banca Comercială Română, Erste Card Club, and Ringturm KAG, as well as one-time effects not allocated to any business segment for the sake of consistency and to assist like-for-like comparisons. Furthermore, the asset/liability management of Erste Group Bank AG (Holding) is included in this segment. The results of the local asset/liability management units are allocated to the corresponding business segments.

The rise in net interest income from EUR 49.8 million to EUR 95.1 million was mainly driven by an increase of structural contributions from asset/liability management. The positive development of net fee and commission income and higher operating expenses were largely attributable to intragroup consolidation of banking support operations. The net trading result dropped from EUR 8.0 million to EUR -55.1 million due to lower valuation results in asset/liability management.

The item "Other result" included amortisation of customer relationships in the amount of EUR 33.4 million, a goodwill adjustment for the Romanian subsidiary BCR in the amount of EUR 210.0 million, and the proceeds from buying back tier 1 and tier 2 instruments (hybrid capital and subordinated bonds) in the amount of EUR 413.2 million. Banking tax paid by the Holding (Erste Group Bank AG) in the amount of EUR 73.5 million was also reported in the item "Other result".

Condensed Consolidated Financial Statements

I. Condensed Statement of Comprehensive Income – 1 January to 30 June 2012

Income statement

in EUR million	Notes	1-6 12	1-6 11 Restated[1]
Interest and similar income		4,538.8	4,498.9
Interest and similar expenses		-1,893.1	-1,804.8
Income from equity related investments		6.0	9.8
Net interest income	(1)	2,651.7	2,703.9
Risk provisions for loans and advances	(2)	-981.8	-920.8
Fee and commission income		1,112.8	1,190.5
Fee and commission expenses		-247.3	-284.4
Net fee and commission income	(3)	865.5	906.1
Net trading result	(4)	121.5	288.8
General administrative expenses	(5)	-1,887.4	-1,926.3
Other operating result	(6)	-68.1	-260.2
Result from financial instruments - FV	(7)	42.4	-19.9
Result from financial assets - AfS	(8)	3.7	14.1
Result from financial assets - HtM	(9)	-19.8	2.0
Pre-tax profit/loss		**727.7**	**787.7**
Taxes on income	(10)	-196.6	-175.4
Net profit/loss for the period		**531.1**	**612.3**
Attributable to non-controlling interests		77.5	91.5
Attributable to owners of the parent		**453.6**	**520.8**

1) Regarding restatement, see section so named in the Notes under Accounting Policy

Statement of comprehensive income

in EUR million		1-6 12		1-6 11 Restated[1]
Net profit/loss for the period		**531.1**		**612.3**
Other comprehensive income				
Available for sale - reserve (including currency translation)		516.2		53.2
Gain / loss during the year	568.6		43.1	
Reclassification adjustments	-52.4		10.1	
Cash flow hedge - reserve (including currency translation)		0.2		-20.7
Gain / loss during the year	-1.7		-32.8	
Reclassification adjustments	1.9		12.1	
Actuarial gains and losses		0.0		0.0
Currency translation		-30.5		124.5
Deferred taxes on items recognised directly in equity		-121.3		-17.1
Gain / loss during the year	-130.8		-14.8	
Reclassification adjustments	9.5		-2.3	
Other comprehensive income – total		**364.6**		**139.9**
Total comprehensive income		**895.7**		**752.2**
Attributable to non-controlling interests		232.3.0		56.7
Attributable to owners of the parent		**666.4**		**695.5**

1) Regarding restatement, see section so named in the Notes under Accounting Policy

Earnings per share

		1-6 12	1-6 11 Restated[1]
Net profit/loss for the year attributable to owners of the parent	in EUR million	453.6	520.8
Dividend on participation capital		-70.6	-70.6
Net profit/loss for the year attributable to owners of the parent after deduction of dividend on participation capital		383.0	450.2
Weighted average number of shares outstanding	Number	391,059,048	376,107,349
Earnings per share	**in EUR**	**0.98**	**1.20**
Weighted average number of shares taking into account the effect of dilution	Number	393,251,375	378,103,411
Diluted earnings per share	in EUR	0.97	1.19

1) Regarding restatement, see section so named in the Notes under Accounting Policy

Changes in number of shares and participation capital securities

Shares in units	1-6 12	1-6 11
Shares outstanding as of 1 January	**371,443,804**	**361,988,924**
Acquisition of treasury shares	-13,859,693	-6,125,428
Disposal of treasury shares	14,011,873	7,460,357
Capital increases due to ESOP	0	289,663
Capital increase due to acquisition of non controlling interest in BCR	3,801,385	0
Shares outstanding as of 30 June	**375,397,369**	**363,613,516**
Treasury shares	19,171,278	14,852,868
Number of shares as of 30 June	**394,568,647**	**378,466,384**
Weighted average number of shares outstanding	391,059,048	376,107,349
Dilution due to ESOP	2,192,326	1,996,062
Dilution due to options	0	0
Weighted average number of shares taking into account the effect of dilution	393,251,375	378,103,411

Participation capital securities in units	1-6 12	1-6 11
Participation capital securities outstanding as of 1 January	**1,763,274**	**1,763,478**
Acquisition of own participation capital securities	-3,510	-1,510
Disposal of own participation capital securities	3,958	1,695
Participation capital securities outstanding as of 30 June	**1,763,722**	**1,763,663**
Participation capital securities	22	81
Number of participation capital securities as of 30 June	**1,763,744**	**1,763,744**

Quaterly results

in EUR million	Q2 11 restated[1]	Q3 11	Q4 11	Q1 12	Q2 12
Net interest income	1,401.9	1,430.2	1,434.9	1,336.9	1,314.8
Risk provisions for loans and advances	-460.7	-938.4	-407.7	-580.6	-401.2
Net fee and commission income	450.9	445.9	435.2	430.3	435.2
Net trading result	52.1	-251.4	84.9	93.6	27.9
General administrative expenses	-963.3	-965.3	-959.3	-945.1	-942.3
Other operating result	-131.5	-1,200.2	-129.5	131.2	-199.3
Result from financial instruments - FV	-29.4	12.1	8.1	41.5	0.9
Result from financial assets - AfS	-5.1	-76.9	-3.4	-14.7	18.4
Result from financial assets - HtM	1.8	-19.0	-10.1	-6.0	-13.8
Pre-tax profit/loss	**316.7**	**-1,563.0**	**453.1**	**487.1**	**240.6**
Taxes on income	-68.6	70.4	-135.4	-107.2	-89.4
Net profit/loss for the period	**248.1**	**-1,492.6**	**317.7**	**379.9**	**151.2**
Attributable to non-controlling interests	48.7	1.2	63.6	33.4	44.1
Attributable to owners of the parent	**199.4**	**-1,493.8**	**254.1**	**346.5**	**107.1**
Other comprehensive income					
Available for sale - reserve (including currency translation)	107.3	98.6	-216.4	396.4	119.8
Cash flow hedge - reserve (including currency translation)	17.0	50.3	1.0	3.1	-2.9
Actuarial gains and losses	0.0	0.0	-42.7	0.0	0.0
Currency translation	-97.4	-196.5	-160.9	124.2	-154.7
Deferred taxes on items recognised directly in equity	-34.6	-8.4	48.6	-92	-29.3
Other comprehensive income – total	**-7.7**	**-56**	**-370.4**	**431.7**	**-67.1**
Total comprehensive income	**240.4**	**-1,548.6**	**-52.7**	**811.6**	**84.1**
Attributable to non-controlling interests	58.8	54.6	13.0	157.0	75.3
Attributable to owners of the parent	**181.6**	**-1,603.2**	**-65.7**	**654.6**	**8.8**

1) Regarding restatement, see section so named in the Notes under Accounting Policy

II. Condensed Balance Sheet of Erste Group as of 30 June 2012

in EUR million	Notes	Jun 12	Dec 11
ASSETS			
Cash and balances with central banks	(11)	5,737	9,413
Loans and advances to credit institutions	(12)	13,311	7,578
Loans and advances to customers	(13)	133,944	134,750
Risk provisions for loans and advances	(14)	-7,612	-7,027
Derivative financial instruments	(15)	11,974	10,931
Trading assets	(16)	5,953	5,876
Financial assets - at fair value through profit or loss	(16)	845	1,813
Financial assets - available for sale	(16)	22,514	20,245
Financial assets - held to maturity	(16)	17,905	16,074
Equity method investments		169	173
Intangible assets		3,211	3,532
Property and equipment		2,244	2,361
Current tax assets		117	116
Deferred tax assets		586	702
Assets held for sale		118	87
Other assets	(17)	4,212	3,382
Total assets		**215,228**	**210,006**
LIABILITIES AND EQUITY			
Deposits by banks	(18)	24,844	23,785
Customer deposits	(19)	122,252	118,880
Debt securities in issue	(20)	30,254	30,782
Derivative financial instruments	(21)	10,550	9,337
Trading liabilities		431	536
Provisions	(22)	1,579	1,580
Current tax liabilities		61	34
Deferred tax liabilities		351	345
Other liabilities	(23)	4,705	3,764
Subordinated liabilities	(24)	4,309	5,783
Total equity		15,892	15,180
Attributable to non-controlling interests		3,267	3,143
Attributable to owners of the parent		12,625	12,037
Total liabilities and equity		**215,228**	**210,006**

III. Condensed Statement of Changes in Total Equity

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

in EUR million	Subscribed capital	Additional paid-in-capital	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Currency translation	Deferred tax	Total owners of the parent	Non-controlling interests	Total equity
Total equity as of 1 January 2012	**2,539**	**6,413**	**3,830**	**35**	**-316**	**-541**	**77**	**12,037**	**3,143**	**15,180**
Changes in treasury shares			-3					-3		-3
Dividends			-141					-141	-28	-169
Capital increases [1)]	8	59						67		67
Participation capital								0		0
Change in interest in subsidiaries								0		0
Acquisition of non-controlling interest			2					2	-80	-78
Total comprehensive income	0	0	454	5	297	-26	-67	663	232	895
Net profit/loss for the period			454					454	77	531
Other comprehensive income				5	297	-26	-67	209	155	364
Total equity as of 30 June 2012	**2,547**	**6,472**	**4,142**	**40**	**-19**	**-567**	**10**	**12,625**	**3,267**	**15,892**

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

B) STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE PERIOD ENDED 30 JUNE 2011

in EUR million	Subscribed capital	Additional paid-in-capital	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Currency translation	Deferred tax	Total owners of the parent	Non-controlling interests	Total equity
Total equity as of 1 January 2011	**2,513**	**6,177**	**4,939**	**11**	**-278**	**-312**	**64**	**13,114**	**3,444**	**16,558**
Changes in treasury shares			56					56		56
Dividends			-405					-405	-38	-443
Capital increases	1	8						9		9
Participation capital								0		0
Change in interest in subsidiaries								0	37	37
Acquisition of non-controlling interest								0		0
Total comprehensive income	0	0	521	-13	95	118	-25	696	57	753
Net profit/loss for the period			521					521	92	613
Other comprehensive income				-13	95	118	-25	175	-35	140
Total equity as of 30 June 2011	**2,514**	**6,185**	**5,111**	**-2**	**-183**	**-194**	**39**	**13,470**	**3,500**	**16,970**

IV. Condensed cash-flow statement

in EUR million	1-6 12	1-6 11
Cash and cash equivalents at end of the previous year	**9,413**	**5,839**
Cash flow from operating activities	-417	3,232
Cash flow from investing activities	-1,942	-2,007
Cash flow from financing activities	-1,260	-514
Effect of currency translation	-57	55
Cash and cash equivalents at the end of period	**5,737**	**6,605**

V. Condensed notes to the Financial Statements of Erste Group for the period from 1 January to 30 June 2012

BASIS OF PREPARATION

The condensed consolidated interim financial statements ("interim financial statements") of Erste Group for the period from 1 January to 30 June 2012 were prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and are presented in accordance with the requirements of IAS 34 "Interim Financial Reporting". The Group's application of IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

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

ACCOUNTING POLICIES

In the interim financial statements, the same recognition and measurement principles and consolidation methods are applied as in the preparation of the consolidated financial statements as of 31 December 2011. 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 2011.

Standards and interpretations to be applied in the EU as from 1 January 2012 on were applied in these interim financial statements. Application of these Standards has no impact on the interim financial statements.

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

Following amendments become effective in 2012.

Changed standard	Endorsment by the EU	Effective date (annual periods beginning on or after)
Amendments to IFRS 7 – Offsetting Financial Assets and Liabilities	November 2011	1 July 2011
Amendments to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters	Expected in Q4 2012	1 July 2011
Amendments to IAS 12 – Deferred Tax: Recovery of Underlying assets	Expected in Q4 2012	1 January 2012

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

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

RESTATEMENT

Due to volatility on capital and financial markets, the management of Erste Group analysed the outstanding portfolio of credit default swaps (CDS) which were held within its International Business Division with a view to Erste Group's strategic business orientation. Based upon this analysis, the accounting for these instruments classified in prior periods as financial guarantees has been consequently restated to classify and measure them as financial instruments at fair value through profit and loss. By half year-end 2012 the outstanding notional value of this portfolio had been reduced to EUR 29 million.

As a result of harmonising and improving certain IT tools within Erste Group, prior calculations as to the effective interest rates (EIR) for loans and advances to customers have been restated.

In accordance with IAS 8, comparative figures have been restated to reflect the above.

Balance sheet of Erste Group

in EUR Million				
31 Dec 2010	Published amount	CDS	EIR	Restated amount
Assets				
Loans and advances to customers	132,729		-395	132,334
Derivative financial instruments	8,474	34		8,508
Deferred tax assets	418	95	104	617
Other assets	4,632	-6		4,626
Non-adapted positions	59,685			59,685
Total assets	**205,938**	**123**	**-291**	**205,770**
Liabilities and equity				
Derivate financial instruments	7,996	403		8,399
Non-adapted positions	180,813			180,813
Total equity	17,129	-280	-291	16,558
Attributable to				
Non-controlling interest	3,544		-100	3,444
Owners oft he parent	13,585	-280	-191	13,114
Total liabilities and equity	**205,938**	**123**	**-291**	**205,770**

Statement of comprehensive income of Erste Group

in EUR million				
1-6 2011	Published amount	CDS	EIR	Restated amount
Net interest income	2,689.8		14.1	2,703.9
Risk provisions for loans and advances	-940.0	19.2		-920.8
Net fee and commission income	954.9	-23.2	-25.6	906.1
Net trading result	248.7	40.1		288.8
General administrative expenses	-1,926.3			-1,926.3
Other result	-264.0			-264.0
Pre-tax profit/loss	763.1	36.1	-11.5	787.7
Taxes on income	-167.8	-10.1	2.5	-175.4
Net profit/loss	595.3	26.0	-9.0	612.3
Total other comprehensive income	139.9			139.9
Total comprehensive income	735.2	26.0	-9.0	752.2
Attributable to				
non-controlling interests	64.2		-7.5	56.7
owners of the parent	**671.0**	**26.0**	**-1.5**	**695.5**

Earnings per share

in EUR				
1–6 2011	Published amount	CDS	EIR	Restated amount
Earnings per share	1.13	0.07	0.00	1.20
Diluted earnings per share	1.13	0.07	-0.01	1.19

SCOPE OF CONSOLIDATION

Changes in the scope of consolidation in the second quarter 2012 do have neither material impact on the financial position nor on the financial performance of the Group.

Opening balance as of 31 December 2011	589
Additions	
Entities newly added to the consolidation field	4
Disposals	
Companies sold or liquidated	(10)
Mergers	(1)
Closing balance as of 30 June 2012	582

In the second quarter 2012 the following subsidiaries were included in the consolidation field for the first time
(effective 1 January 2012):

- Erste Group IT International, spol. s.r.o
- S-Immobilien Weinviertler Sparkasse GmbH
- S Slovensko, spol. s r.o.
- Steiermärkische Verwaltungssparkasse Immobilien & Co KG

BANCA COMERCIALĂ ROMÂNĂ

Erste Group raised its participation in Banca Comercială Română SA from 89.9% by 3.4 percentage points to 93.3% by acquisition of shares from owners of non-controlling interests, mainly from SIF Banat-Crisana and SIF Muntenia resulting from the agreement on acquisition of BCR shares (for details please refer to Note 30 of the annual financial statements of Erste Group as at 31 December 2011).

Based on written options existing at the end of 2011, in February 2012 SIF Banat-Crisana and SIF Muntenia contributed 486.418.882 shares of BCR into Erste Group Bank AG. A total of 3,801,385 new Erste Group Bank AG shares were issued to the two SIFs in the amount of EUR 67 million.

1. Net interest income

in EUR million	1-6 12	1-6 11 restated
Interest income		
Lending and money market transactions with credit institutions	496.8	534.2
Lending and money market transactions with customers	3,056.1	3,175.7
Bonds and other interest-bearing securities	699.6	623.9
Other	4.4	4.6
Current income		
Equity-related securities	28.7	52.7
Investments	19.4	15.9
Investment properties	39.0	41.8
Interest and similar income	**4,344.0**	**4,448.8**
Interest income from financial assets - at fair value through profit or loss	194.8	50.1
Total interest and similar income	**4,538.8**	**4,498.9**
Interest expenses		
Deposits by banks	-363.8	-308.6
Customer deposits	-913.0	-859.9
Debt securities in issue	-475.1	-494.3
Subordinated liabilities	-108.0	-130.4
Other	-5.1	-4.8
Interest and similar expenses	**-1,865.0**	**-1,798.0**
Interest expenses from financial assets - at fair value through profit or loss	-28.1	-6.8
Total interest and similar expenses	**-1,893.1**	**-1,804.8**
Result from equity method investment	**6.0**	**9.8**
Total	**2,651.7**	**2,703.9**

2. Risk provisions for loans and advances

in EUR million	1-6 12	1-6 11 restated
Allocation to risk provisions for loans and advances	-1,436.3	-1,272.0
Release of risk provisions for loans and advances	571.7	388.0
Direct write-offs of loans and advances	-143.7	-59.6
Recoveries on written-off loans and advances	26.5	22.8
Total	**-981.8**	**-920.8**

3. Net fee and commission income

in EUR million	1-6 12	1-6 11 restated
Lending business	141.6	133.2
Payment transfers	427.0	432.3
Card business	103.0	96.1
Securities transactions	173.4	203.5
Investment fund transactions	92.8	102.1
Custodial fees	15.5	17.1
Brokerage	65.1	84.3
Insurance brokerage business	45.1	49.0
Building society brokerage	15.2	17.9
Foreign exchange transactions	12.6	11.8
Investment banking business	5.7	10.1
Other	44.9	48.3
Total	**865.5**	**906.1**

4. Net trading result

in EUR million	1-6 12	1-6 11 restated
Securities and derivatives trading	22.8	198.0
Foreign exchange transactions	98.7	90.8
Total	**121.5**	**288.8**

5. General administrative expenses

in EUR million	1-6 12	1-6 11
Personnel expenses	-1,138.6	-1,142.3
Other administrative expenses	-565.0	-595.7
Depreciation and amortisation	-183.8	-188.3
Total	**-1,887.4**	**-1,926.3**

6. Other operating result

in EUR million	1-6 12	1-6 11
Other operating income	520.6	58.5
Other operating expenses	-588.7	-318.7
Total	**-68.1**	**-260.2**
Result from real estate/property/movable property and software	37.3	-16.7
Allocation/release of other provisions/risks	1.8	-3.1
Expenses for deposit insurance contributions	-43.7	-42.6
Amortisation of intangible assets (customer relationships)	-33.4	-34.9
Other taxes	-127.5	-110.2
Impairment of goodwill	-210.0	0.0
Result from other operating expenses/income	307.4	-52.7
Total	**-68.1**	**-260.2**

In June 2012, in order to strengthen its capital structure, Erste Group repurchased certain issued Tier 1 and Tier 2 subordinated securities. This buyback generated in June 2012 income of EUR 413.2 million presented in "result from other operating expenses/income".

In accordance with IAS 36 we have reviewed whether there would be indications for testing goodwill for impairment. Due to the current half year result of BCR the impairment test was performed for June 2012 and led to an impairment charge of EUR 210 million. The main factor attributing to this reduction in value was the revised financial plan reflecting a deterioration of the forecasted profitability.

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

in EUR million	1-6 12	1-6 11
Gain / (loss) from measurement / sale of financial instruments at fair value through p&l	42.4	-19.9

8. Result from financial assets – available for sale

in EUR million	1-6 12	1-6 11
Gain / (loss) from sale of financial assets available for sale	20.1	14.4
Impairment / reversal of impairment of financial assets available for sale	-16.4	-0.3
Total	**3.7**	**14.1**

9. Result from financial assets – held to maturity

in EUR million	1-6 12	1-6 11
Income		
Income from sale of financial assets held to maturity	5.4	0.5
Reversal of impairment loss of financial assets held to maturity	0.0	2.3
Expenses		
Loss from sale of financial assets held to maturity	-14.3	-0.6
Impairment of financial assets held to maturity	-10.9	-0.2
Total	**-19.8**	**2.0**

10. Taxes on income

Income tax expense is recognised based on the best estimate of the average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ending 31 December 2012 is 27.0% (the estimated tax rate for the three months ended 31 June 2011 was 22.3%).

11. Cash and balances with central banks

in EUR million	Jun 12	Dec 11
Cash in hand	2,028	2,164
Balances with central banks	3,709	7,249
Total	**5,737**	**9,413**

12. Loans and advances to credit institutions

in EUR million	Jun 12	Dec 11
Loans and advances to domestic credit institutions	3,606	726
Loans and advances to foreign credit institutions	9,705	6,852
Total	**13,311**	**7,578**

13. Loans and advances to customers

in EUR million	Jun 12	Dec 11
Loans and advances to domestic customers		
Public sector	2,907	3,027
Commercial customers	37,654	37,541
Private households	24,909	25,148
Unlisted securities	266	256
Other	286	268
Total loans and advances to domestic customers	**66,022**	**66,240**
Loans and advances to foreign customers		
Public sector	3,476	3,487
Commercial customers	34,254	34,313
Private households	29,409	29,728
Unlisted securities	570	689
Other	213	293
Total loans and advances to foreign customers	**67,922**	**68,510**
Total	**133,944**	**134,750**

14. Risk provisions

Development in risk provisions as of 30 June 2012

	Dec11	Acquisition/ disposal of subsidiaries	Currency translation	Allocations	Use	Releases	Interest income from impaired loans	Reclassi- fication	Jun 12
Specific loan loss provisions	6,113	12	59	1,278	-289	-281	-89	0	6,803
Loans to credit institutions	64	0	0	4	-1	-4	0	0	63
Loans and advances to customers	6,049	12	59	1,274	-288	-277	-89	0	6,740
Portfolio loan loss provisions	914	1	7	129	0	-243	0	1	809
Loans to credit institutions	9	0	1	1	0	-3	0	0	8
Loans and advances to customers	891	1	6	128	0	-231	0	1	796
Financial assets - held to maturity	14	0	0	0	0	-9	0	0	5
Risk provisions for loans and advances[1]	**7,027**	**13**	**66**	**1,407**	**-289**	**-524**	**-89**	**1**	**7,612**
Other risk provisions[2]	130	0	1	4	-7	-15	0	1	114
Provisions for contingent credit risk liabilities	186	0	4	25	-4	-33	0	1	179
Total	**7,343**	**13**	**71**	**1,436**	**-300**	**-572**	**-89**	**3**	**7,905**

1) Risk provisions for loans and advances are recognised in the balance sheet as a deduction from assets.
2) Other risk provisions mainly include provisions for legal proceedings in the course of the lending business.

Development in risk provisions as of 30 June 2011

in EUR million	Dec10	Acquisition/ disposal of subsidiaries	Currency translation	Allocations	Use	Releases	Interest income from impaired loans	Reclassification	Jun 11
Specific loan loss provisions	5,315	-1	35	1,085	-417	-248	-85	5	5,690
Loans to credit institutions	66	0	-1	6	0	-6	0	0	65
Loans and advances to customers	5,250	-1	36	1,079	-417	-242	-85	5	5,625
Portfolio loan loss provisions	804	0	0	134	0	-112	0	0	826
Loans to credit institutions	18	0	0	7	0	-1	0	0	24
Loans and advances to customers	784	0	0	127	0	-111	0	0	800
Financial assets - held to maturity	1	0	0	0	0	0	0	0	1
Risk provisions for loans and advances[1]	**6,119**	**-1**	**35**	**1,219**	**-417**	**-360**	**-85**	**5**	**6,516**
Other risk provisions[2]	116	0	2	12	0	-1	0	-12	117
Provisions for contingent credit risk liabilities	186	0	-2	40	-4	-26	0	8	202
Total	**6,421**	**-1**	**35**	**1,271**	**-421**	**-387**	**-85**	**1**	**6,835**

1) Risk provisions for loans and advances are recognised in the balance sheet as a deduction from assets.
2) Other risk provisions mainly include provisions for legal proceedings in the course of the lending business.

15. Derivative financial instruments – positive market value

in EUR million	Jun 12	Dec 11
Derivatives held for trading	9,006	7,948
Derivatives held in banking book	2,968	2,983
Fair value hedges	2,035	1,680
Cash flow hedges	131	133
Other derivatives	802	1,170
Total	**11,974**	**10,931**

16. Securities

	Loans and advances to CI and NCI		Trading assets		Financial assets: At fair value through profit or loss		Financial assets: Available for Sale		Financial assets: Held to maturity		Total	
in EUR million	Jun 12	Dec 11	Jun 12	Dec 11	Jun 12	Dec 11	Jun 12	Dec 11	Jun 12	Dec 11	Jun 12	Dec 11
Bonds and other interest-bearing securities	**1,433**	**1,705**	**5,619**	**5,461**	**604**	**1,502**	**20,315**	**17,654**	**17,905**	**16,074**	**45,876**	**42,396**
Listed	0	0	5,128	4,253	541	1,375	18,794	16,457	16,940	15,150	41,403	37,235
Unlisted	1,433	1,705	491	1,208	63	127	1,521	1,197	965	924	4,473	5,161
Equity-related securities	**0**	**0**	**334**	**406**	**241**	**311**	**1,715**	**2,109**	**0**	**0**	**2,290**	**2,826**
Listed	0	0	106	119	241	311	474	474	0	0	821	904
Unlisted	0	0	228	287	0	0	1,241	1,635	0	0	1,469	1,922
Equity holdings	0	0	0	0	0	0	484	482	0	0	484	482
Total	**1,433**	**1,705**	**5,953**	**5,867**	**845**	**1,813**	**22,514**	**20,245**	**17,905**	**16,074**	**48,650**	**45,704**

17. Other assets

in EUR million	Jun 12	Dec 11
Accrued commissions	164	125
Deferred income	314	224
Investment properties	1,091	1,139
Sundry assets	2,643	1,894
Total	**4,212**	**3,382**

18. Deposits by bank

in EUR million	Jun 12	Dec 11
Deposits by domestic credit institutions	8,520	7,865
Deposits by foreign credit institutions	16,324	15,920
Total	**24,844**	**23,785**

19. Customer deposits

	Domestic	Domestic	Abroad	Abroad	Total	Total
in EUR million	Jun 12	Dec 11	Jun 12	Dec 11	Jun 12	Dec 11
Savings deposits	42,310	41,508	13,758	13,229	56,068	54,737
Other deposits						
Public sector	892	908	3,848	2,814	4,740	3,722
Commercial customers	12,810	12,450	12,946	12,893	25,756	25,343
Private customers	5,946	5,505	29,040	28,888	34,986	34,393
Sundry	345	318	357	367	702	685
Total other deposits	19,993	19,181	46,191	44,962	66,184	64,143
Total	**62,303**	**60,689**	**59,949**	**58,191**	**122,252**	**118,880**

20. Debt securities in issue

in EUR million	Jun 12	Dec 11
Bonds	16,804	18,656
Certificates of deposit	1,446	1,420
Other certificates of deposits/name certificates	2,302	2,033
Mortgage and municipal bonds	12,106	11,652
Other	21	18
Repurchased own issues	-2,425	-2,997
Total	**30,254**	**30,782**

21. Derivative financial instruments – negative market value

in EUR million	Jun 12	Dec 11
Derivatives held for trading	8,787	7,690
Derivatives held in banking book	1,763	1,647
Fair value hedges	657	576
Cash flow hedges	29	23
Other derivatives	1,077	1,048
Total	**10,550**	**9,337**

22. Provisions

in EUR million	Jun 12	Dec 11
Long-term employee provisions	1,089	1,101
Provisions for contingent credit risk liabilities	179	186
Other risk provisions	114	130
Other provisions	197	163
Total	**1,579**	**1,580**

23. Other liabilities

in EUR million	Jun 12	Dec 11
Deferred income	421	343
Accrued commissions	49	14
Sundry liabilities	4,235	3,407
Total	**4,705**	**3,764**

24. Subordinated liabilities

in EUR million	Jun 12	Dec 11
Subordinated issues and deposits	2,679	3,090
Supplementary capital	1,290	1,510
Hybrid issues	386	1,239
Repurchased own issues	-46	-56
Total	**4,309**	**5,783**

25. Segment reporting

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

Segment structure

Following the structure of Erste Group, the segment reporting is divided into four primary segments based on class of business: Retail & SME, Group Corporate & Investment Banking, Group Markets and Corporate Center.

The geographical information regarding segments is based on the internal reporting structure. The Retail & SME segment is divided between Austria (Erste Bank Oesterreich and Saving Banks) and the CEE countries (Czech Republic, Romania, Slovakia, Hungary, Croatia, Serbia and Ukraine). The other three segments are directed from the Group's perspective and thus are not split into additional geographical segments.
The basis for Erste Group's management of individual segments is the average attributed equity as well as the average risk-weighted assets (credit risk). For measuring and assessing the profitability of segments, return on equity as well as cost/income ratio is used.

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

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

Retail & SME

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

Group Corporate & Investment Banking

The Group Corporate & Investment Banking segment (GCIB) includes all large corporate customers operating in the markets of Erste Group and having revenue of more than EUR 175 million. Also part of the Group Corporate & Investment Banking segment is the International Business Division excluding treasury activities; the real estate business of Erste Group including the leasing subsidiary, Erste GroupImmorent; and investment banking (including equity capital markets) as well as the capital markets activities of the investment banking subsidiaries Erste Securities Polska, , Erste Securities Zagreb (merged with Erste Bank Croatia in 2011) and Erste Securities Istanbul.

Group Markets

The Group Markets (GM) segment comprises the divisionalised business units Group Treasury and Capital Markets (which includes all capital markets activities except equity capital markets). In addition to Erste Group Bank's own treasury activities, it also includes the capital market units of the CEE subsidiaries and of the foreign branches in Hong Kong, New York, Berlin and Stuttgart as well as the asset management activities of Erste Asset Management GmbH.

Corporate Center segment

The Corporate Center segment includes group-wide services in the Marketing, Organisation, Information Technology and other departments that support the implementation of corporate strategy at group level. Consolidation effects and non-operating exceptional items are also recorded in this segment. Additionally, the Balance Sheet Management unit forms part of the Corporate Center segment. The results of the local asset/liability business units are reported in the individual subsegments.

Total impairment of goodwill as of 30 June 2012 amounts to EUR 210 million for the Romanian subsidiary Banca Comercială Română shown in the segment Group Corporate Center. Details regarding impairment of goodwill are included in Note 6. Also recorded in the Corporate Center segment is the amortisation of customer relationships at BCR, Erste Card Club d.d. and Ringturm KAG totalling EUR 33.4 million (HY 2011: EUR 34.9 million).

	Retail & SME		GCIB		Group Markets		Corporate Center		Total group	
in EUR million	1-6 12	1-6 11 restated	1-6 12	1-6 11 restated	1-6 12	1-6 11	1-6 12	1-6 11 restated	1-6 12	1-6 11 restated
Net interest income	2,192.1	2,326.7	257.2	261.8	107.3	65.6	95.1	49.8	2,651.7	2,703.9
Risk provisions for loans and advances	-834.7	-808.3	-147.1	-112.5	0.0	0.0	0.0	0.0	-981.8	-920.8
Net fee and commission income	790.7	821.2	43.4	61.5	65.1	69.0	-33.7	-45.6	865.5	906.1
Net trading result	31.4	68.8	6.6	65.7	138.6	146.3	-55.1	8.0	121.5	288.8
General administrative expenses	-1,611.4	-1,654.2	-96.2	-92.1	-107.7	-120.7	-72.1	-59.3	-1,887.4	-1,926.3
Other result[1]	-128.0	-150.9	-57.0	6.5	2.5	3.9	140.7	-123.5	-41.8	-264.0
Pre-tax profit/-loss	**440.1**	**603.3**	**6.9**	**190.9**	**205.8**	**164.1**	**74.9**	**-170.6**	**727.7**	**787.7**
Taxes on income	-131.9	-139.2	-2.9	-43.1	-41.1	-34.3	-20.7	41.2	-196.6	-175.4
Net profit/loss for the period	**308.2**	**464.1**	**4.0**	**147.8**	**164.7**	**129.8**	**54.2**	**-129.4**	**531.1**	**612.3**
Attributable to non-controlling interests	77.0	83.3	4.9	8.7	3.9	7.6	-8.3	-8.1	77.5	91.5
Attributable to owners of the parent	**231.2**	**380.8**	**-0.9**	**139.1**	**160.8**	**122.2**	**62.5**	**-121.3**	**453.6**	**520.8**
Average risk-weighted assets	71,068.9	75,565.6	21,772.0	24,869.8	2,687.6	2,644.7	15.6	760.3	95,544.1	103,840.4
Average attributed equity	4,958	4,153	2,178	1,991	349	305	5,066	7,037	12,552	13,486
Cost/income ratio	**53.5%**	**51.4%**	**31.3%**	**23.7%**	**34.6%**	**43.0%**	**na**	**na**	**51.9%**	**49.4%**
Return on equity[2]	**9.3%**	**18.3%**	**-0.1%**	**14.0%**	**92.2%**	**80.1%**	**2.5%**	**-3.4%**	**7.2%**	**7.7%**

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

2) ROE = return on equity = Net profit/loss attributable to owners of the parent divided by average attributed equity.

in EUR million	EB Oesterreich 1-6 12	EB Oesterreich 1-6 11 restated	Savings banks 1-6 12	Savings banks 1-6 11 restated	Austria 1-6 12	Austria 1-6 11 restated	CEE 1-6 12	CEE 1-6 11	Retail & SME 1-6 12	Retail & SME 1-6 11 restated
Net interest income	312.2	321.5	476.7	492.2	788.9	813.7	1,403.2	1,513.0	2,192.1	2,326.7
Risk provisions for loans and advances	-54.3	-65.2	-110.8	-123.1	-165.1	-188.3	-669.6	-620.0	-834.7	-808.3
Net fee and commission income	163.2	160.1	193.5	196.6	356.7	356.7	434.0	464.5	790.7	821.2
Net trading result	-3.1	4.8	8.7	10.0	5.6	14.8	25.8	54.0	31.4	68.8
General administrative expenses	-306.0	-302.5	-469.5	-468.4	-775.5	-770.9	-835.9	-883.3	-1,611.4	-1,654.2
Other result[1]	17.7	-6.4	-3.4	-18.2	14.3	-24.6	-142.3	-126.3	-128.0	-150.9
Pre-tax profit/-loss	**129.7**	**112.3**	**95.2**	**89.1**	**224.9**	**201.4**	**215.2**	**401.9**	**440.1**	**603.3**
Taxes on income	-28.6	-24.7	-24.0	-22.4	-52.6	-47.1	-79.3	-92.1	-131.9	-139.2
Net profit/loss for the period	**101.1**	**87.6**	**71.2**	**66.7**	**172.3**	**154.3**	**135.9**	**309.8**	**308.2**	**464.1**
Attributable to non-controlling interests	3.2	3.0	64.0	64.6	67.2	67.6	9.8	15.7	77.0	83.3
Attributable to owners of the parent	**97.9**	**84.6**	**7.2**	**2.1**	**105.1**	**86.7**	**126.1**	**294.1**	**231.2**	**380.8**
Average risk-weighted assets	13,203.4	13,803.3	23,744.7	24,168.8	36,948.1	37,972.1	34,120.8	37,593.6	71,068.9	75,565.6
Average attributed equity	1,298.7	1,097.7	367.9	295.3	1,666.6	1,393.0	3,291.6	2,759.5	4,958.2	4,152.5
Cost/income ratio	**64.8%**	**62.2%**	**69.2%**	**67.0%**	**67.4%**	**65.0%**	**44.9%**	**43.5%**	**53.5%**	**51.4%**
Return on equity[2]	**15.1%**	**15.4%**	**3.9%**	**1.4%**	**12.6%**	**12.4%**	**7.7%**	**21.3%**	**9.3%**	**18.3%**

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

2) ROE = return on equity = Net profit/loss attributable to owners of the parent divided by average attributed equity.

in EUR million	Czech Republic 1-6 12	Czech Republic 1-6 11	Romania 1-6 12	Romania 1-6 11	Slovakia 1-6 12	Slovakia 1-6 11	Hungary 1-6 12	Hungary 1-6 11	Croatia 1-6 12	Croatia 1-6 11	Serbia 1-6 12	Serbia 1-6 11	Ukraine 1-6 12	Ukraine 1-6 11	CEE 1-6 12	CEE 1-6 11
Net interest income	570.6	590.0	284.3	354.9	211.0	221.3	175.9	189.1	128.9	127.9	18.1	18.2	14.4	11.6	1,403.2	1,513.0
Risk provisions for loans and advances	-85.3	-139.3	-364.9	-224.1	-31.8	-40.6	-106.6	-154.6	-71.0	-50.4	-4.3	-4.5	-5.7	-6.5	-669.6	-620.0
Net fee and commission income	229.8	248.4	60.6	65.9	56.0	56.8	45.3	49.0	33.1	36.3	6.6	6.0	2.6	2.1	434.0	464.5
Net trading result	-8.4	14.8	37.9	18.8	1.0	1.1	-6.7	6.6	4.6	5.4	0.8	0.0	-3.4	7.3	25.8	54.0
General administrative expenses	-358.9	-366.0	-173.0	-194.0	-113.4	-109.0	-82.0	-101.3	-68.1	-72.3	-16.5	-16.9	-24.0	-23.8	-835.9	-883.3
Other result	-20.8	-46.9	-16.5	-25.7	-11.1	-14.9	-92.9	-36.5	1.7	-4.8	-1.0	-0.6	-1.7	3.1	-142.3	-126.3
Pre-tax profit/-loss	**327.0**	**301.0**	**-171.6**	**-4.2**	**111.7**	**114.7**	**-67.0**	**-47.7**	**29.2**	**42.1**	**3.7**	**2.2**	**-17.8**	**-6.2**	**215.2**	**401.9**
Taxes on income	-68.6	-57.8	22.6	0.8	-22.5	-23.1	-5.7	-3.6	-5.1	-8.4	0.0	0.0	0.0	0.0	-79.3	-92.1
Net profit/loss for the period	**258.4**	**243.2**	**-149.0**	**-3.4**	**89.2**	**91.6**	**-72.7**	**-51.3**	**24.1**	**33.7**	**3.7**	**2.2**	**-17.8**	**-6.2**	**135.9**	**309.8**
Attributable to non-controlling interests	5.7	4.0	-8.5	-1.1	0.2	0.2	0.0	-0.1	11.5	12.1	0.9	0.6	0.0	0.0	9.8	15.7
Attributable to owners of the parent	**252.7**	**239.2**	**-140.5**	**-2.3**	**89.0**	**91.4**	**-72.7**	**-51.2**	**12.6**	**21.6**	**2.8**	**1.6**	**-17.8**	**-6.2**	**126.1**	**294.1**
Average risk-weighted assets	12,595.5	13,223.2	8,408.4	9,242.1	4,202.0	5,004.4	3,489.2	4,437.9	4,162.8	4,412.8	488.1	570.0	774.8	703.2	34,120.8	37,593.6
Average attributed equity	1,276.3	1,087.8	804.0	529.1	434.3	413.9	357.4	367.2	296.6	256.7	41.1	43.0	81.9	61.7	3,291.6	2,759.5
Cost/income ratio	**45.3%**	**42.9%**	**45.2%**	**44.1%**	**42.3%**	**39.0%**	**38.2%**	**41.4%**	**40.9%**	**42.6%**	**64.7%**	**69.8%**	**176.5%**	**113.3%**	**44.9%**	**43.5%**
Return on equity	**39.6%**	**44.0%**	**na**	**-0.9%**	**41.0%**	**44.2%**	**na**	**na**	**8.5%**	**16.8%**	**13.6%**	**7.4%**	**-43.5%**	**-20.1%**	**7.7%**	**21.3%**

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

2) ROE = return on equity = net profit/loss attributable to owners of the parent divided by average attributed equity.

26. Risk management

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

Concerning risk policy and strategy as well as regarding risk management organisation, reference is made to the chapter of the same name in the Annual Report 2011.

Current regulatory topics

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

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

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

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

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

The capital question has once again moved centre stage, as the European Union is aiming to resolve the ongoing sovereign debt crisis. The European Banking Authority (EBA) has defined a capital threshold of 9% (according to EBA definition) that has to be met by June 2012.

According to an initial calculation with figures as of 30 September 2011, Erste Group required additional capital amounting to EUR 743 million (EUR 166 million at year-end 2011). Due to full recognition of collateral for defaulted loans in Romania, the regulatory core tier-1 increased by approx. EUR 700 million. Continued reductions in non core business and successful RWA optimisation resulted in a decrease of approx. EUR 5.1 billion within total RWA compared to year-end 2011. The core capital ratio based on the EBA calculation's logic therefor increased to 9.9% as of 30 June 2012. The capital surplus as per end of June 2012 amounts to EUR 950 million.

Without considering the effect originating from recognition of collateral, the EBA ratio amounts to 9.2% and thus exceeds the requirement by approx. EUR 240 million. In this calculation, the interim profit, including the result from the buy-back of hybrid capital issues, as well as the private participation capital, which does not count as core tier-1 for the EBA exercise, are not taken into account.

The switching of the calculation of regulatory capital ratios to comply with IFRS is planned for the beginning of 2013. Based on pro-forma figures as of year-end 2011, the negative effect on core capital is expected to be approximately EUR 350 million.

Current economic topics

The Greek government bonds were restructured in March 2012. For each old bond, investors received 24 new notes, thereof 3 issued by the European Financial Stability Facility (EFSF) representing about 15% of the original notional amount. The face value of Greek sovereign risk has been reduced to approximately 31.5%. Erste Group sold most of its restructured Greek sovereign bonds in the second quarter of 2012.

The Greek Credit Default Swaps (CDS) were settled in March 2012 after ISDA declared a credit event due to the implementation of Collective Action Clauses during the restructuring. There was no impact on the profit & loss account because the CDS transactions had been marked to market before and the credit event was already priced in.

As stated in the tables below, Erste Group's net exposure to European countries which are particularly affected by the sovereign debt crisis was reduced significantly during 2011 and the first half of 2012. The net exposure to Greece, Ireland, Italy, Portugal and Spain decreased from EUR 3.1 billion at year-end 2011 to EUR 2.0 billion as of 30 June 2012. In particular, the exposure to Spain was reduced by roughly EUR 318 million, and the exposure to Italy by EUR 557 million. The exposure to sovereign obligors in Greece, Portugal and Spain was eliminated almost completely. In 2011, the reduction resulted from repayments and above all from the sale of securities and credit default swaps (CDS) in the fourth quarter. In the first quarter of 2012, the decline resulted almost exclusively from repayments and amortisations, with the exception of the sale of two Greek bank bonds. The exposure to the Italian government declined by roughly EUR 400 mn as a result of maturing securities. There have been no new investments in bonds of sovereign issuers in the named countries.

The following tables show the net exposure to sovereigns and institutions in selected European countries as of 30 June 2012 and 31 December 2011, respectively. The net exposure includes all on- and off-balance-sheet positions after counterparty netting and risk transfer to guarantors. Derivatives are netted (ISDA Master Agreement with netting agreement) and collateral for derivatives reduces the exposure, provided that respective contracts are in force (Credit Support Annex to ISDA Master Agreement). In the case of repo transactions, the book value of the securities sold under repurchase agreements is recognised as exposure of the issuer. Moreover, an exposure of the counterparty amounting to the difference between the funds received and a potentially higher market value of the securities sold plus a percentage of the nominal value is considered in order to account for price fluctuations. In the case of reverse repurchase agreements, the respective counterparty risk is considered as for repurchase agreements (the difference between the funds placed and a potentially lower market value of the securities purchased plus a percentage of the nominal value in order to account for price fluctuations), but the issuer risk is not taken into account. The net exposure represents the net risk view. It differs from the credit risk exposure, which is treated in the 'Credit risk' chapter, primarily by applying the risk transfer to guarantors, by the deduction of collateral and by taking into consideration of netting agreements. Therefore, the two are not comparable. The sovereign net exposure includes central banks, central governments and institutions which are explicitly guaranteed by the central government.

Net exposure to selected European countries

Total	Sovereign		Bank		Other[1]		Total	
in EUR million	Jun 12	Dec 11	Jun 12	Dec 11	Jun 12	Dec 11	Jun 12	Dec 11
Greece	1	4	5	58	11	8	17	70
Ireland	83	47	58	204	48	78	189	329
Italy	70	473	671	807	563	582	1,304	1,861
Portugal	3	6	78	94	10	13	91	113
Spain	11	24	168	282	236	426	414	732
Total	**167**	**553**	**980**	**1,445**	**868**	**1,106**	**2,015**	**3,105**

1) Other includes securisations and claims against corporates

Sovereign	Fair Value		Available for Sale		At amortised cost		Total	
in EUR million	Jun 12	Dec 11	Jun 12	Dec 11	Jun 12	Dec 11	Jun 12	Dec 11
Greece	0	-9	1	10	0	0	1	4
Ireland	0	0	68	32	15	15	83	47
Italy	0	400	70	71	0	0	70	473
Portugal	0	0	3	6	0	0	3	6
Spain	-32	-27	41	39	2	2	11	24
Total	**-32**	**364**	**182**	**157**	**17**	**31**	**167**	**553**

Without taking into account credit protection, such as guarantees from third parties, or in particular credit default swaps, the claims against Spanish sovereign obligors increase by EUR 31.6 million as of 30 June 2012.

Bank	Fair Value		Available for Sale		At amortised cost		Total	
in EUR million	Jun 12	Dec 11	Jun 12	Dec 11	Jun 12	Dec 11	Jun 12	Dec 11
Greece	0	0	0	0	5	58	5	58
Ireland	46	99	5	92	7	13	58	204
Italy	74	234	145	181	452	393	671	807
Portugal	13	9	15	30	50	55	78	94
Spain	41	62	38	65	89	156	168	282
Total	**174**	**404**	**203**	**367**	**603**	**674**	**980**	**1,445**

Credit risk

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

Low risk: The borrower possesses a strong repayment capacity. New business is generally done with clients in this risk category.

Management attention: Although the financial situation of the obligor is good, the repayment capacity may be affected negatively by adverse economic conditions. New business with customers of this risk category requires an adequate structuring of credit risk (collateral).

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

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

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

Credit risk exposure

Credit risk exposure relates to the following balance sheet items:

-loans and advances to credit institutions;
-loans and advances to customers;
-debt securities held for trading, at fair value through profit or loss, available for sale and held-to-maturity;
-derivatives; and
-credit risks held off balance sheet (primarily financial guarantees and irrevocable undrawn credit commitments).

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

The credit risk exposure of Erste Group increases by 3% or nearly EUR 6 billion from EUR 219.5 billion as of 31 December 2011 to EUR 225,3 billion as of 30 June 2012.

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

Furthermore, a breakdown of loans and advances to customers is presented
-by business segment and risk category, and
-by business segment and currency.

Credit risk exposure by Basel II exposure class and financial instrument

The following tables include Erste Group's credit risk exposure broken down by Basel 2 exposure class and financial instrument as of 30 June 2012 and 31 December 2011, respectively. The assignment of obligors to Basel 2 exposure classes is based on legal regulations. For reasons of clarity, individual Basel 2 exposure classes are presented in aggregated form in the tables below and in other tables in the chapter 'credit risk'. The aggregated exposure class 'sovereigns' also contains regional and local governments as well as public sector entities in addition to central governments, central banks, international organisations and multinational development banks.

Credit risk exposure by Basel II exposure class and financial instrument as of 30 June 2012

in EUR million	Loans and advances to credit institutions	Loans and advances to customers	Held to maturity	Trading assets	At fair value through profit or loss	Available for Sale	Positive fair value of derivative financial instruments	Contingent credit liabilities	Credit risk exposure
			Debt instruments						
	At amortised cost			Fair Value					
Sovereigns	6,105	7,650	15,023	5,051	297	12,656	212	1,059	**48,054**
Institutions	7,173	81	1,916	313	229	4,815	10,914	263	**25,704**
Corporates	32	62,178	966	254	78	2,843	845	15,017	**82,213**
Retail	0	64,035	0	0	0	0	4	5,316	**69,355**
Total	**13,311**	**133,944**	**17,905**	**5,619**	**604**	**20,315**	**11,974**	**21,655**	**225,326**

Credit risk exposure by Basel II exposure class and financial instrument as of 31 December 2011

in EUR million	Loans and advances to credit institutions	Loans and advances to customers	Held to maturity	Trading assets	At fair value through profit or loss	Available for Sale	Positive fair value of derivative financial instruments	Contingent credit liabilities	Credit risk exposure
			Debt instruments						
	At amortised cost			Fair Value					
Sovereigns	1,556	8,247	12,427	4,638	928	9,230	166	1,276	**38,468**
Institutions	6,008	174	2,388	573	309	5,432	9,853	509	**25,246**
Corporates	13	61,968	1,259	259	265	2,992	904	15,932	**83,592**
Retail	0	64,361	0	0	0	0	7	7,782	**72,150**
Total	**7,578**	**134,750**	**16,074**	**5,471**	**1,502**	**17,654**	**10,931**	**25,499**	**219,457**

Erste Group has introduced a more stringent group-wide differentiation between irrevocable and revocable commitments. Due to this change, irrevocable unused commitments and total contingent credit liabilities have been reduced by approximately EUR 3.5 billion.

Credit risk category by industry and risk category

The following tables present the credit risk exposure of Erste Group broken down by industry and risk category as of 30 June 2012 and 31 December 2011, respectively.

Credit risk exposure by industry and risk category as of 30 June 2012

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Agriculture and forestry	1,585	652	42	256	2,535
Mining	413	108	6	85	613
Manufacturing	9,456	2,773	622	1,838	14,689
Energy and water supply	2,864	415	97	224	3,600
Construction	6,385	1,925	376	1,364	10,050
Trade	7,789	2,200	350	1,363	11,702
Transport and communication	3,749	767	122	455	5,092
Hotels and restaurants	2,445	1,120	270	856	4,692
Financial and insurance services	43,384	1,487	92	449	45,412
Real estate and housing	17,891	3,282	572	1,409	23,154
Services	5,166	1,016	175	563	6,920
Public administration	36,191	912	30	32	37,164
Education, health and art	2,203	552	45	143	2,943
Private households	42,266	7,854	1,828	3,567	55,515
Sundry	471	105	597	73	1,245
Total	**182,259**	**25,167**	**5,223**	**12,677**	**225,326**

Credit risk exposure by industry and risk categoy as of 31 December 2011

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Agriculture and forestry	1,459	603	60	241	2,362
Mining	439	68	4	67	578
Manufacturing	9,709	3,305	423	1,735	15,172
Energy and water supply	2,722	585	86	151	3,544
Construction	6,670	1,901	477	1,132	10,179
Trade	7,954	2,398	312	1,364	12,028
Transport and communication	3,369	1,017	125	460	4,970
Hotels and restaurants	2,399	1,285	317	784	4,785
Financial and insurance services	39,335	1,224	131	398	41,088
Real estate and housing	17,860	3,562	565	1,278	23,265
Services	5,284	1,040	186	587	7,098
Public administration	31,493	995	36	47	32,571
Education, health and art	2,284	500	41	132	2,957
Private households	44,032	8,447	1,842	3,362	57,683
Other	416	107	591	63	1,177
Total	**175,424**	**27,037**	**5,194**	**11,800**	**219,457**

Credit risk exposure by region and risk category

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

The following tables present the credit risk exposure of Erste Group divided by region as of 30 June 2012 and 31 December 2011, respectively.

Credit risk exposure by region and risk category as of 30 June 2012

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Core market	**148,386**	**23,348**	**4,942**	**11,754**	**188,429**
Austria	78,011	9,156	1,568	3,392	92,128
Croatia	6,214	2,076	465	1,159	9,914
Romania	11,036	3,777	1,122	3,239	19,175
Serbia	721	294	20	74	1,109
Slovakia	12,583	1,175	260	561	14,579
Slovenia	1,552	240	128	280	2,200
Czech Republic	30,606	4,175	739	1,058	36,579
Ukraine	212	728	111	206	1,259
Hungary	7,450	1,725	528	1,784	11,488
Other EU	**26,036**	**1,306**	**149**	**573**	**28,063**
Other industrialised countries	**5,396**	**174**	**44**	**163**	**5,777**
Emerging markets	**2,441**	**340**	**89**	**187**	**3,057**
Southeastern Europe / CIS	1,243	254	47	152	1,696
Asia	597	11	41	20	669
Latin America	122	24	0	8	154
Middle East / Africa	479	51	0	7	538
Total	**182,259**	**25,167**	**5,223**	**12,677**	**225,326**

Credit risk exposure by region and risk category as of 31 December 2011

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Core market	**142,947**	**25,055**	**4,889**	**10,822**	**183,714**
Austria	76,513	9,114	1,686	3,316	90,629
Croatia	5,954	2,417	466	982	9,818
Romania	10,641	4,924	869	2,813	19,247
Serbia	587	365	16	71	1,039
Slovakia	10,299	1,412	260	539	12,509
Slovenia	1,519	264	167	236	2,187
Czech Republic	29,197	4,128	693	1,039	35,058
Ukraine	423	574	136	230	1,362
Hungary	7,812	1,858	598	1,597	11,864
Other EU	**25,336**	**1,466**	**170**	**613**	**27,584**
Other industrialised countries	**4,181**	**204**	**46**	**178**	**4,610**
Emerging markets	**2,960**	**313**	**89**	**186**	**3,549**
Southeastern Europe / CIS	1,298	222	47	148	1,714
Asia	714	14	40	22	791
Latin America	167	8	2	9	186
Middle East / Africa	782	69	0	7	858
Total	**175,425**	**27,038**	**5,194**	**11,800**	**219,457**

The growth in credit risk exposure by EUR 5.9 billion from 31 December 2011 to 30 June 2012 reflected an increase of EUR 3.2 billion, or 3.5%, in the CEE core markets and an increase of EUR 1.5 Mrd, or 1.7%, in Austria, coupled with an increase of nearly EUR 1.2 billion, or 25.3%, in other industrialised countries, and of EUR 479 million, or 1.7%, in the other EU member states (EU 27 excluding core markets), and a decrease of EUR 492 million, or 13.9%, in emerging markets. The countries of Erste Group's core market and the EU accounted for 96% of credit risk exposure as of 30 June 2012. At 1.4%, credit risk exposure in emerging markets remained of minor significance.

Credit risk exposure by business segment and risk category

This section describes the composition of credit exposure based on reporting segments. Exposure is classified into segments based on the domicile of the group entities that carry the credit risk on their books.

The following tables show the credit risk exposure of Erste Group broken down by reporting segment as of 30 June 2011 and 31 December 2010, respectively.

Credit risk exposure by business segment and risk category as of 30 June 2012

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Retail & SME	**125,780**	**20,900**	**3,993**	**11,200**	**161,874**
Austria	72,869	9,797	1,461	3,937	88,064
EB Oesterreich	31,534	2,820	324	1,172	35,849
Savings Banks	41,335	6,977	1,137	2,765	52,215
Central and Eastern Europe	52,911	11,103	2,533	7,263	73,810
Czech Republic	26,828	3,328	613	983	31,752
Romania	7,771	3,124	775	2,916	14,586
Slovakia	8,958	912	224	514	10,608
Hungary	3,337	1,564	448	1,672	7,020
Croatia	5,316	1,614	422	967	8,318
Serbia	451	184	17	63	716
Ukraine	251	378	34	149	811
GCIB	**21,753**	**3,904**	**907**	**1,468**	**28,032**
Group Markets	**27,770**	**186**	**13**	**7**	**27,975**
Corporate Center	**6,956**	**177**	**309**	**2**	**7,445**
Total group	**182,259**	**25,167**	**5,223**	**12,677**	**225,326**

Credit risk exposure by business segment and risk category as of 31 December 2011

in EUR million	Low risk	Management attention	Substandard	Non-performing	Credit risk exposure
Retail & SME	**125,950**	**22,282**	**4,275**	**10,395**	**162,902**
Austria	75,183	9,928	1,632	3,854	90,597
EB Oesterreich	33,193	2,973	401	1,148	37,716
Savings Banks	41,990	6,955	1,231	2,706	52,881
Central and Eastern Europe	50,767	12,355	2,642	6,541	72,305
Czech Republic	24,962	3,739	608	975	30,284
Romania	7,542	3,844	734	2,579	14,699
Slovakia	8,553	916	223	498	10,189
Hungary	3,655	1,648	517	1,504	7,324
Croatia	5,184	1,825	443	764	8,216
Serbia	416	228	15	59	718
Ukraine	455	155	101	161	873
GCIB	**23,330**	**4,411**	**569**	**1,398**	**29,708**
Group Markets	**18,987**	**176**	**3**	**3**	**19,169**
Corporate Center	**7,158**	**169**	**348**	**4**	**7,679**
Total group	**175,425**	**27,038**	**5,194**	**11,800**	**219,457**

Loans and advances to customers by business segment and risk category

The following tables present the customer loan book as of 30 June 2012 and 31 December 2011, broken down by business segment and risk category.

Loans and advances to customers by business segment and risk category as of 30 June 2012

in EUR million	Low risk	Mgmt attention	Substandard	Non-performing	Total loan book
Retail & SME	**81,726**	**18,007**	**3,556**	**10,955**	**114,244**
Austria	52,286	8,619	1,181	3,771	65,858
EB Oesterreich	24,475	2,457	213	1,098	28,242
Savings Banks	27,812	6,162	969	2,673	37,616
Central and Eastern Europe	29,440	9,388	2,375	7,184	48,387
Czech Republic	13,058	2,773	526	960	17,316
Romania	4,838	2,556	741	2,885	11,020
Slovakia	4,774	855	213	507	6,349
Hungary	3,146	1,530	444	1,669	6,790
Croatia	3,128	1,479	402	952	5,961
Serbia	306	98	15	62	481
Ukraine	190	98	34	149	470
GCIB	**13,825**	**3,250**	**770**	**1,362**	**19,207**
Group Markets	**198**	**7**	**0**	**0**	**204**
Corporate Center	**221**	**52**	**15**	**1**	**289**
Total group	**95,970**	**21,316**	**4,341**	**12,318**	**133,944**

Loans and advances to customers by business segment and risk category as of 31 December 2011

in EUR million	Low risk	Mgmt attention	Substandard	Non-performing	Total loan book
Retail & SME	**80,952**	**19,513**	**3,779**	**10,112**	**114,355**
Austria	51,910	8,948	1,287	3,658	65,803
EB Oesterreich	24,248	2,630	270	1,051	28,199
Savings Banks	27,662	6,318	1,018	2,607	37,604
Central and Eastern Europe	29,042	10,565	2,491	6,454	48,552
Czech Republic	12,733	2,997	511	947	17,187
Romania	4,709	3,204	714	2,533	11,160
Slovakia	4,661	845	215	496	6,217
Hungary	3,461	1,615	513	1,499	7,088
Croatia	3,080	1,654	424	759	5,917
Serbia	316	99	13	58	486
Ukraine	82	152	101	161	497
GCIB	**14,376**	**3,663**	**490**	**1,275**	**19,805**
Group Markets	**204**	**20**	**0**	**0**	**225**
Corporate Center	**313**	**36**	**15**	**1**	**365**
Total group	**95,845**	**23,233**	**4,284**	**11,388**	**134,750**

In the tables below the non-performing loans and advances to customers subdivided by business segment are contrasted with risk provisions as of 30 June 2012 and 31 December 2011, respectively.

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

Non-performing loans and advances to customers by business segment and coverage by risk provisions as of 30 June 2012

in EUR Mio	Non-performing	Total loans and advances to customers	Risk provisions	NPL Ratio	NPL coverage ratio
Retail & SME	**10,955**	**114,244**	**6,660**	**9.6%**	**60.8%**
Austria	3,771	65,858	2,291	5.7%	60.7%
EB Oesterreich	1,098	28,242	716	3.9%	65.2%
Savings Banks	2,673	37,616	1,575	7.1%	58.9%
Central and Eastern Europe	7,184	48,387	4,370	14.8%	60.8%
Czech Republic	960	17,316	699	5.5%	72.8%
Romania	2,885	11,020	1,548	26.2%	53.6%
Slovakia	507	6,349	405	8.0%	79.8%
Hungary	1,669	6,790	1,068	24.6%	64.0%
Croatia	952	5,961	471	16.0%	49.5%
Serbia	62	481	55	13.0%	89.0%
Ukraine	149	470	124	31.6%	83.2%
GCIB	**1,362**	**19,207**	**875**	**7.1%**	**64.3%**
Group Markets	**0**	**204**	**1**	**0.0%**	**na**
Corporate Center	**1**	**289**	**0**	**0.3%**	**na**
Total group	**12,318**	**133,944**	**7,537**	**9.2%**	**61.2%**

Non-performing loans and advances to customers by business segment and coverage by risk provisions as of 31 December 2011

in EUR million	Non-performing	Total loans and advances to customers	Risk provisions	NPL Ratio	NPL coverage ratio
Retail & SME	**10,112**	**114,355**	**6,244**	**8.8%**	**61.7%**
Austria	3,658	65,803	2,245	5.6%	61.4%
EB Oesterreich	1,051	28,199	688	3.7%	65.4%
Savings Banks	2,607	37,604	1,557	6.9%	59.7%
Central and Eastern Europe	6,454	48,552	3,999	13.3%	62.0%
Czech Republic	947	17,187	660	5.5%	69.7%
Romania	2,533	11,160	1,268	22.7%	50.1%
Slovakia	496	6,217	393	8.0%	79.2%
Hungary	1,499	7,088	1,054	21.1%	70.3%
Croatia	759	5,917	419	12.8%	55.2%
Serbia	58	486	52	11.9%	89.9%
Ukraine	161	497	154	32.5%	95.3%
GCIB	**1,275**	**19,805**	**697**	**6.4%**	**54.6%**
Group Markets	**0**	**225**	**0**	**0.0%**	**na**
Corporate Center	**1**	**365**	**1**	**0.1%**	**na**
Total group	**11,388**	**134,750**	**6,942**	**8.5%**	**61.0%**

The following tables show the loans and advances to customers broken down by business segment and currency as of 30 June 2012 and 31 December 2011, respectively.

Loans and advances to customers by business segment and currency as of 30 June 2012

in EUR Mio	EUR	Local Currencies	CHF	USD	Other currencies	Total loans and advances to customers
Retail & SME	**73,249**	**24,176**	**14,329**	**826**	**1,664**	**114,244**
Austria	53,714	0	10,248	258	1,638	65,858
EB Oesterreich	23,874	0	3,831	80	457	28,242
Savings Banks	29,840	0	6,418	177	1,181	37,616
Central and Eastern Europe	19,535	24,176	4,081	569	26	48,387
Czech Republic	661	16,615	2	31	7	17,316
Romania	6,757	4,078	0	171	14	11,020
Slovakia	6,339	0	0	8	2	6,349
Hungary	1,441	2,026	3,309	13	1	6,790
Croatia	3,985	1,209	751	15	1	5,961
Serbia	345	114	18	4	0	481
Ukraine	6	134	0	328	2	470
GCIB	**15,151**	**1,146**	**287**	**1,579**	**1,044**	**19,207**
Group Markets	**57**	**99**	**11**	**26**	**12**	**204**
Corporate Center	**286**	**1**	**0**	**0**	**2**	**289**
Total group	**88,743**	**25,421**	**14,627**	**2,432**	**2,721**	**133,944**

Loans and advances to customers by business segment and currency as of 31 December 2011

in EUR milliono	EUR	Local Currencies	CHF	USD	Other currencies	Total loans and advances to customers
Retail & SME	**72,266**	**23,988**	**15,625**	**858**	**1,619**	**114,355**
Austria	52,815	0	11,172	223	1,594	65,803
EB Oesterreich	23,598	0	4,061	73	468	28,199
Savings Banks	29,217	0	7,112	150	1,125	37,604
Central and Eastern Europe	19,451	23,988	4,453	636	25	48,552
Czech Republic	637	16,497	2	44	7	17,187
Romania	6,765	4,208	0	176	10	11,160
Slovakia	6,199	0	5	9	4	6,217
Hungary	1,559	1,860	3,654	13	2	7,088
Croatia	3,936	1,192	772	14	2	5,917
Serbia	346	116	18	4	0	486
Ukraine	8	114	0	376	0	497
GCIB	**15,615**	**1,124**	**331**	**1,841**	**894**	**19,805**
Group Markets	**126**	**13**	**22**	**35**	**29**	**225**
Corporate Center	**363**	**0**	**0**	**0**	**2**	**365**
Total group	**88,369**	**25,125**	**15,978**	**2,735**	**2,543**	**134,750**

Analysis of market risk

Value at risk of trading book

The following table show the VaR amounts as of 30 June 2012 and 31 December 2011 at the 99% confidence level using equally weighted market data and with a holding period of one day:

in EUR thousand	Total	Interest	Currency	Shares	Commodity	Volatility
Jun 12						
Trading book	4,967	3,578	2,223	1,794	496	1,005

in EUR thousand	Total	Interest	Currency	Shares	Commodity	Volatility
Dec 11						
Trading book	7,799	4,358	1,826	4,071	646	1,811

The method used is subject to limitations that may result in the information's not fully reflecting the fair value of the assets and liabilities involved.

Analysis of liquidity risk

By the end of first quarter 2012 Erste Group secured the majority of its planned new long-term funding for 2012, partly by the issuance of a 10-year benchmark covered bond in February in the volume of EUR 1 billion and a 5-year senior unsecured bond in the volume of EUR 500 million. The successful issuance of private placements as well as increased sales to our retail network further ensured a diversified investor base for the long-term refinancing. The substantial increase of client deposits further improved the Group's liquidity ratios.

27. Related party transactions

As of 30 June 2012, Erste Group had outstanding liabilities of EUR 20.6 million (31 December 2011: EUR 120.1 million) and amount receivable of EUR 84.2 million (31 December 2011: EUR 87.0 million) in relation to DIE ERSTE österreichische Spar-Casse Privatstiftung. Furthermore, as of 30 June 2012 there existed between Erste Group and DIE ERSTE österreichische Spar-Casse Privatstiftung standard derivative transactions for hedging purposes on usual market terms. These were interest rate swaps with caps in a notional amount of EUR 282.0 million (31 December 2011: EUR 185.0 million) as well as cross currency swaps in a notional amount of EUR 29.4 million (31 December 2011: EUR 30.9 million).

28. Contingent liabilities – litigations

There have not been any material changes since year-end 2011 in the assessment of the influence of the outcome of the litigation cases in which Erste Group Bank and some of its subsidiaries are involved with respect of the financial and/or earnings situation of Erste Group.

29. Fair value hierarchy

in EUR million	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
	06/2012	12/2011	06/2012	12/2011	06/2012	12/2011	06/2012	12/2011
Loans to credit institutions	0	0	0	0	0	4	0	4
Financial assets – available for sale	15,699	13,574	6,252	6,092	130	148	22,080	19,814
Financial assets – at fair value through profit or loss	369	722	445	1,064	31	27	845	1,813
Trading assets – securities	2,034	2,087	3,919	3,789	0	0	5,953	5,876
Positive market value – derivatives	2	2	11,972	10,929	0	0	11,974	10,931
Total assets	**18,104**	**16,385**	**22,587**	**21,874**	**161**	**179**	**40,852**	**38,438**
Negative market value – derivatives	0	0	10,548	9,335	2	2	10,550	9,337
Customer deposits	0	0	629	553	0	0	629	553
Debt securities in issue	79	85	1,344	696	0	0	1,423	781
Subordinated liabilities	0	0	223	215	0	0	223	215
Trading liabilities	**0**	**0**	**431**	**536**	**0**	**0**	**431**	**536**
Total liabilities and equity	**79**	**85**	**13,175**	**11,335**	**2**	**2**	**13,256**	**11,422**

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

Average	1-6 12	1-6 11
Employed by Erste Group	**49,651**	**50,283**
Domestic	16,130	16,031
Erste Group, EB Oesterreich and subsidiaries	8,691	8,523
Haftungsverbund savings banks	7,439	7,508
Abroad	33,521	34,252
Česká spořitelna Group	10,643	10,228
Banca Comercială Română Group	8,893	9,277
Slovenská sporiteľňa Group	4,223	4,064
Erste Bank Hungary Group	2,631	2,896
Erste Bank Croatia Group	2,601	2,610
Erste Bank Serbia	926	922
Erste Bank Ukraine	1,593	1,725
Savings banks subsidiaries & foreign branch offices	1,114	1,063
Other subsidiaries and foreign branch offices	897	1,467

31. Own funds and capital requirement

CHANGES IN TOTAL QUALIFYING CAPITAL

in EUR million	Jun 12	Dec 11
Subscribed capital	2,553	2,545
Share capital	789	781
Participation capital	1,764	1,764
Reserves	9,240	9,181
Deduction of Erste Group Bank shares held within the group	-630	-627
Consolidation difference	-2,552	-3,074
Non-controlling interests (excluding hybrid tier-1 capital pursuant to section 23 (4a) and (4b) Banking Act)	3,317	3,322
Intangible assets	-498	-505
50% deduction for non consolidated credit and financial institutions pursuant to section 23 (13) 3 and 4 Banking Act	-107	-125
50% deduction of securitisations pursuant to section 23 (13) 4d Banking Act	-13	-36
Core tier-1 capital	**11,310**	**10,681**
Hybrid tier-1 capital pursuant to section 23 (4a) and (4b) Banking Act	375	1,228
Tier-1 capital	**11,685**	**11,909**
Eligible subordinated liabilities	**3,336**	**4,018**
Excess risk provisions	477	397
Qualifying supplementary capital (Tier-2)	**3,813**	**4,415**
50% deduction for non consolidated credit and financial institutions pursuant to section 23 (13) 3 und 4 Banking Act	-107	-125
50% deduction of securitisations pursuant to section 23 (13) 4d Banking Act	-13	-36
100% deductions of holdings in insurances pursuant to section 23 (13) 4a Banking Act	-159	-162
Short-term subordinated capital (Tier- 3)	**354**	**414**
Total eligible qualifying capital	**15,573**	**16,415**
Capital requirement	8,718	9,122
Surplus capital	6,855	7,293
Cover ratio (in %)	178.6	179.9
Tier-1 ratio – credit risk (in %) [1]	12.6	12.2
Core tier-1 ratio – total risk (in %) [2]	10.4	9.4
Tier-1 ratio – total risk (in %) [3]	10.7	10.4
Solvency ratio (in %) [4]	14.3	14.4

(1) Tier-1 ratio - credit risk is the ratio of tier-1 capital (including hybrid capital pursuant to section 23 (4a) and (4b) Banking Act) to the risk weighted assets pursuant to section 22 (2) Banking Act.

(2) Core tier-1 ratio – total risk is the ratio of core tier-1 capital to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.

(3) Tier-1 ratio – total risk is the ratio of tier-1 capital to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.

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

The risk-weighted basis pursuant to section 22 (1) of the Banking Act and the resulting capital requirement are as follows:

	Jun 12		Dec 11	
in EUR million	Calculation base/total risk [1]	Capital requirement [2]	Calculation base/total risk [1]	Capital requirement [2]
Risk pursuant to section 22 (1) 1 Banking Act[3]	92,639	7,411	97,630	7,811
a) standardised approach	23,784	1,903	26,461	2,117
b) Internal ratings based approach	68,855	5,508	71,169	5,694
Risk pursuant to section 22 (1) 2 Banking Act[4]	4,220	338	5,060	405
Risk pursuant to section 22 (1) 3 Banking Act[5]	200	16	119	9
Risk pursuant to section 22 (1) 4 Banking Act[6]	11,910	953	11,210	897
Total	**108,969**	**8,718**	**114,019**	**9,122**

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

32. Events after the Reporting Date

There are no significant events after the balance sheet date.

Statement of all Legal Representatives

We confirm to the best of our knowledge that the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Vienna, 31 July 2012

The Management Board

Andreas Treichl, mp
Chairman

Franz Hochstrasser, mp
Vice Chairman

Herbert Juranek, mp
Member

Gernot Mittendorfer, mp
Member

Manfred Wimmer, mp
Member

SHAREHOLDER EVENTS

30 October 2012	Results for the first three quarters of 2012
28 February 2013	Full-year preliminary results 2012

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