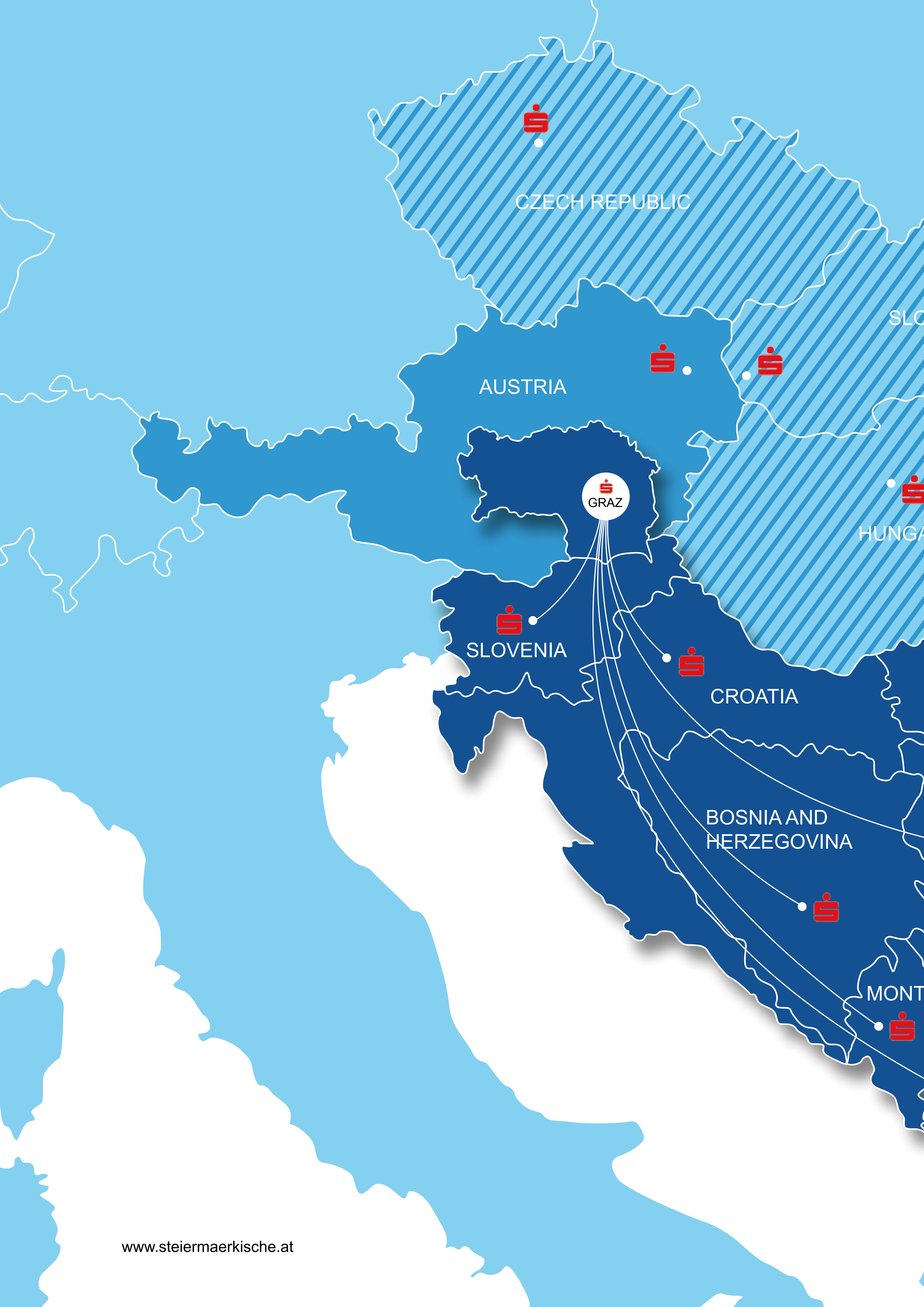
CONSOLIDATED FINANCIAL STATEMENTS 2012 GROUP

Steiermärkische SPARKASSE

In jeder Beziehung zählen die Menschen.

2012



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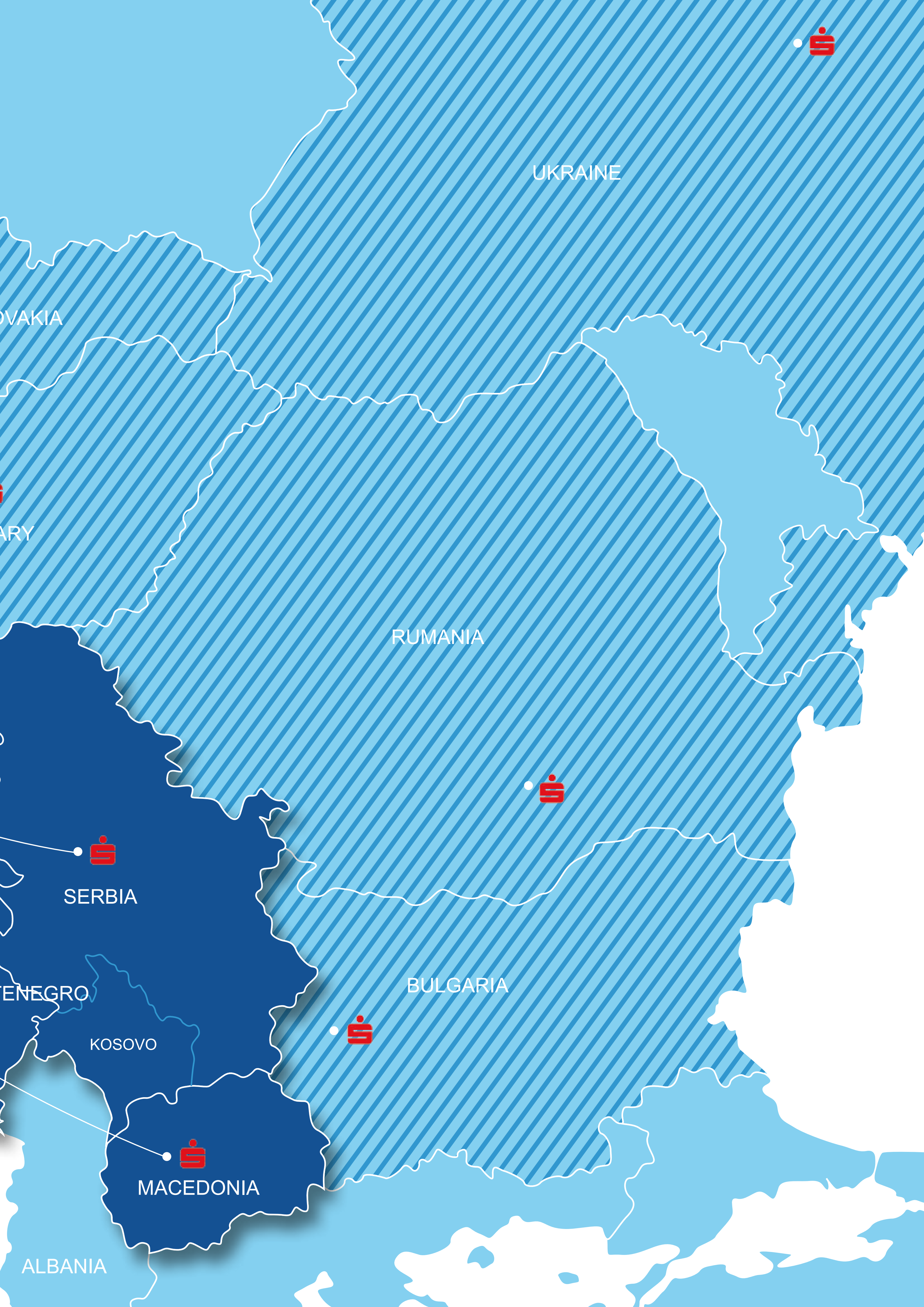
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CONSOLIDATED FINANCIAL STATEMENTS

A. Management Report

Economic and regulatory environment

In 2012, Austria was one of the stable European countries; strong international competitiveness and broad diversification of the economy made it less vulnerable to external shocks than other countries. Since 2011, purchasing power-adjusted GDP per capita of 19% is above the Eurozone average. Having one of the highest growth rates, Austria is among the wealthiest countries in Europe.

Even though the economic growth was below the long-term average and even lower than in 2011, it was still above the euro zone´s average. According to preliminary calculations of the Austrian Institute of Economic Research (WIFO), the Austrian GDP increased by only 0.6% in 2012. The reason for this was the decline in foreign trade. In particular, the recession in Italy, the second largest import country, as well as parts of Eastern Europe had an impact on the export growth. Likewise the global economic decline and the associated weak capacity utilization hindered investment growth (+0.8%). Some EU countries were in a deep recession adjustment resulting in a slight reduction in the overall euro zone (-0.3%). The Austrian economy stagnated in the second half of 2012, whereby a sharper decline was averted. Meanwhile, leading indicators are already pointing towards an end of the downward movement.

As a result, the most likely scenario in 2013 is a moderate economic recovery. According to Austrian economic forecasters GDP will grow by approximately 1% and in 2014 it could possibly gain more momentum (1.8%). In this case it is likely that the industrial and service sector will remain the growth drivers. However, downward risks to economic development are still very high. The financial crisis of late 2012 lost strength only on the surface; a significant deterioration of the international debt crisis still cannot be excluded.

Private consumption on the other hand had a stabilizing effect in 2012: despite continued low savings rate (preliminary 7.5%) and a recurring low inflation (2012: 2.4%), a slight growth (2012: +0.7%) in consumer spending could be achieved compared to last year (2011: 3.3%). Austria's unemployment rate rose slightly from 4.2% in 2011 to 4.3% in 2012, but remained the lowest in the European Union. In December, more than 3.4 million people were employed, which is nearly 0.9%, or 29,000 people more than in the year before. The unemployment rose by 6%, or by 18,228 people to a total of 322,981.

Despite the economic downturn Austrian banks developed better than last year and also significantly better than the Austrian National Bank expectations in the last mid-year stress test. In comparison with the previous year, profitability increased significantly in the first three quarters of 2012: in the 3rd Quarter of 2012 the expected net profit for the whole banking sector was EUR 3.6 billion, following only EUR 1.2 billion in 2011. This is mostly the result of extraordinary factors such as the repurchase of financial instruments and lower risk provisions. The operating business continued to show little dynamic and the deterioration of credit quality in Central and Southeastern Europe represented a major challenge for domestic banks.

Haftungsverbund

Steiermärkische Bank und Sparkassen AG (Steiermärkische Sparkasse) is a member of the Haftungsverbund (cross-guarantee system) of Austrian savings banks that was created in 2001 and became operational on 1 January 2002. At balance sheet date almost all of Austria's savings banks, in addition to Erste Group Bank AG formed a part of this Haftungsverbund. In 2007, the cooperation of the savings banks was further strengthened with a supplementary agreement.

Members of the Haftungsverbund are a banking group in accordance with Section 30 of the Austrian Banking Act and the superordinated credit institution for this banking group is Erste Group Bank AG.

Performance in 2012

Together with our subsidiaries and associates, Steiermärkische Sparkasse was able to strengthen its position as leading financial institution in the south of Austria with a positive balance for 2012.

The group's total assets increased by 2.0% to EUR 14.6 billion compared to last year. As parent company, Steiermärkische Sparkasse dominated with total assets of EUR 13.2 billion. Bankhaus Krentschker & Co. AG also played a significant role with total assets of EUR 1.0 billion.

As a result of historically low interest margin, the lower net interest income of the Steiermärkische Sparkasse Group decreased the operating profit[1] to EUR 170.7 million (-12.0%). The consolidated net income increased significantly in 2012 by 19.2% to EUR 75.9 million. It should be noted that in 2011 a negative effect had to be booked in comprehensive income from the devaluation of the Erste Group Bank shares. Important success factors for 2012 can be attributed to exceptionally low risk cost as well as costs discipline in operating and personnel expenses.

The planned dividend for Steiermärkische Sparkasse for the financial year 2012 is EUR 0.65 per share, just as the previous year.

The business strategy of Steiermärkische Sparkasse in the fiscal year 2012 was also focused on preparing the Sparkasse for the challenges that will arise from numerous forthcoming regula-

[1] The balance of operating income (net interest income, net commission income and trading result) and operating expense (personnel expenses, other administrative expenses and depreciation and amortisation)

tions (especially CRD IV, CRR, Revision of existing directives on deposit guarantee schemes and investor compensation schemes, EMIR, FATCA, EU bank account package, mortgage credit directive, etc.). Steiermärkische Sparkasse actively and diligently follows the legislative process in order to identify trends early and to continue to promptly meet all regulatory challenges.

In 2012, the Steiermärkische Sparkasse Group closed 7 branches and regional consultation centres and relocated an additional 6 branches and regional consultation centres. Location optimisation will continue to be the focus in 2013 as well.

Steiermärkische Sparkasse has a total of 261 branches and regional consultation centres, of which 186 are in Styria, 1 in Vienna, 45 in Bosnia and 29 in Macedonia. The Steiermärkische Sparkasse group employed 2,236.6 banking employees (less leased employees) in its branches and regional consultation centres per fiscal year-end, compared to 2,230.4 in the previous year.

Performance indicators

in EUR million					2012	2011*
a) Core tier-1 ratio (total risk in %)						
Tier-1 capital Steiermärkische Sparkasse [1)] / Austrian Banking Act Sec. 22 (1) [1)]	=	817,3 / 6.728,6	=		12,1%	10,4%

[1)] *According to Section 30 of the Austrian Banking Act shareholder's equity is only calculated for Steiermärkische Sparkasse (Statutory Financial Statement). For further details please refer to the attached notes.*

					2012	2011*
b) Net interest margin:						
Net interest income / average interest bearing assets [2)]	=	284,9 / 13.957,2	=		2,0%	2,2%

[2)] *Interest bearing assets include loans and advances to credit institutions, loans and advances to customers, risk provisions for loans and advances, financial assets and equity method investments (average from balance sheet and the prior year)*

					2012	2011*
c) Cost-Income-Ratio:						
General administrative expenses / Operating income	=	221,7 / 392,4	=		56,5%	53,1%
d) Return on Equity (ROE) after tax:						
Net profit/loss / Average equity [3)]	=	75,9 / 943,1	=		8,0%	7,5%

[3)] *Average from balance sheet and previous year*

					2012	2011*
e) Workforce productivity:						
Operating result [4)] / Average Employees [5)]	=	170,7 / 2.331,0	=		0,073	0,083

[4)] *The balance between operating income and general administrative expenses*

[5)] *Average employees weighted as referred in the notes by employment by years of employment minus leased employees*

* *restated. Regarding adjustments please refer to the respective section.*

Financial and asset situation

Steiermärkische Sparkasse‘s willingness to pay was in accordance with both provisions of section 25 of the Austrian Banking Act. In light of the enhanced requirements regarding liquidity supply and management implemented from the European Banking Authority (EBA) Liquidity Risk Management Directive, measures were taken to ensure the regulatory requirement of a sufficient liquidity buffer.

The net asset position of Steiermärkische Sparkasse continued to improve. Equity currently stands at EUR 939,4 million, thereof EUR 817,3 million core tier 1 capital. The equity surplus is EUR 401,1 million[2.]

Corporate social responsibility

Corporate Social Responsibility (CSR), is a corporate philosophy that involves the clear goal of the sustainable creation and building of value. This aim can be achieved only when two criteria are fulfilled: We must consider the opportunities and risks arising from economic, environmental and social challenges; and we must address all relevant stakeholders.

The Steiermärkische Sparkasse’s Employee Charter defines the creation of a corporate culture that is based on employee-friendly value systems as a key corporate objective. Among the many common values is the development of a performance-oriented environment that considers the living situation of the individual employee, the open communication within the group and equal opportunity for women and men.

It is important for Steiermärkische Sparkasse to be an attractive employer especially for young people. Great importance is attached to training and development. A uniform objective management system with regular employee appraisals, individual target agreements, and a performance-based payment system has been implemented for years.

The Health Management offers a variety of seminars, workshops, fitness programs, consulting, coaching, etc. to all employees as a counterbalance for labour intensive daily routines. In 2012 employees participated frequently in the offered services.

Beyond the creation of material value, the promotion of social and community value still remain as a core business activity. In 2012 in the area of Community/Sponsoring substantial contributions were made in the promotion of youth and sports, as well as for cultural and social purposes.

Research and development

Steiermärkische Sparkasse does not have any activities in research and development. Negative impacts to the environment do not occur directly, potential for saving energy and non-renewable resources are being evaluated on a regular basis.

[2] According to Section 30 of the Austrian Banking Act shareholder's equity is only calculated for Steiermärkische Sparkasse (Statutory Financial Statement). For further details please refer to the attached notes.

Internal control and risk management system

Regulatory background

Pursuant to the provisions under Section 243a part 2 of the Austrian Commercial Code (UGB) in the version published in the Company Law Amendment Act 2008 (URÄG 2008) the Management Report from companies whose shares or other securities are actively traded in a regulated market pursuant to Section 1 part 2 of the Austrian Stock Exchange Act (BörseG) are required to describe the most important features of the internal controlling and risk management system with regard to the financial reporting process for financial years commencing after 31 December 2008.

Risk Management

The goals and methods of risk management are discussed in the risk report in the notes of the consolidated financial statements.

Significant features of the internal control system for the financial reporting process

The organisational structure foresees a clear demand profile in the competence center accounting and controlling. The group has a clear management and organizational structure in which key interdepartmental functions are managed centrally in Steiermärkische Sparkasse while individual subsidiaries enjoy a considerable amount of independence. The functions of the departments substantially involved in the financial reporting process are explicitly segregated and responsibilities are clearly outlined.

By employing highly qualified personnel, continued training and professional development and by strictly adhering to the four eye principle in financial reporting and controlling, Steiermärkische Sparkasse ensures compliance with both local (Austrian Corporate Law, Austrian Banking Act and Austrian tax law) and international financial reporting standards (IFRS) for both the separate and consolidated financial statements. In the accounting division the preparation for booking, the actual booking and the controlling and release of such bookings are separate personnel functions secured and enforced with special entitlements.

The accounting and financial reporting systems employed are protected from unauthorized access by corresponding IT system measures. Standard software (SAP, Microsoft Office) and software from s IT Solutions AT Spardat GmbH are used for the processing of the applied financial systems.

Specific training and professional development courses generate a high degree of quality awareness among all those involved in the group.

The individual financial statements of group companies that are fully consolidated are audited by the Austrian Savings Bank Auditing Association (Sparkassen-Prüfungsverband) and/or external auditors at least once a year. Group Accounting serves as the direct point of contact of all group subsidiaries for financial reporting and (annual) reports as well as the preparation and creation of the consolidated financial statements in accordance with IFRS. For special topics in the group, such as special accounting questions etc., Group Accounting serves as the central point of contact for the group. Due to the requirement that all major subsidiaries (all domestic and foreign financial institutions) report monthly actual and forecasts results to Group Accounting, all actual/plan deviations can be detected early and corrective action can be taken accordingly.

In the Department Reporting Backoffice reports are created in relation to the regulatory reporting requirements (especially Section 74 part 1 and part 2 of the Austrian Banking Act[3]. These are primarily reports to the Austrian National Bank or the European Central Bank and – in special cases – the Austrian Financial Market Authority. These reports are created for Steiermärkische Sparkasse and partially for Bankhaus Krentschker under the currently concession agreement.

Internal revision regularly evaluates processes and reports and the results of these evaluations are then discussed with the departments.

Outlook

In 2013, the anticipated development of Steiermärkische Sparkasse will be strongly influenced by the economic and legal environment. For Austria, a slow recovery of the domestic economy becomes increasingly likely. The most likely scenario in 2013 is a moderate economic recovery. According to forecasters an approx. 1% GDP growth in the Austrian economy is likely and in 2014 it could gain further momentum (1.8%). It is likely that the industry and services sector will remain the growth drivers. However, the downside risks for economic development are still very high. The financial crisis of late 2012 lost momentum only on the surface; a significant deterioration of the international debt crisis still cannot be excluded.

The primary objectives of Steiermärkische Sparkasse in the coming years remain the same: to secure and expand our market position and a further increase in core capital. Cost management and process optimization will continue to play a central role in improving the competitive position. This should secure the existence and profitability of the company as well as the long-term presence in the competitive market. For 2013, Steiermärkische Sparkasse expects further gains in market share and to achieve satisfactory results.

Events after the balance sheet date

No events of material significance occurred in the Steiermärkische Sparkasse Group after the balance sheet date that might have an impact on the company's earnings.

[3] According to Section 30 of the Austrian Banking Act shareholder's equity is only calculated for Steiermärkische Sparkasse (Statutory Financial Statement). For further details please refer to the attached notes.

Graz, 15 April 2013

Management Board:

Dr. Gerhard Fabisch mp Chairman	Mag. Franz Kerber mp Vice Chairman
Dr. Georg Bucher mp Member	Sava Dalbokov, MBA mp Member

B. Consolidated Financial Statements

I. Statement of comprehensive income for the year ended 31 December 2012

Income Statement

in EUR million	(Notes)	2012	2011 (adjusted)[4]
Interest and similar income		431,3	449,7
Interest and similar expenses		(182,5)	(186,1)
Income from associates accounted for at equity		36,1	43,5
Net interest income	1	**284,9**	**307,1**
Risk provisions for loans and advances	2	(56,5)	(63,9)
Fee and commission income		113,3	111,3
Fee and commission expenses		(11,6)	(12,0)
Net fee and commission income	3	**101,6**	**99,3**
Net Trading result	4	5,8	7,5
General administrative expenses	5	**(221,7)**	**(220,0)**
Results from financial assets	6	2,4	(42,3)
Other operating results	7	(23,1)	(10,1)
Pre-tax profit from continuing operations		**93,5**	**77,7**
Taxes on income	8	(17,1)	(13,8)
Post-tax profit from continuing operations		**76,3**	**63,9**
attributable to non-controlling interests		(0,5)	(0,2)
attributable to owners of the parent		**75,9**	**63,7**

[4] For further details please refer to the attached notes.

Statement of comprehensive income

in EUR million	2012	2011 (adjusted)
Net profit for the year	**76,3**	**63,9**
Currency translations	(3,2)	(6,7)
Available for Sale-reserve (including currency translation)	124,4	(33,2)
Cash Flow Hedge-reserve (including currency translation)	(4,2)	3,6
Neutral changes in at-equity consolidated subsidiaries*	15,3	(4,4)
Actuarial gains/losses	(5,2)	(1,6)
Deferred taxes recognised directly in equity	(28,7)	7,8
Total income recognised in equity	**98,4**	**(34,4)**
Total comprehensive income	**174,7**	**29,4**
attributable to non-controlling interests	0,9	0,3
attributable to owners of the parent	**173,8**	**29,1**

*after offset of deferred taxes.

Changes in number of shares and participation capital securities (see also Note 29 Capital)

in units	2012	2011
Shares outstanding at 1 January	**7.596.771**	**7.598.534**
Acquisition of own shares	(8.950)	(7.219)
Disposal of own shares	5.964	5.456
Capital increase	0	0
Shares outstanding at 31 December	**7.593.785**	**7.596.771**
Own shares	46.215	43.229
Number of shares at 31 December	**7.640.000**	**7.640.000**
Weighted average number of shares outstanding	**7.595.278**	**7.597.653**

Earnings per share

Earnings per share constitute net profit for the year attributable to owners of the parent divided by the average number of ordinary shares outstanding. Since there are no subscription or conversion rights, the calculation of diluted earnings per share is not applicable.

in EUR	2012	2011 (adjusted)
Earnings per share	9,99	8,38

II. Balance Sheet of Steiermärkische Sparkasse Group at 31.12.2012

in EUR million	(Notes)	2012	2011
ASSETS			
Cash and balances with central banks	11	184,5	173,9
Loans and advances to credit institutions	12	2.024,7	1.855,6
Loans and advances to customers	13	10.356,9	10.495,9
Risk provisions for loans and advances	14	(437,5)	(460,4)
Derivatives	15	74,0	56,9
Trading assets	16	0,3	1,3
Financial assets	17	1.692,3	1.511,7
Equity holdings in associates accounted for at equity	18	453,2	421,9
Intangible assets	19	8,2	11,7
Property and equipment	19	97,7	101,8
Tax assets	20	2,8	4,5
Other assets	21	115,5	116,4
Total assets		**14.572,7**	**14.291,1**
LIABILITIES AND EQUITY			
Deposits by banks	22	2.424,5	2.566,2
Customer deposits	23	8.381,1	8.290,3
Debt securities in issue	24	2.103,8	1.923,4
Derivatives	25	137,8	150,0
Provisions	26	162,5	164,9
Tax liabilities	20	38,0	14,4
Other liabilities	27	131,1	116,5
Subordinated liabilities	28	159,7	200,3
Total Equity	29	1.034,2	865,1
attributable to non-controlling interests		6,9	6,3
attributable to owners of the parent		1.027,3	858,9
Total liabilities and equity		**14.572,7**	**14.291,1**

III. Statement of Changes in Total Equity

in EUR million	Subscribed capital	Additional paid-in capital	Retained Earnings	Total owners of the parent	Non-controlling interests	Total Equity
Total equity at 1. January 2011 (restated)[1]	**55,5**	**122,6**	**662,5**	**840,6**	**6,2**	**846,8**
Changes in own shares	0,0	0,0	(6,7)	(6,7)	0,0	(6,7)
Dividends	0,0	0,0	(0,5)	(0,5)	0,0	(0,5)
Capital increases	0,0	0,0	(6,8)	(6,8)	(0,2)	(7,0)
Net profit for the year	0,0	0,0	0,0	0,0	0,0	0,0
Income recognized direct in equity	0,0	0,0	63,7	63,7	0,2	63,9
Change in interest in subsidiaries	0,0	0,0	(27,9)	(27,9)	0,1	(27,8)
Other comprehensive income	0,0	0,0	(0,0)	(0,0)	(0,1)	(0,1)
Other transfers within the group[2]	0,0	0,0	(3,5)	(3,5)	0,0	(3,5)
Total equity at 31. December 2011 (adjusted)	**55,5**	**122,6**	**680,8**	**858,9**	**6,2**	**865,1**
Currency translation				(14,6)	0,0	(14,6)
Available for Sale-reserve				28,6	0,1	28,7
Cash Flow Hedge reserve				10,4	0,0	10,4
Actuarial gains and losses from long-term personnel provisions				(30,7)	(0,1)	(30,8)
Deferred tax				(2,1)	(0,0)	(2,1)
Total equity at 1. January 2012	**55,5**	**122,5**	**680,8**	**858,9**	**6,3**	**865,1**
Currency translation	0,0	0,0	(3,2)	(3,2)	(0,0)	(3,2)
Changes in own shares	0,0	0,0	(0,5)	(0,5)		(0,5)
Dividends	0,0	0,0	(4,9)	(4,9)	(0,3)	(5,2)
Capital increases	0,0	0,0	0,0	0,0	0,0	0,0
Net profit for the year	0,0	0,0	75,9	75,9	0,5	76,3
Income recognized direct in equity	0,0	0,0	101,1	101,1	0,5	101,5
Change in interest in subsidiaries	0,0	0,0	0,0	0,0	0,0	0,0
Other comprehensive income[3]	0,0	(4,2)	4,2	0,0	0,0	0,0
Total equity at 31. December 2012	**55,5**	**118,3**	**853,4**	**1.027,3**	**6,9**	**1.034,2**
Currency translation				(17,7)	0,0	(17,8)
Available for Sale-reserve				152,3	0,8	153,1
Cash Flow Hedge reserve				6,2	0,0	6,2
Actuarial gains and losses from long-term personnel provisions				(35,9)	(0,1)	(36,0)
Deferred tax				(30,6)	(0,2)	(30,8)

[1] More information is available under Equity in the attached Notes regarding the adjustment.

[2] Other transfer within the Group affect mainly income neutral changes in at-equity consolidated subsidiaries where Erste Group is the controlling parent company (According to IFRS 3 “Common Control”).

[3] Other comprehensive income affects reclassifications of real estate transactions – for further details see Notes.

IV. Cash Flow Statement

in EUR million	2012	2011 (adjusted)
Net profit for the year (before minorities)	**76,3**	**63,9**
Non-cash adjustments for items in net profit for the year		
Depreciation, Amortisation, revaluation of assets	3,7	32,3
Impairment and reversal of impairment	55,8	58,4
Gains/losses from the sale of assets	(3,6)	(5,9)
Other adjustments	0,2	(2,2)
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Loans and advances to credit institutions	(169,1)	(215,5)
Loans and advances to customers	65,8	(119,2)
Trading assets and financial assets	(58,2)	(31,1)
Other assets from operating activities	(21,8)	(9,4)
Deposits by banks	(141,7)	(209,9)
Customer deposits	90,8	67,6
Debt securities in issue	180,4	393,3
Other liabilities from operating activities	(16,8)	(9,5)
Cash Flow from operating activities	**61,7**	**12,8**
Proceeds of disposal		
Associated companies	0,0	60,4
Property and equipment, intangible assets and investment properties	8,6	4,6
Acquisition of		
Associated companies	0,0	(1,0)
Property and equipment, intangible assets and investment properties	(14,0)	(15,5)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0,0	0,0
Cash Flow from investing activities	**(5,4)**	**48,6**
Capital increases	0,0	(0,0)
Dividends paid	(5,2)	(7,0)
Other financing activities (mainly changes of subordinated liabilities)	(40,6)	(38,7)
Cash Flow from financing activities	**(45,8)**	**(45,8)**
Cash and cash equivalents*) at the beginning of period	**173,9**	**158,3**
Cash Flow from operating activities	61,7	12,8
Cash Flow from investing activities	(5,4)	48,6
Cash Flow from financing activities	(45,8)	(45,8)
Cash and cash equivalents at the end of the period	**184,4**	**173,9**
Cash flows related to taxes, interest and dividends	**249,9**	**258,4**
Payments for taxes on income	(10,3)	(15,8)
Interest and dividends received	442,7	460,4
Interest paid	(182,5)	(186,1)

*) Cash and cash equivalents correspond to the cash reserve.

V. Notes to the Financial Statements of Steiermärkische Sparkasse Group

A. General information

Steiermärkische Bank and Sparkassen AG (Steiermärkische Sparkasse) was founded in 1825 and is the oldest savings bank in Styria. The registered office is located at Sparkassenplatz 4, 8010 Graz. The Steiermärkische Sparkasse Group offers a complete range of banking and other financial services, such as savings accounts, asset management (including investment funds), consumer loans and mortgage lending, securities and derivatives trading, portfolio management, project finance, foreign trade financing, corporate finance, capital market and money market services, foreign exchange trading, and leasing. In addition to providing services in Styria, Steiermärkische Sparkasse Group offers services geographically in Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Montenegro and Macedonia.

At year-end, the Steiermärkische Verwaltungssparkasse owned 72,91% of the shares of Steiermärkische Sparkasse. The business purpose of Steiermärkische Verwaltungssparkasse is the management of own assets that primarily consists of the investment in Steiermärkische Sparkasse. Steiermärkische Verwaltungssparkasse has committed itself to contributing to the common good as outlined in the articles of association. To this end, in 2012 substantial contributions were made in the promotion of youth and sciences, as well as for social, cultural and sports purposes.

Steiermärkische Sparkasse is a member of the Haftungsverbund of Austrian savings banks created in 2001 that began operations starting 1.1.2002. At the balance sheet date almost all of Austria savings banks, in addition to the Erste Group Bank, formed a part of this Haftungsverbund. Under the provisions of the agreement in principle between Erste Group Bank AG and the participating savings banks, this agreement guarantees, by virtue of joint and several liability, the payment of all amounts owed to customers (all deposits as defined by Section 1 (1.1) Austrian Banking Act, all monetary claims based on credit balances from banking transactions and all monetary claims from the issuance of securities, with the exception of qualifying capital pursuant to Section 23 Austrian Banking Act and payables from transactions. In 2007, the cooperation of the savings banks was further strengthened with a supplementary agreement.

As per the requirements of the Austrian Banking Act, individual members of the Haftungsverbund may need to provide assistance to other members (by giving liquidity assistance, granting loans or guarantees and providing equity capital, for instance), and, in the case of Section 93 (3) no. 1 Austrian Banking Act, to service the guaranteed customer deposits of a Haftungsverbund member. The scope of the individual services to be provided by individual Haftungsverbund members where needed cannot therefore be determined beforehand, although any contributions made by Haftungsverbund members under the statutory deposit guarantee system pursuant to Section 93ff Austrian Banking Act are taken into account. Because the potential liability for Steiermärkische Sparkasse from the obligations from the Haftungsverbund cannot be determined, the guarantee obligation is recorded with EUR 1.00 in the balance sheet.

As a member of the Haftungsverbund, Steiermärkische Sparkasse is fully consolidated into the Erste Group Bank AG. Since Steiermärkische Sparkasse is admitted to official listing on a regulated market (Vienna Stock Exchange), Steiermärkische Sparkasse is required according to Section 245 (5) of the Austrian Commercial Code, to produce consolidated financial statements. The consolidated financial statements of Steiermärkische Sparkasse Group and the comparative information were prepared in compliance with the applicable International Financial Reporting Standards (IFRS) as adopted by the European Union on the basis of IAS Regulations (EC) No. 1606/2002.

The consolidated financial statements of Steiermärkische Sparkasse for the 2012 financial year and the comparable data for 2011 were prepared in compliance with applicable International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) published by the International Accounting Standards Board (IASB) and with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) – formally Standing Interpretations Committee (SIC) – as adopted under the IAS Directive (EG) Nr. 1606/2002 by the European Union, thus satisfying the requirements of Section 59a Austrian Banking Act and Section 245a of the Austrian Commercial Code.

Steiermärkische Sparkasse Group has decided on early adoption of IAS 19 (revised 2011) Employee Benefits. Actuarial gains are recognized fully in other comprehensive income and no longer in the profit and loss statement. Furthermore, in order to improve the transparency Steiermärkische Sparkasse Group expanded the balance sheet structure. Derivative financial instruments have been added to both the asset and liability side of the balance sheet. The new structure leads to a more appropriate application containing relevant and reliable information.[5]

Steiermärkische Sparkasse Group scope of consolidation includes 10 fully consolidated subsidiaries (thereof 4 credit institutions) and ten at-equity consolidated entities.

The figures relating to the previous year are placed in brackets and referred to the consolidated financial statements for 31 December 2011. Except as otherwise indicated, all amounts are stated in millions of euros. The tables in this report may contain rounding differences.

[5] Refer to the section regarding adjustments for more information.

It is planned for the Management (following a presentation to the Supervisory Board) to approve the consolidated financial statements on 21 March 2013 for publication.

B. Acquisitions and disposals

Acquisitions / Disposals / Foundations 2012

In 2012, no acquisitions and no major disposals were made. In the 1st half of 2012, real estate was transferred from Steiermärkische Sparkassen AG into Steiermärkische Verwaltungssparkasse Immobilien & Co KG.

Steiermärkische Verwaltungssparkasse Immobilien & Co KG was refounded on 1 April 2012 and included in full consolidation of Steiermärkische Sparkasse Group, whereby on the group level there was no material impact as a result of this transaction.

Acquisitions / Disposals / Foundations 2011

The at-equity consolidated associate Erste Card Club d.d. was sold in 2011 to Erste & Steiermärkische Bank d.d for EUR 60.4 million. The capital gain of EUR 3.5 million is recognised in the income statement.

C. Accounting policies

a) Basis of consolidation

All subsidiaries directly or indirectly controlled by Steiermärkische Sparkasse are consolidated in the group financial statements, on the basis of the subsidiaries' annual accounts at and for the year ended 31 December 2012. The financial statements of the Bank's subsidiaries are prepared for the same reporting year as Steiermärkische Sparkasse Group, by using consistent accounting policies. All intra-group balances, transactions, income and expenses as well as unrealized gains and losses and dividends are eliminated, as long as they are not minor significant. Non-controlling interests represent the portion of total comprehensive income and net assets, which are not attributable to the group.

The group of consolidated companies of Steiermärkische Sparkasse Group can be found in the notes on details of the companies owned (Note 45).

Investments in companies over which Steiermärkische Sparkasse exercises a significant influence ('associates') are accounted for under the equity method. As a general rule, significant influence is presumed by an ownership interest of between 20% and 50%. Joint ventures are also included using the equity method (IAS 31.38). Entities accounted for under the equity method are recognised largely on the basis of annual financial statements at – and for the year ended on – 31 December 2012.

Investments in companies were not included in the consolidation if their impact on the Steiermärkische Sparkasse Group's financial position and performance is of minor significance.

The remaining investments in companies are accounted for at fair value. If fair value cannot be estimated reliably, then they are accounted for at cost. In the event of impairment, unscheduled depreciation is recognised.

Capital consolidation is accounted for using the purchase method, in doing so, the acquisition cost of the shares purchased is offset against the newly value pro-rate equity applicable to the parent company. The assets and liabilities of the company acquired are stated at fair value. The remaining active difference between the acquisition cost (e.g. balance sheet of the company) relevant fair value is capitalised under goodwill and is subjected to an annual impairment test in accordance with IFRS 3 (Business Combinations) and in combination with IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets).

b) Accounting and measurement methods

Financial instruments – recognition and measurement

A financial instrument is a contract which automatically produces a financial asset for the one company and a financial liability or equity instrument for the other. In accordance with IAS 39, all financial assets and liabilities – which also include derivative financial instruments – have to be recognized in the balance sheet and measured in accordance with their assigned category.

Steiermärkische Sparkasse Group uses following measurement categories:

- financial assets or financial liabilities at fair value through profit or loss
- available-for-sale financial assets
- financial liabilities measured at amortised cost (which are defined in addition to the above mentioned measurement categories according to IAS 39)

IAS 39 measurement categories are not necessarily the line items presented in the balance sheet. Specific relationships between the balance sheet line items and measurement categories are described in the table of the point 10).

Basically it has to be distinguished between two measurement methods:

- amortised cost
- fair value

Date of recognition

Financial instruments are initially recognised when Steiermärkische Sparkasse Group becomes party to the contractual provisions of the instrument. Regular way (spot) purchases and sales of financial assets are recognized at settlement date which is the date that an asset is delivered.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. Financial instruments are measured initially at their fair value plus transaction costs. However in the case of financial assets and financial liabilities designated at fair value through profit or loss, transaction costs are not included.

Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- Steiermärkische Sparkasse has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:

  - has transferred substantially all the risks and rewards connected with the ownership of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards connected with the ownership of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Embedded Derivatives

Steiermärkische Sparkasse Group, as part of its business, is confronted with debt instruments containing structured features. Structured features mean that a derivative is embedded in the host instruments. Embedded derivatives are separated from the host debt instruments if

- the economic characteristics of the derivatives are not closely related to the economic characteristics and risks of the host debt instruments;
- the embedded derivative meets the IAS 39 definition of derivative; and
- the hybrid instrument is not financial asset or liability held for trading or designated at fair value through profit or loss.

Embedded derivatives, which are separated, are accounted for as stand-alone derivatives and presented in the balance sheet in the line 'Derivative financial instruments'.

Repurchase and reverse repurchase agreements

Transactions where securities are sold under an agreement to repurchase at a specified future date are also known as 'repos' or 'sale and repurchase agreements'. Securities sold are not derecognised from the balance sheet as Steiermärkische Sparkasse Group retains substantially all the risks and rewards of ownership because the securities are repurchased when the repo transaction ends. Furthermore, Steiermärkische Sparkasse Group is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the repo transactions. These payments are remitted to Steiermärkische Sparkasse Group or are reflected in the repurchase price. The corresponding cash received is recognised in the balance sheet with a corresponding obligation to return it as a liability in the respective lines 'Deposits by banks' or 'Customer deposits' reflecting the transaction's economic substance as a loan to Steiermärkische Sparkasse Group. The difference between the sale and repurchase prices is treated as interest expense and recorded in the income statement in the line 'Interest and similar expenses' and is accrued over the life of the agreement. Financial assets transferred out by Steiermärkische Sparkasse Group under repurchase agreements remain on the Group's balance sheet and are measured according to the rules applicable to the respective balance sheet item.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the balance sheet. Such transactions are also known as 'reverse repos'. The consideration paid is recorded in the balance sheet in the respective lines 'Loans and advances to credit institutions' or 'Loans and advances to customers', reflecting the transaction's economic substance as a loan by Steiermärkische Sparkasse Group. The difference between the purchase and resale prices is treated as interest income that is accrued over the life of the agreement and recorded in the income statement in the line 'Interest and similar income'.

Securities lending and borrowing

In securities lending transactions, the lender transfers ownership of securities to the borrower on the condition that the borrower will retransfer, at the end of the agreed loan term, ownership of instruments of the same type, quality and quantity and will pay a fee determined by the duration of the lending. The transfer of the securities to counterparties via securities lending does not result in derecognition. Substantially all the risks and rewards of ownership are retained by Steiermärkische Sparkasse Group as a lender because the securities are received at the end of the securities lending transaction. Furthermore, Steiermärkische Sparkasse Group is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the securities borrowings. Securities borrowed are not recognised on the balance sheet, unless they are then sold to third parties. In this case the obligation to return the securities is recorded as a trading liability.

Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated at the ECB functional currency rate of exchange at the balance sheet date.

Assets and liabilities of foreign subsidiaries are translated into Steiermärkische Sparkasse presentation currency euro at the rate of exchange as at the balance sheet date (closing rate). Their statements of comprehensive income (including other comprehensive income) are translated at monthly average exchange rates. Exchange differences arising on translation are recognised in other comprehensive income.

Significant accounting judgments, assumptions and estimates

The consolidated financial statements contain amounts that have been determined on the basis of judgments and by use of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. Estimation and assumption uncertainty are particularly arising by the calculation of impairment of financial assets, defined benefit obligation plans, goodwill, deferred taxes and the fair value of financial instruments.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. As regards the lines reported in the income statement their description and revenue recognition criteria are following:

Net interest income

Interest and similar income mainly includes interest income in the narrow sense on loans and advances to credit institutions and customers, on balances with central banks and on bonds and other interest-bearing securities. Also reported in interest and similar income is current income from shares and other equity-related securities (especially dividends), from other investments in companies from rental of investment properties, non-consolidated subsidiaries, as well as interest income from derivatives and similar interest bearing income.

Interest income from impaired loans is calculated by applying the original effective interest rate and is also reported in interest and similar income.

Interest and similar expenses mainly include interest paid on deposits of banks and customer deposits, deposits of central banks, debt securities in issue and subordinated debt. This item also includes interest-like expenses calculated in the same way as interest.

Interest income (if deemed collectible) and interest expense are recognized applying the original effective interest rate as they accrued.

Income from associates accounted for at equity is likewise included in net interest income. Impairment losses, reversal of impairment losses, and realised gains and losses on investments in associates accounted for at equity are reported in other operating result.

Risk provisions for loans and advances

This item includes allocations to and releases of specific and portfolio risk provisions for loans and advances for both on balance sheet and off balance sheet transactions. Also reported in this item are direct write-offs of loans and advances as well as recoveries on loans written off.

Impairments are accounted for in the amount of the differences between the asset carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Any impairment is reported in the allowance account referred to as 'Risk provisions for loans and advances' and reversals (unwinding) are recognized in interest income as long as they are not discounted.

The reporting of income and write-downs to other risk provisions that are not from loans and advances are shown in the line 'other operating result'.

Net fee and commission income

Net fee and commission income consists of income and expenses from services business that were accrued in the reporting period. It includes income and expenses mainly from fees and commissions payable or receivable for payment services, securities brokerage and lending business, as well as from insurance brokerage, mortgage brokerage and foreign exchange transactions.

Net trading result

Net trading result includes all results from securities, derivatives classified as held for trading and currencies. These include realised gains and losses, unrealised changes in fair value, and dividend income and net interest income from trading portfolios.

General administrative expenses

General administrative expenses represent the following expenses accrued in the reporting period: personnel and other administrative expenses, as well as depreciation and amortisation. Not included are any amortisation of customer relationships and impairment of goodwill.

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and levies, and expenses for severance benefits and pension benefits (including amounts allocated to and released from provisions).

Other administrative expenses include information technology expenses, expenses for office space, office operating expenses, advertising and marketing, expenditures for legal and other consultants as well as sundry administrative expenses.

Results from financial assets

This item consists of results of fair value measurement of and realised gains or losses from securities assigned to the fair value portfolio.

The item represents – for available for sale securities and investments in companies – gains or losses on disposal as well as impairment losses and certain types of reversal of impairment loss resulting from a change in the issuer's credit rating.

Other operating result

Other operating result reflects all other income and expenses not attributable to Steiermärkische Sparkasse Group's ordinary activities. This includes especially impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment, amortization and impairment of customer relationships, any impairment losses on goodwill, and impairment losses (and any reversal of impairment losses) on other intangible assets.

In addition, other operating result encompasses the following: expenses for other taxes and for deposit insurance contributions; income from the release of and expenses for allocations to other provisions; impairment losses (and their reversal if any) on investments in associates accounted for at equity and realised gains and losses from the disposal of equity-accounted investments.

Taxes on income

Taxes on income consist of current and deferred income tax.

Cash and balances with central banks

Balances with central banks include only claims (deposits) against central banks which are repayable on demand. Repayable on demand means that it may be withdrawn at any time or with a term of notice of only one business-day or 24 hours.

Loans and advances

Loans and advances to credit institutions and to customers are measured at amortised cost. Eventual direct write-offs of credit losses are accounted as deductions from the respective carrying amounts or fair values.

The allowances for impairment of loans and advances are disclosed as risk provisions for loans and advances on the face of the balance sheet. Discounts and premiums are accounted for in other assets or other liabilities.

Interest receivable is not recognised as revenue in the income statement if, regardless of any legal claims, it is very unlikely to be collected.

Risk provisions for loans and advances

The special risks inherent in the banking business are taken into account as required through an allowance for impairment of loans and advances (for lendings recognised on the balance sheet) and through provisions for off balance sheet transactions. Provisions for credit risks are determined using the same measurement methods throughout the group and reflect any collateral present.

Risk provisions for loans and advances include specific risk provisions for loans and advances for which objective evidence of impairment exists. In addition, risk provisions for loans and advances include portfolio risk provisions for loans and advances for which no objective evidence or reasons of materiality of impairment exists in single observation (incurred but not detected).

When a loan or advance is uncollectible, it is derecognized against an existing related specific risk provision if any, or otherwise is charged off directly in the income statement.

The total amount of risk provisions for loans and advances, in as much as it relates to on balance sheet assets, is reported as a line item deduction on the face of the balance sheet in assets, below loans and advances to credit institutions and to customers. The provisions for off balance sheet transactions (particularly warranties and guarantees as well as other credit commitments) are included in other provisions.

Trading assets

Securities, derivatives and other financial instruments that are held-for-trading are recorded at fair value in the balance sheet. In the case of quoted financial instruments, these assets are recognised at their fair value, which is their quoted price. In the case of non-quoted financial instruments, these assets are recognised at their fair value, market values are calculated with recourse to the present value method or on the basis of suitable option-price models.

Financial Assets

Financial assets – designated at Fair Value through profit or loss

Securities, that do not belong to trading activities in accordance with group procedures, but due to their investment strategy have to be valued are recorded in the position financial assets – at fair value through profit or loss (a treatment referred to as the fair value option) and measured at fair value, with changes in fair value recognized in the income statement.

Financial Assets – Available for Sale

Financial assets – available for sale are non-derivative financial instruments that are neither held for trading, nor measured at fair value with fair value movements recognised in profit or loss, nor classified as loans and advances or as held to maturity. The item consists of securities and investments in non-consolidated companies. Measurement is at fair value. Changes in fair value of AFS securities arising from measurement are recognised directly in equity until the financial asset is derecognised or impaired. Impairment losses on AFS securities are recognised in the income statement item "result from financial assets – available for sale". If the fair value of the investments in non-consolidated companies cannot be measured reliably, they are recorded at cost.

Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The best indication of the fair value of financial instruments is provided by quoted market prices in an active market. Where quoted prices are available, they are used to measure the financial instrument. Where no market prices are available, fair value is determined on the basis of valuation models. For further details, please see Note 38.

Impairment of financial assets

Steiermärkische Sparkasse Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

In case of *debt instruments* classified as available-for-sale, Steiermärkische Sparkasse Group assesses individually whether there is objective evidence of impairment. However, the amount recorded for impairment is the cumulative loss measured as the difference between amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. On recognizing impairment any amount of losses retained in other comprehensive income item 'Available for sale reserve' is reclassified to the income statement and shown as impairment loss in 'Result from financial assets – available for sale'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement in the line, 'Result from financial assets – available for sale'. Impairment losses and their reversals are recognised directly against the assets in the balance sheet.

In the case of *equity investments* classified as available-for-sale, objective evidence also includes a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. For this purpose in Steiermärkische Sparkasse Group, "significant" decline means a market price below 80% of the acquisition cost and "prolonged" decline refers to a market price that is permanently below acquisition cost for a period of 9 months up to the reporting date. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement is removed from 'Available for sale reserve' in other comprehensive income and is reclassified and shown as impairment loss in 'Result from financial assets – available for sale'. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized directly in other comprehensive income. Impairment losses and their reversals are recognized directly against the assets in the balance sheet.

Equity holdings in associates accounted for at equity

This item represents investments in associates. In accordance with IAS 1.54, investments in companies accounted for by the equity method – known as investments in associates – are reported as a separate line item. Companies are accounted for at equity if the group exercises significant influence over them; this is generally deemed to be the case when the group has an ownership interest of 20% to 50%.

After application of the equity method, including taking into account of losses of associate companies, the IAS 36 "Impairment of Assets" is applied to determine whether additional impairment must be considered. The entire book value of the shares is tested for impairment by comparing its recoverable amount (the higher of value in use and fair value less selling costs) to book value, when indications are provided that the shares may have depreciated ("Trigger Event").

Regarding the performance of annual impairment test, please refer to the following chapter. The long-term growth rates and the determination of value in use applied discount rates are provided in note 18.

Intangible assets

Intangible assets consist of goodwill resulting from business combinations and other intangibles recognised separately from goodwill (customer relationships, brands, merchant relationships) and software.

As required by IFRS 3 (in conjunction with IAS 36 and IAS 38), an annual impairment test is carried out for all cash-generating units (CGUs) to review the value of existing goodwill. A CGU is the smallest identifiable group of assets that generates permanent cash inflows from continuing use that is largely independent of the cash inflows from other assets or groups of assets. In Steiermärkische Sparkasse Group, all business segments distinguished in the segment reporting in the financial statements are defined as CGUs. Separate legal entities within these segments are treated as separate CGUs.

Goodwill is tested for impairment by comparing the recoverable amount of each CGU to which goodwill has been allocated with its carrying amount. The carrying amount of a CGU is based on the amount of net asset value allocated to the CGU taking into account any goodwill and unamortised intangible assets recognised for the CGU at the time of business combination.

The recoverable amount is the higher of a CGU's fair value less costs to sell and its value in use. Where available, the fair value less costs to sell is determined based on recent transactions, market quotations or appraisals. The value in use is determined using a discounted cash flow model (DCF model), which incorporates the specifics of the banking business and its regulatory environment. In determining value in use, the present value of future earnings distributable to shareholders is calculated.

The estimation of future earnings distributable to shareholders is based on financial plans for the CGUs as agreed by the management taking into account the fulfillment of the respective regulatory capital requirements. The planning period is five years. Any forecasted earnings beyond the planning period are derived on the basis of the last year of the planning period and a long-term growth rate. The present value of such perpetual earnings growing at a stable rate (referred to as terminal value) takes into consideration macroeconomic parameters and economically sustainable cash flows for each CGU. The long-term growth rates are disclosed in note 19.

The cash flows were determined by subtracting the annual capital requirement generated by change in the amount of risk-weighted assets from the net profit. The capital requirement was defined through the target tier 1 ratio in light of the expected future minimum regulatory capital requirements.

The value in use is determined by discounting the cash flows at a rate that takes into account present market rates and the specific risks of the CGU. The discount rates have been determined based on the capital asset pricing model (CAPM). According to the CAPM, the discount rate comprises a risk-free interest rate together with a market risk premium that itself is multiplied by a factor that represents the systematic market risk (beta factor). Furthermore, a country-risk premium component is considered in calculating the discount rate. The values used to establish the discount rates are determined using external sources of information. The applied discount rates used to determine the value in use are disclosed in Note 19.

Where the recoverable amount of a CGU is less than its carrying amount, the difference is recognised as an impairment loss in the income statement in the line 'Other operating result'. The impairment loss is allocated first to write down the CGU's goodwill. Any remaining impairment loss reduces the carrying amount of the CGU's other assets, though not to an amount lower than their fair value less costs to sell. There is no need to recognise an impairment loss if the recoverable amount of the CGU is higher than or equal to its carrying amount. Impairment losses relating to goodwill cannot be reversed in future periods.

Customer relationships and brands are capitalised if they can be measured with sufficient reliability; they are recognised separately from goodwill. Customer relationships are amortised on a straight-line basis over their expected useful life. Brands are not amortised as they are assumed to have an indefinite useful life. In the event of impairment, impairment losses are recognised.

Software produced internally is capitalised if the future economic benefits associated with the software are likely to flow to the group and the cost can be reliably determined. Such software is amortised over the estimated useful life, which is generally deemed to be 4 to 10 years; the same range is assumed for acquired software.

Property and equipment

Property and equipment – land and buildings, furniture and equipment - are measured at cost less accumulated depreciation using the straight line depreciation method. Extraordinary depreciation is realised under impairments.

	Useful life in years
Buildings	33 - 50
Office furniture and equipment	5 - 20
Computer Hardware	4 - 5

Other assets

The most important items reported under other assets are accrued interest and commission income, prepaid expenses, investment properties as defined by IAS 40, and positive fair values of derivatives in the banking book.

Investment properties are measured at cost less accumulated straight-line depreciation based on useful life using the cost model permitted by IAS 40. Any impairment losses are recognised as required. If the reasons which led to the impairment cease to apply, the previously recognised impairment loss is reversed to no more than the asset's carrying amount if no impairment loss had been recognised.

Deposits and other liabilities

Deposits and other liabilities are stated at amortised cost, except for those measured at fair value through profit or loss. Deposits and other liabilities that meet the criteria for use of the fair value option are reported at fair value. Zero coupon bonds and similar instruments are likewise reported at amortised cost or at their present value.

Provisions

Long-term employee benefits (pensions, severance and jubilee benefits) are determined using the Projected Unit Credit Method in accordance IAS 19. Pension benefits relate only to retired employees; pension obligations for current employees were transferred to external pension funds in previous years.

Future obligations are determined based on actuarial expert opinions. The calculation takes into account not only those pension rights to future payments known at the balance sheet date, but also anticipated future rates of increase.

The most important actuarial assumptions are determined as follows: The actuarial calculation of pension, severance and jubilee benefit obligations is based on a nominal discount rate (long-term capital market interest rate) of 3,65% per annum. The expected pension increase is assumed to be 3,50% per annum and severance and jubilee benefits are calculated based on an average annual increase of 2,90% per annum.

Long-term employee obligations (pensions, severance and jubilee benefits) were calculated in accordance with the Pagler & Pagler mortality tables titled AVÖ (2008-P) – Rechnungsgrundlagen für die Pensionsversicherung. The expected retirement age for each employee was individually calculated on the basis of the changes set out in the Budget Implementation Act of 2003 (Austrian Federal Law gazette Vol. I No. 71/2003) regarding the increase in the minimum retirement age. The current applicable legislation on the gradual raising of the retirement age for men and women to 65 was taken into consideration.

Actuarial gains or losses of long-term employee benefits are recognized in the income statement in the period during which they occur.

Other provisions are reported for possible obligations to third parties in the amount of the probable outflow. Furthermore in the balance sheet under other provisions, provisions for off balance sheet risks are included.

Tax assets and liabilities

Assets and liabilities from current and deferred taxes are reported in the position tax assets and tax liabilities.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

In measuring deferred taxes, the balance sheet liability method is used for temporary differences. Under this method the carrying amount of an asset or liability in the balance sheet is compared with its tax base for the respective group entity. Differences between these amounts represent temporary differences for which deferred tax assets or deferred tax liabilities are recognised regardless of when such differences cease to exist. The deferred taxes for the group entities are measured at the local future tax rates that are expected to be applied. Per company, deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax liabilities and the deferred taxes related to the same taxation authority.

Deferred tax assets for unused tax losses are recognised inasmuch as it is likely that these loss carry forwards will be utilized in the future by offsetting against taxable income to realise a tax benefit. Deferred taxes are not discounted.

Adjustments

The revised IAS 19 "Employee Benefits" was issued in June 2011 and becomes effective for annual periods beginning on or after 1 January 2013.

The revision brought changes mainly in accounting for defined benefit plans. Actuarial gains and losses are treated as remeasurements and are recognised fully in other comprehensive income.

Steiermärkische Sparkasse Group has decided on early adoption of IAS 19 Employee Benefits (revised 2011). Actuarial gains are recognized fully in other comprehensive income and no longer in the income statement. The figures for the previous year have been restated accordingly.

Furthermore, in order to improve the transparency Steiermärkische Sparkasse Group expanded the balance sheet structure. Derivative financial instruments have been added to both the asset and liability side of the balance sheet. The new structure leads to a more appropriate application containing relevant and reliable information. Positive and negative market values from derivative financial instruments that were previously recorded in other assets/other liabilities are now recorded under derivative financial instruments. The figures for the previous year have been restated accordingly.

in EUR million	**31.12.2011**
ASSETS	
Other assets	56,9
Derivatives	**56,9**
LIABILITIES	
Other liabilities	150,0
Derivatives	**150,0**

Derivative financial instruments are recorded on a gross basis. The adjustment has no impact on comprehensive income.

Adjustment of the Balance Sheet of Steiermärkische Sparkasse Group

in EUR million **1. January 2011**	published value	early application IAS 19	Re-classification Derivatives	restated value
ASSETS				
Cash and balances with central banks	158,3			158,3
Loans and advances to credit institutions	1.640,1			1.640,1
Loans and advances to customers	10.460,3			10.460,3
Risk provisions for loans and advances	(489,3)			(489,3)
Derivatives	0,0		30,3	30,3
Trading assets	2,4			2,4
Financial assets	1.557,4			1.557,4
Equity holdings in associates accounted for at equity	459,8			459,8
Intangible assets	12,9			12,9
Property and equipment	103,5			103,5
Tax assets	10,3			10,3
Other assets	162,7		(30,3)	132,4
Total assets	**14.078,4**	**0,0**	**0,0**	**14.078,4**
LIABILITIES AND EQUITY				
Deposits by banks	2.776,1			2.776,1
Customer deposits	8.222,7			8.222,7
Debt securities in issue	1.530,1			1.530,1
Derivatives	0,0		121,8	121,8
Provisions	160,0			160,0
Tax liabilities	39,7			39,7
Other liabilities	264,0		(121,8)	142,2
Subordinated liabilities	239,0			239,0
Total Equity	846,8			846,8
attributable to non-controlling interests	6,2			6,2
attributable to owners of the parent	840,6			840,6
Total liabilities and equity	**14.078,4**	**0,0**	**0,0**	**14.078,4**

in EUR million 31. December 2011	published value	early application IAS 19	Re-classification Derivatives	restated value
ASSETS				
Cash and balances with central banks	173,9			173,9
Loans and advances to credit institutions	1.855,6			1.855,6
Loans and advances to customers	10.495,9			10.495,9
Risk provisions for loans and advances	(460,4)			(460,4)
Derivatives	0,0		56,9	56,9
Trading assets	1,3			1,3
Financial assets	1.511,7			1.511,7
Equity holdings in associates accounted for at equity	421,9			421,9
Intangible assets	11,7			11,7
Property and equipment	101,8			101,8
Tax assets	4,5			4,5
Other assets	173,3		(56,9)	116,4
Total assets	**14.291,1**	**0,0**	**0,0**	**14.291,1**
LIABILITIES AND EQUITY				
Deposits by banks	2.566,2			2.566,2
Customer deposits	8.290,3			8.290,3
Debt securities in issue	1.923,4			1.923,4
Derivatives	0,0		150,0	150,0
Provisions	164,9			164,9
Tax liabilities	14,4			14,4
Other liabilities	266,5		(150,0)	116,5
Subordinated liabilities	200,3			200,3
Total Equity	865,1			865,1
attributable to non-controlling interests	6,3			6,3
attributable to owners of the parent	858,9			858,9
Total liabilities and equity	**14.291,1**	**0,0**	**0,0**	**14.291,1**

Adjustment of Income Statement of Steiermärkische Sparkasse Group

in EUR million 31. December 2011	published value	early application IAS 19	restated value
Net interest income	**307,1**		**307,1**
Risk provisions for loans and advances	(63,9)		(63,9)
Net fee and commission income	**99,3**		**99,3**
Net trading result	7,5		7,5
Personnel expenses	(149,9)	1,6	(148,3)
Other administrative expenses	(58,9)		(58,9)
Depreciation	(12,8)		(12,8)
General administrative expenses	**(221,6)**	1,6	**(220,0)**
Other operating results	(10,1)		(10,1)
Pre-tax profit from continuing operations	**76,1**	1,6	**77,7**
Taxes on income	(13,4)	(0,4)	(13,8)
Post-tax profit from continuing operations	**62,7**	1,2	**63,9**
attributable to non-controlling interests	(0,2)	0,0	(0,2)
attributable to owners of the parent	**62,5**	1,2	**63,7**

Adjustment of Comprehensive Income of Steiermärkische Sparkasse Group

in EUR million 31. December 2011	published value	early application IAS 19	restated value
Net profit for the year	**62,7**	1,2	**63,9**
Currency translation	(6,7)		(6,7)
Available for Sale-reserve (incl. curr. translation)	(33,2)		(33,2)
Cash Flow Hedge-reserve (incl. curr. translation)	3,6		3,6
Equity method investments	(4,4)		(4,4)
Actuarial gains/losses	0,0	(1,6)	(1,6)
Deferred taxes	7,4	0,4	7,8
Other comprehensive income	**(33,2)**	(1,2)	(34,4)
Total comprehensive income	**29,4**		**29,4**
attributable to non-controlling interests	0,3	0,0	0,3
attributable to owners of the parent	**29,1**	(0,0)	**29,1**

Adjustment of Earnings per share of Steiermärkische Sparkasse Group

in EUR 31. December 2011	published value	early application IAS 19	restated value
Earnings per share	8,22	0,16	8,38

c) Application of amended and new IFRS/IAS

The accounting policies adopted are consistent with those used in the previous financial year except for standards and interpretations which became effective for financial years beginning on or after 1 January 2012. As regards new standards and interpretations and their amendments only those which are relevant for the business of Steiermärkische Sparkasse Group are listed below.

Effective standards and interpretations

The following amended standards and interpretations have been mandatory since 2012:

- Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets
- Amendments to IFRS 7 – Disclosures–Transfers of Financial Assets

Application of these amended standards and interpretations had no material effect on the recognition and measurement methods of Steiermärkische Sparkasse Group. However, amendments to IFRS 7 resulted in new disclosures.

Standards and interpretations not yet effective

The following standards and interpretations were issued by IASB but are not yet effective. Thereof, the EU has endorsed the following standards and amendments:

- *Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income*
- *IAS 19 (revised 2011) Employee Benefits*
- *IAS 27 (revised 2011) Separate Financial Statements*
- *IAS 28 (revised 2011) Investments in Associates and Joint Ventures*
- *Amendments to IAS 32 – Offsetting Financial Assets and Liabilities*
- *Amendments to IFRS 7 – Offsetting Financial Assets and Liabilities*
- *IFRS 10 Consolidated Financial Statements*
- *IFRS 11 Joint Arrangements*
- *IFRS 12 Disclosure of Interests in Other Entities*
- *IFRS 13 Fair Value Measurement*

Steiermärkische Sparkasse Group has decided on early adoption of IAS 19 Employee Benefits (revised 2011) and to not apply the remaining EU endorsed standards and interpretations prior to becoming effective.

Amendments to IAS 1 – Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 were issued in June 2011 and are effective for the annual periods beginning on or after 1 July 2012.

The most significant change in the grouping of items presented in other comprehensive income (OCI) is that items that could be reclassified (or 'recycled') to profit or loss at a future point of time would be presented separately from items that will never be reclassified. Moreover, if OCI items are presented before tax then the tax related to each of the two categories has to be presented separately.

Application of these amendments will have an impact on the presentation of the statement of comprehensive income due to changes in the presentation of the OCI items and their tax effects.

IAS 19 (revised 2011) Employee Benefits

The amendments to IAS 1 were issued in June 2011 and are effective for the annual periods beginning on or after 1 January 2013.

The revision brought changes mainly in accounting for defined benefit plans. Net interest is recognized in profit or loss by multiplying the net defined liability by the discount rate. As the corridor method is no longer allowed, actuarial gains and losses are treated as remeasurements and are recognized fully in other comprehensive income. Clarifications were made for the area of plan amendments, curtailments and settlements. Past service costs are recognized immediately in profit or loss. Disclosure requirements were revised. New definition and recognition criteria were introduced for the termination of benefits.

Steiermärkische Sparkasse Group has decided on early adoption of IAS 19 (revised 2011) Employee Benefits. Actuarial gains are recognized fully in other comprehensive income and no longer in the profit and loss statement. The figures for the previous year have been restated accordingly.

IAS 27 (revised 2011) Separate Financial Statements

Revised IAS 27 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. However as adopted by the European Union, IAS 27 revised becomes effective, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2014.

After revision, only the part relevant for individual financial statements was kept in IAS 27. This is due to the fact that IFRS 10 becomes a new standard relevant for consolidated financial statements. This resulted in a change of the name of IAS 27.

The revised IAS 27 is not expected to have a significant impact on Steiermärkische Sparkasse Group's financial statements.

IAS 28 (revised 2011) Investments in Associates and Joint Ventures

Revised IAS 28 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. However as adopted by the European Union, IAS 28 revised becomes effective, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2014.

Joint ventures are added into the scope of the revised IAS 28, which also results in a change in the name of the standard. This is due to the fact that under IFRS 11 the equity method is the only way of including joint ventures into the consolidated financial statements.

IAS 28 revised is not expected to have a significant impact on Steiermärkische Sparkasse Group's financial statements.

Amendments to IAS 32 – Offsetting Financial Assets and Liabilities

Amendments to IAS 32 were issued in December 2011 and are effective for annual periods beginning on or after 1 January 2014.

Amendments to IFRS 7 – Offsetting financial Assets and Liabilities

Amendments to IFRS 7 were issued in December 2011 and are effective for annual periods beginning on or after 1 January 2013.

Disclosures required by the amendments have to be provided for financial assets and liabilities that are set off in accordance with IAS 32. Furthermore, potential effects of netting and similar agreements which do not result in offsetting under IAS 32 are disclosed.

The amendments are not expected to have a significant impact on Steiermärkische Sparkasse Group's financial statements.

IFRS 9 Financial Instruments

IFRS relevant for classification and measurement of financial assets was issued in November 2009 and supplemented by regulation for financial liabilities in October 2010. An amendment issued in December 2011 concerns the mandatory effective date, which was postponed. As a result, IFRS 9 becomes effective for financial years beginning on or after 1 January 2015.

IFRS 9 introduces two classification criteria for financial assets:

1. an entity's business model for managing the financial assets and
2. the contractual cash flow characteristics of the financial assets.

As a result, a financial asset is measured at amortised cost only if the following conditions both are met:

a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All financial assets that do not fulfill these conditions are measured at fair value with changes recognized in profit or loss.

For investments in equity instruments that are not held for trading an entity may make an irrevocable election at initial recognition to measure them at fair value with changes recognized in other comprehensive income.

Based on changes in the business model an entity shall reclassify all affected assets from fair value to amortised cost category or vice versa.

This standard will have a significant effect on balance sheet positions and measurement methods for financial instruments. As IFRS 9 has not yet been published in its final version, its impact cannot be quantified.

IFRS 10 Consolidated Financial Statements

IFRS 10 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. However as adopted by the European Union, IFRS 10 becomes effective, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2014. It replaces IAS 27, 'Consolidated and Separate Financial Statements' and interpretations SIC-12, 'Consolidation – Special Purpose Entities'.

IFRS 10 defines the principle of control for all entities, including those that were previously considered special purpose entities under SIC-12. An investor controls an investee when it is exposed or has rights to variable returns from the investee and has the ability to affect those returns through its power over the investee. The assessment of control is based on all facts and circumstances, and the conclusion is reassessed if there are changes in those facts and circumstances.

Furthermore, IFRS 10 addresses other issues such as control with less than majority voting rights, control solely through rights other than voting rights, and delegated decision rights. Parts delaying with consolidation procedures, non-controlling interests and loss of control were taken over into IFRS 10 from IAS 27.

Erste Group and Steiermärkische Sparkasse Group are currently evaluating its control of its subsidiaries in light of the new definition of control in IFRS 10.

IFRS 11 Joint Arrangements

IFRS 11 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. However as adopted by the European Union, IFRS 11 becomes effective, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2014. It supersedes IAS 31, 'Interests in Joint Ventures' and SIC-13, 'Jointly-controlled Entities – Nonmonetary Contributions by Ventures'.

The core principle of IFRS 11 is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. IFRS 11 classifies joint arrangements as either joint ventures or joint operations. IFRS 11 requires use of the equity method of accounting for joint ventures by eliminating the option to use the proportionate consolidation method. A joint operator recognizes its assets, liabilities, revenues and expenses separately in relation to its interest in the arrangement.

As the Steiermärkische Sparkasse Group did not apply the proportionate consolidation method allowed in IAS 31, application of this standard is not expected to have a significant impact on Steiermärkische Sparkasse Group's financial statements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. However as adopted by the European Union, IFRS 12 becomes effective, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2014.

The objective of IFRS 12 is to require disclosure of information enabling users of financial statements to evaluate the nature of, and risks associated with, an investor's interests in other entities as well as the effects of those interests on the investor's financial position, financial performance and cash flows. Disclosures are provided separately for subsidiaries, joint operations, joint ventures, associates, and unconsolidated structured entities. IFRS 12 is a comprehensive disclosure standard. Therefore, there are no specific disclosure requirements in IFRS 10, IFRS 11 and IAS 28.

Application of this standard is not expected to have a significant impact on Steiermärkische Sparkasse Group's financial statements. However, it will result in new disclosures.

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition guidance

Amendments to IFRS 10, IFRS 11 and IFRS 12 were issued in June 2012 and their effectiveness is aligned with the effective date of the standards.

The amendments change the transition guidance to provide further relief from full retrospective application.

Application of these amendments is not expected to have a significant impact on Steiermärkische Sparkasse Group's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities

Amendments to IFRS 10, IFRS 12 and IAS 27 were issued in October 2012 and are effective for annual periods beginning on or after 1 January 2014.

The amendments provide an exemption from consolidation of subsidiaries under IFRS 10 for entities that meet the definition of an investment entity, such as certain investment funds. Instead, such entities will measure their investments in subsidiaries at fair value through profit or loss.

Application of these amendments is not expected to have a significant impact on Steiermärkische Sparkasse Group's financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013.

It establishes a single source of guidance for fair value measurements and application under IFRS. It applies for fair value measurement that are already required or permitted by other standards. Therefore, IFRS 13 does not increase the scope of assets and liabilities measured at fair value. IFRS 13 also introduces more comprehensive disclosure requirements on fair value measurement (e.g. extending the fair value hierarchy to financial instruments measured at amortised cost).

Application of IFRS 13 will result in enhanced disclosures about fair value measurements.

Annual Improvements to IFRSs (issued in 2012)

In May 2012, IASB issued a set of amendments to various standards. The amendments are effective for annual periods beginning on or after 1 January 2013.

Application of these amendments is not expected to have a significant impact on Steiermärkische Sparkasse Group's financial statements.

D. Notes to the statement of comprehensive income

1) Net interest income

in EUR million	2012	2011
Interest income		
Lending and money market transactions with credit institutions	47,2	38,1
Lending and money market transactions with customers	328,7	342,8
Bonds and other interest-bearing securities	40,8	39,6
Interest income from derivative products	0,0	10,1
Other interest and similar income	0,2	0,1
Current income		
Equity-related securities	6,1	9,7
Non-consolidated subsidiaries	3,6	4,7
Investment properties	4,7	4,6
Total interest and similar income	**431,3**	**449,7**
Interest expense		
Deposits by banks	(25,0)	(26,0)
Customer deposits	(104,0)	(106,8)
Debt securities in issue	(42,9)	(45,3)
Subordinated liabilities	(6,2)	(8,0)
Derivative products	(4,1)	0,0
Other	(0,4)	(0,0)
Total interest and similar expenses	**(182,5)**	**(186,1)**
Income from associates accounted for at Equity	36,1	43,5
Total	**284,9**	**307,1**

2) Risk provisions for loans and advances

in EUR million	2012	2011
Allocation to risk provisions for loans and advances	(151,1)	(135,1)
Release of risk provisions for loans and advances	100,8	80,9
Direct write-offs of loans and advances	(8,4)	(11,5)
Recoveries on written-off loans and advances	2,3	1,9
Total	**(56,5)**	**(63,9)**

3) Net fee and commission income

in EUR million	2012	2011
Lending business	9,5	7,8
Payment transfers	43,4	41,2
Card business	6,7	6,2
Securities business	19,2	21,7
Investment fund transactions	7,5	8,0
Custodial fees	5,5	5,3
Brokerage	6,2	8,5
Insurance brokerage	10,4	10,1
Building society brokerage	4,3	4,6
Foreign exchange transactions	3,9	3,8
Other	4,1	4,0
Total	**101,6**	**99,3**

4) Net trading result

in EUR million	2012	2011
Securities and derivatives trading	(1,6)	1,6
Foreign exchange transactions	7,5	6,0
Total	**5,8**	**7,5**

5) General administrative expenses

in EUR million	2012	2011 (adjusted)
Personnel expenses	(150,7)	(148,3)
Other administrative expenses	(59,0)	(58,9)
Depreciation and amortisation	(12,0)	(12,8)
Total	**(221,7)**	**(220,0)**

Personnel expenses

in EUR million	2012	2011 (adjusted)
Wages and salaries	(110,7)	(108,6)
Compulsory social security contributions	(24,8)	(25,2)
Long-term employee provisions	(8,8)	(7,9)
Other personnel expenses	(6,3)	(6,6)
Total	**(150,7)**	**(148,3)**

Average number of employees during the financial year

weighted according to the level of employment	2012	2011
Domestic	1.582	1.601
Abroad	749	722
Total	**2.331**	**2.323**

Other administrative expenses

in EUR million	2012	2011
IT expenses	(18,7)	(18,3)
Expenses for office space	(11,0)	(12,4)
Office operating expenses	(12,3)	(11,2)
Advertising/marketing	(8,2)	(8,7)
Legal and consulting costs	(4,2)	(4,0)
Sundry administrative expenses	(4,5)	(4,2)
Total	**(59,0)**	**(58,9)**

Depreciation and amortisation

in EUR million	2012	2011
Software and other intangible assets	(2,4)	(2,4)
Real estate used by the Group	(4,0)	(4,0)
Office furniture and equipment	(5,6)	(6,4)
Total	**(12,0)**	**(12,8)**

Amortisation of customer relationships is not included in the item depreciation and amortisation, but in other operating result.

6) Result from financial assets

in EUR million	2012	2011
Gain from measurement/sale of financial assets at fair value through profit & loss	0,3	0,3
Gains/(loss) from sale of financial assets available for sale	4,1	1,8
Impairment/reversal of impairment of financial assets available for sale	(2,1)	(44,4)
Total	**2,4**	**(42,3)**

During the reporting period the amount removed from "Other Comprehensive Income" to "Result from Financial Assets – Available for Sale" was EUR 1,8 million (2011: EUR -39,0 million). Due to the impairment for available for sale financial assets rule defined to be used throughout the Erste Group, in the past financial year the following financial assets have been adjusted to the current market value:

Impairment of significant available for sale securities

in EUR million	2012	2011
Shares and other equity related securities	1,2	35,5
Erste Group Bank AG	0,0	34,0
Gorenjska banka d.d. (Slovenia)	0,6	0,0
Other	0,7	1,5
Bonds and other fixed-income securities[1)]	0,6	5,2
Greece	0,1	3,3
Hungary	0,0	0,4
Slovenia	0,0	0,0
Other	0,4	1,5
Total	**1,8**	**40,7**

[1)] Sovereigns, institutions and companies

7) Other operating result

in EUR million	2012	2011
Other operating income	4,4	7,4
Other operating expenses	(27,5)	(17,5)
Total	**(23,1)**	**(10,1)**
Result from real estate/moveables/properties	(1,2)	(1,5)
Allocation/release of other provisions/risks	(2,5)	(1,5)
Depreciation of customer relationships (incl. at-equity consolidated companies)	(4,1)	(1,0)
Bank tax	(2,9)	(2,3)
Other taxes	(2,5)	(1,0)
Gains from companies accounted for at -equity	(6,0)	0,8
Result from other operating expenses/income	(4,0)	(3,6)
Total	**(23,1)**	**(10,1)**

8) Taxes on income

Taxes on income are made up of current taxes on income calculated in each of the group companies based on the results reported for tax purposes, corrections to taxes on income for previous years, and the change in deferred taxes.

in EUR million	2012	2011 (adjusted)
Current tax expense/income	(16,2)	(24,2)
Deferred tax expense/income	(0,9)	10,4
Total	**(17,1)**	**(13,8)**

The following table reconciles the income taxes reported in the income statement to the pre-tax profit multiplied by the nominal Austrian tax rate:

in EUR million	2012	2011 (adjusted)
Pre-tax profit from continuing operations	93,5	77,7
Income tax expense for the financial year at the domestic statutory tax rate (25%)	(23,4)	(19,4)
Impact of different tax rates	0,0	(1,5)
Impact of tax-exempt earnings of investments and other tax-exempt income	11,0	14,1
Tax increases due to non-deductible expenses	(5,8)	(3,9)
Tax income/expense not attributable to the reporting period	1,1	(3,1)
Total	**(17,1)**	**(13,8)**

Tax effects relating to each component of other comprehensive income:

in EUR million			2012			2011
	Before-tax amount	Tax benefit	Net-of-tax amount	Before-tax amount	Tax benefit	Net-of-tax amount (adjusted)
Available for Sale-reserve (including currency translation)	124,4	(31,1)	93,3	(33,2)	8,3	(24,9)
Cash Flow Hedge-reserve (including currency translation)	(4,2)	1,1	(3,2)	3,6	(0,9)	2,7
Changes in equity of companies valued at equity	15,3	0,0	15,3	(4,4)	0,0	(4,4)
Actuarial profits and losses	(5,2)	1,3	(3,9)	(1,6)	0,4	(1,2)
Currency translation	(3,2)	0,0	(3,2)	(6,7)	0,0	(6,7)
Total	**127,1**	**(28,7)**	**98,4**	**(42,2)**	**7,8**	**(34,4)**

9) Appropriation of profit

The total amount of profits of Steiermärkische Sparkasse Group distributable under Austrian accounting regulations amounts to EUR 5,0 million (2011: EUR 5,1 million).

It will be proposed at the Annual General Meeting of Steiermärkische Sparkasse Group that shareholders be paid a dividend of EUR 0,65 per share (2011: EUR 0,65 per share), or EUR 4.966.000,00 (2011: EUR 4.966.000,00) in total and the remaining profits will be carried forward in accordance with Section 65 (5) of the Austrian Stock Corporation Act.

E. Notes to the balance sheet statement of Steiermärkische Sparkasse Group

10) Valuation categories

In the following tables the carrying amounts of financial assets and liabilities is measured in accordance with IAS 39 categories and reconcilable with the balance sheet positions.

Balance Sheet of Steiermärkische Sparkasse Group at 31 December 2012

in EUR million	Financial assets & liabilities at amortised cost	Loans and Re-ceivables	Held to Maturity	Available for Sale	Held for Trading	Designated at Fair Value through P&L	Derivatives designated as Hedging Instrument	Total 2012
ASSETS								
Cash and balances with central banks	184,5	-	-	-	-	-	-	184,5
Loans/advances to credit institutions	-	2.024,7	-	-	-	-	-	2.024,7
Loans/advances to customers	-	10.356,9	-	-	-	-	-	10.356,9
Risk provisions for loans/advances	-	(437,5)	-	-	-	-	-	(437,5)
Derivatives	-	-	-	-	15,7	-	58,3	74,0
Trading assets	-	-	-	-	0,3	-	-	0,3
Financial assets	-	-	-	1.692,3	-	-	-	1.692,3
Equity holdings in associates accounted for at equity	453,2	-	-	-	-	-	-	453,2
Intangible assets	8,2	-	-	-	-	-	-	8,2
Property and equipment	97,7	-	-	-	-	-	-	97,7
Tax assets	2,8	-	-	-	-	-	-	2,8
Other assets	115,5	-	-	-	-	-	-	115,5
Total assets	**861,9**	**11.944,2**	**0,0**	**1.692,3**	**16,0**	**0,0**	**58,3**	**14.572,7**
LIABILITIES AND EQUITY								
Deposits by banks	2.424,5	-	-	-	-	-	-	2.424,5
Customer deposits	8.381,1	-	-	-	-	-	-	8.381,1
Debt securities in issue	2.103,8	-	-	-	-	-	-	2.103,8
Derivatives	-	-	-	-	45,4	-	92,4	137,8
Provisions	162,5	-	-	-	-	-	-	162,5
Tax liabilities	38,0	-	-	-	-	-	-	38,0
Other liabilities	131,1	-	-	-	-	-	-	131,1
Subordinated liabilities	159,7	-	-	-	-	-	-	159,7
Total Equity	1.034,2	-	-	-	-	-	-	1.034,2
Total liabilities and equity	**14.434,9**	**0,0**	**0,0**	**0,0**	**45,4**	**0,0**	**92,4**	**14.572,7**
Off-balance								
Guarantees and pledges	-	3.728,2	-	-	-	-	-	3.728,2
Not utilised credit lines, promissory notes	-	1.710,2	-	-	-	-	-	1.710,2

Balance Sheet of Steiermärkische Sparkasse Group at 31 December 2011

in EUR million	Financial assets & liabilities at amortised cost	Loans and Re-ceivables	Held to Maturity	Available for Sale	Held for Trading	Designated at Fair Value through P&L	Derivatives designated as Hedging Instrument	Total 2011
ASSETS								
Cash and balances with central banks	173,9	-	-	-	-	-	-	173,9
Loans/advances to credit institutions	-	1.855,6	-	-	-	-	-	1.855,6
Loans/advances to customers	-	10.495,9	-	-	-	-	-	10.495,9
Risk provisions for loans/advances	-	(460,4)	-	-	-	-	-	(460,4)
Derivatives	-		-	-	14,7	-	42,2	56,9
Trading assets	-	-	-	-	1,3	-	-	1,3
Financial assets	-	-	-	1.511,7	-	-	-	1.511,7
Equity holdings in associates accounted for at equity	421,9	-	-	-	-	-	-	421,9
Intangible assets	11,7	-	-	-	-	-	-	11,7
Property and equipment	101,8	-	-	-	-	-	-	101,8
Tax assets	4,5	-	-	-	-	-	-	4,5
Other assets	116,4	-	-	-	-	-	-	116,4
Total assets	**830,1**	**11.891,2**	**0,0**	**1.511,7**	**16,0**	**0,0**	**42,2**	**14.291,1**
LIABILITIES AND EQUITY								
Deposits by banks	2.566,2	-	-	-	-	-	-	2.566,2
Customer deposits	8.290,3	-	-	-	-	-	-	8.290,3
Debt securities in issue	1.923,4	-	-	-	-	-	-	1.923,4
Derivatives	-	-	-	-	65,0	-	85,0	150,0
Provisions	164,9	-	-	-	-	-	-	164,9
Tax liabilities	14,4	-	-	-	-	-	-	14,4
Other liabilities	116,5	-	-	-	-	-	-	116,5
Subordinated liabilities	200,3	-	-	-	-	-	-	200,3
Total Equity	865,1	-	-	-	-	-	-	865,1
Total liabilities and equity	**14.141,1**	**0,0**	**0,0**	**0,0**	**65,0**	**0,0**	**85,0**	**14.291,1**
Off-balance								
Guarantees and pledges	-	3.074,1	-	-	-	-	-	3.074,1
Not utilised credit lines, promissory notes	-	1.530,6	-	-	-	-	-	1.530,6

11) Cash and balances with central banks

in EUR million	2012	2011
Cash in hand	117,3	102,1
Balances with central banks	67,2	71,7
Total	**184,5**	**173,9**

12) Loans and advances to credit institutions

in EUR million	2012	2011
Loans and advances to domestic credit institutions	1.144,3	986,3
Loans and advances to foreign credit institutions	880,4	869,3
Total	**2.024,7**	**1.855,6**

13) Loans and advances to customers

in EUR million	2012	2011
Loans and advances to domestic customers		
Public sector	311,8	341,7
Commercial customers	5.446,9	5.453,5
Private customers	3.196,2	3.282,6
Total loans and advances to domestic customers	**8.954,9**	**9.077,9**
Loans and advances to foreign customers		
Public sector	20,1	21,8
Commercial customers	1.092,0	1.119,3
Private customers	289,9	276,9
Total loans and advances to foreign customers	**1.402,0**	**1.418,0**
Total	**10.356,9**	**10.495,9**

Loans and advances to customers do not contain finance lease contracts for 2012 or 2011.

14) Risk provisions

in EUR million	2011	Acquisition /disposal of subsid-iaries	Currency translation	Allo-cations[2]	Use	Release[2]	Reclassi-fication[3]	2012
Specific provisions	**419,2**	**0,0**	**(0,1)**	**121,3**	**(75,6)**	**(59,2)**	**(3,5)**	**402,2**
Loans/advances to credit inst.	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Loans/advances to customers	419,2	0,0	(0,1)	121,3	(75,6)	(59,2)	(3,5)	402,2
Portfolio provisions	**41,1**	**0,0**	**(0,1)**	**21,4**	**0,0**	**(27,2)**	**0,0**	**35,3**
Loans/advances to credit inst.	0,9	0,0	0,0	(0,1)	0,0	(0,4)	0,0	0,5
Loans/advances to customers	40,2	0,0	(0,1)	21,5	0,0	(26,8)	0,0	34,8
Risk provisions for loans and advances[1]	**460,4**	**0,0**	**(0,1)**	**142,7**	**(75,6)**	**(86,4)**	**(3,5)**	**437,5**
Provision for guarantees	18,1	0,0	0,0	8,4	(0,0)	(14,4)	0,0	12,1
Total	**478,5**	**0,0**	**(0,1)**	**151,1**	**(75,6)**	**(100,8)**	**(3,5)**	**449,6**

[1] Risk provisions for loans and advances are recognised in the balance sheet as a deduction from assets.
[2] Actual gains and losses from risk provisions from loans and advances to credit institutions, customers or guarantees are reported in risk provisions from loans and advances in the income statement.
Other risk provisions are reported in other operating results.
[3] Interest income on impaired loans.

15) Positive fair value derivatives

in EUR million	2012	2011
Fair Value Hedge	46,2	32,7
Cash Flow Hedge	12,1	9,5
Strategic Position (stand-alone derivative)	15,7	14,7
Total	**74,0**	**56,9**

Starting 31 December 2012 Credit Valuation Adjustments (CVA) were carried out on positive market values of derivative financial instruments. This takes into account counterparty credit risk when assessing derivatives. In the case of derivatives, the counterparty risk is a result of the probability of default of the counterparty coinciding with the positive fair value of the derivative. The relevant valuation parameters include:

- Probability of default
- Remaining term of the derivative
- Recovery rate and
- Expected fair market value.

Adjustments to fair value amounted to EUR -0.3 million as of 31 December 2012. Due to lack of available date, the previous year has not been restated.

16) Trading assets

in EUR million	2012	2011
Bonds and other interest bearing securities	0,3	0,0
Equity-related securities	0,0	1,3
Total	**0,3**	**1,3**

17) Financial assets – Available for Sale

in EUR million	2012	2011
Bonds and other interest bearing securities	1.425,7	1.284,3
Equity-related securities	238,2	196,0
Equity holdings	28,4	31,5
Total	**1.692,3**	**1.511,7**

18) Equity holdings in associates accounted for at equity

in EUR million	2012	2011
Credit institutions	440,2	411,5
Non-credit institutions	13,0	10,4
Total	**453,2**	**421,9**

Goodwill in the amount of EUR 0,1 million (2011: EUR 0,1 million) is included in equity holdings in associates accounted for at equity.

Due to the negative earnings of Banka Sparkasse dd Ljubljana and the difficult market environment in Slovenia, an impairment test had to be carried out on the at-equity consolidated shares. As a result of the performed impairment test, an unplanned amortisation of goodwill amounting to EUR 6.0 million was recorded.

For the perpetual annuity, a growth rate of 2.9% was applied. The discount rate applied for determining the value in use amounted to 13.04%.

19) Movements in fixed assets schedule

in EUR million	At cost 2011	Acquisition of sub-sidiaries (+)	Currency trans-lations (+/-)	Additions (+)	Disposals (-)	Reclass-ification (+/-)	At cost 2012
Intangible assets	**103,5**	**0,0**	**0,0**	**3,5**	**(4,9)**	**(0,0)**	**102,0**
Goodwill	45,2	0,0	0,0	0,0	0,0	0,0	45,2
Customer relationships	10,1	0,0	0,0	0,0	0,0	0,0	10,1
Other (primarily Software)	48,1	0,0	0,0	3,5	(4,9)	(0,0)	46,7
Property and equipment	**236,3**	**0,0**	**(0,1)**	**8,6**	**(5,4)**	**(1,7)**	**237,7**
Land and buildings (used by the group)	128,0	0,0	(0,1)	1,8	(1,2)	(1,6)	126,9
Office furniture and equipment, hardware and sundry property and equipment	108,3	0,0	(0,0)	6,8	(4,2)	(0,2)	110,8
Investment properties and moveable other property[1)]	**146,3**	**0,0**	**0,0**	**1,9**	**(7,6)**	**1,7**	**142,3**
Investment properties	146,3	0,0	0,0	1,9	(7,6)	1,7	142,3
Total	**486,0**	**0,0**	**(0,1)**	**14,0**	**(17,9)**	**(0,0)**	**482,0**

[1)] Investment properties and moveable other property are reported in other assets

in EUR million	Accum-lated depr-reciation (-)	Currency trans-lations (+/-)	Amorti-sation & Deprec-iation (-)	Impair-ment (+/-)[2]	Reclass-ification (+/-)	Book value 2012	Book value 2011
Intangible assets	**(93,8)**	**0,0**	**(2,8)**	**(3,8)**	**0,0**	**8,2**	**11,8**
Goodwill	(45,2)	0,0	0,0	0,0	0,0	0,0	0,0
Customer relationships	(8,5)	0,0	(0,4)	(3,7)	0,0	1,6	5,7
Other (primarily Software)	(40,1)	0,0	(2,4)	(0,1)	0,0	6,6	6,0
Property and equipment	**(139,9)**	**0,0**	**(9,6)**	**(0,4)**	**(0,2)**	**97,7**	**101,8**
Land and buildings (used by the group)	(50,4)	0,0	(4,0)	(0,4)	(0,1)	76,5	80,8
Office furniture and equipment, hardware and sundry property and equipment	(89,5)	0,0	(5,6)	0,0	(0,1)	21,2	21,0
Investment properties and moveable other property[1]	**(57,5)**	**0,0**	**(3,1)**	**(1,1)**	**0,2**	**84,8**	**89,1**
Investment properties	(57,5)	0,0	(3,1)	(1,1)	0,2	84,8	89,1
Total	**(291,2)**	**0,0**	**(15,5)**	**(5,3)**	**(0,0)**	**190,7**	**202,6**

[1] Investment properties and moveable other property are reported in other assets.
[2] Impairment losses are included in other operating result.

The market value of investment properties and moveable other property was EUR 141,8 million (EUR 132,9 million). The calculation of market value in Austria is primarily based on internal expert valuation and in the SEE countries on the basis of external expert opinions. The resulting market value is then cross checked with currently observable market prices.

As of 31 December 2012, customer relationships included the customer relationships of Sparkasse Bank Makedonija at EUR 0,0 million (2011: EUR 3,7 million) and the customer relationships of Sparkasse Bank d.d., Sarajevo at EUR 1,6 million (2011: EUR 2,0 million). The remaining amortization period of customer relationships Sparkasse Bank d.d. Sarajevo is 4.0 years.

In the scope of the impairment test, the entire customer relationships for Sparkasse Bank Makedonija were written down fully. For the perpetual annuity, a growth rate of 4.7% was applied. The discount rate applied for determining the value in use amounted to 13.91%.

Goodwill was fully written down in previous years.

20) Tax assets and liabilities

in EUR million	Tax assets 2012	Tax assets 2011	Tax liabilities 2012	Tax liabilities 2011
Deferred tax assets				
Temporary differences relate to the following items				
Loans and advances to credit institutions and customers	7,7	8,4	0,0	0,0
Risk provisions for loans and advances	4,4	4,2	0,0	0,0
Financial assets - at fair value through profit or loss	0,0	0,0	0,0	0,0
Financial assets - Available for Sale	0,6	8,8	(35,4)	(11,6)
Property and equipment	0,0	0,0	(1,2)	(0,3)
Deposits by banks and customer deposits	0,0	0,0	0,0	0,0
Long-term employee provisions	12,6	11,9	0,0	0,0
Sundry provisions	2,6	3,1	0,0	0,0
Tax loss carry forward	0,0	0,0	0,0	0,0
Customer relationships and brand	0,0	0,0	(0,2)	(0,6)
Other[1)]	0,0	0,0	(24,1)	(26,1)
Total deferred taxes	**27,9**	**36,4**	**(60,8)**	**(38,6)**
Current taxes	**2,8**	**2,8**	**(5,1)**	**(10,5)**
Total taxes	**30,8**	**39,2**	**(66,0)**	**(49,1)**

[1)] including tax liabiliites from untaxed reserves

No deferred taxes were recognised for the tax loss carry forward in subsidiaries amounting to EUR 3,0 million (2011: EUR 14,7 million). As a result of local legislation, the Sparkasse Bank Makedonija AD Skopje tax loss of EUR 12.4 million for cannot be recognised for tax purposes. In other subsidiaries the utilisation of a tax loss is not expected.

21) Other assets

in EUR million	**2012**	**2011**
Accrued commissions	6,7	5,7
Deferred income	2,2	2,4
Investment properties	84,8	89,1
Fair Value hedge / measurement hedged item	0,0	2,1
Sundry assets	21,7	17,0
Total	**115,5**	**116,4**

Sundry assets consist mainly of clearing items from the settlement of securities and payment transactions.

22) Deposits by banks

in EUR million	2012	2011
Deposits by banks - domestic credit institutions	2.253,3	2.234,6
Deposits by banks - foreign credit institutions	171,1	331,6
Total	**2.424,5**	**2.566,2**

23) Customer deposits

in EUR million	2012	2011
Domestic		
Savings deposits	5.465,7	5.488,0
Other deposits		
Public sector	72,2	81,1
Commercial customers	1.170,0	1.084,5
Private customers	771,9	723,1
Total other	**2.014,1**	**1.888,7**
Total domestic	**7.479,8**	**7.376,6**
Foreign		
Savings deposits	375,7	330,9
Other deposits	0,0	0,0
Public sector	6,3	2,8
Commercial customers	406,3	472,5
Private customers	113,0	107,5
Total other	**525,6**	**582,8**
Total foreign	**901,3**	**913,7**
Total	**8.381,1**	**8.290,3**

24) Debt securities in issue

in EUR million	2012	2011
Bonds	784,7	466,9
Other certificates of deposits/name certificates	1.319,1	1.456,4
Total	**2.103,8**	**1.923,4**

25) Negative fair value derivatives

in EUR million	2012	2011
Fair Value Hedge	13,7	14,2
Cash Flow Hedge	78,7	70,8
Strategic Position (stand-alone derivative)	45,4	65,0
Total	**137,8**	**150,0**

26) Provisions

in EUR million	2012	2011
Long-term employee provisions	145,0	143,6
Sundry provisions	17,5	21,4
Total	**162,5**	**164,9**

a) Long-term employee provisions

in EUR million (adjusted)	Pensions	Severance payments	Jubilee payments	Total
31. December 2008	**92,2**	**56,1**	**9,2**	**157,5**
31. December 2009	**86,6**	**57,3**	**9,2**	**153,1**
31. December 2010	**79,7**	**57,1**	**9,1**	**145,9**
Increase from acquisition of subsidiaries	0,0	0,0	0,0	0,0
Service cost	0,0	2,1	0,4	2,6
Interest cost	3,3	2,3	0,4	5,9
Payments	(6,4)	(5,0)	(0,4)	(11,8)
Actuarial gains/losses recognised directly in equity	1,8	(0,2)	0,0	1,6
Actuarial gains/losses recognised in income	0,0	0,0	(0,6)	(0,6)
Present value of long-term employee benefit obligations 31. December 2011	**78,4**	**56,3**	**8,9**	**143,6**
Increase from acquisition of subsidiaries	0,0	0,0	0,0	0,0
Service cost	0,0	2,2	0,4	2,6
Interest cost	3,5	2,5	0,4	6,4
Payments	(6,5)	(5,7)	(0,5)	(12,7)
Actuarial gains recognised directly in equity	1,6	3,6	0,0	5,2
Actuarial gains/losses recognised in income	0,0	0,0	(0,2)	(0,2)
Present value of long-term employee benefit obligations 31. December 2012	**77,0**	**59,0**	**9,1**	**145,0**

b) Sundry provisions

in EUR million	2011	Acquisition/ disposal of subsidiaries	Currency translation	Allocations	Use	Releases	Reclassi-fication	2012
Provisions for contingent credit risk liabilities and other risk provisions	18,1	0,0	0,0	8,4	(0,0)	(14,4)	0,0	12,1
Other provisions[1)]	3,2	0,0	0,0	3,0	(0,2)	(0,5)	0,0	5,4
Total	**21,4**	**0,0**	**0,0**	**11,4**	**(0,3)**	**(14,9)**	**0,0**	**17,5**

[1)] Other provisions consist mainly of provisions for litigation.

27) Other liabilities

in EUR million	2012	2011
Accrued commissions	1,1	0,7
Deferred income	15,1	14,6
Fair Value hedge / measurement hedged item	29,0	17,2
Sundry liabilities	85,9	84,0
Total	**131,1**	**116,5**

Sundry liabilities consist mainly of clearing items from the settlement of securities and payment transactions.

28) Subordinated liabilities

in EUR million	2012	2011
Subordinated issues and deposits	21,8	21,8
Supplementary capital	137,9	178,5
Total	**159,7**	**200,3**

29) Total equity

in EUR million	2012	2011
Subscribed capital	55,5	55,5
Additional paid-in capital	118,3	122,5
Retained earnings and other reserves	853,4	680,8
Attributable to non-controlling interests	6,9	6,3
Attributable to owners of the parent	**1.027,3**	**858,9**
Total[1)]	**1.034,2**	**865,1**

[1)] Details on equity are provided in Section III, Consolidated Statement of Changes in Total Equity

At 31 December 2012, the subscribed capital (also known as called up and fully paid share capital – the capital paid in by shareholders) consisted of 7.640.000 registered shares. Per 31 December 2012, unissued authorized capital valid until 03 May 2016 amounted to EUR 21,8 million. The holding of own shares per 31 December 2012 totaled 46.215 shares (2011: 43.229 shares). All acquisitions reflect the approval from the general shareholders meeting.

Effective 1 September 2002 credit institutions were newly regulated in accordance with Section 30 of the Austrian Banking Act. Due to the new regulations, Erste Group Bank AG accounts for the consolidation of own funds and capital of the credit institution group. Steiermärkische Sparkasse's own funds and capital according to the specifications of the Austrian Banking Act can be broken down as follows:

in EUR million	2012	2011
Subscribed capital	55,5	55,5
Reserves	780,0	720,7
Intangible assets	(18,2)	(38,2)
Core tier 1 equity	**817,3**	**738,0**
Eligible subordinated liabilities	78,0	107,7
Revaluation reserve	51,6	32,1
Excess risk provisions for IRB positions	(5,9)	36,0
Other deductions to supplementary capital	(2,3)	(0,7)
Qualifying supplementary capital (Tier 2)	**121,4**	**175,1**
Short-term subordinated capital (Tier 3)	**0,7**	**0,6**
Total capital	**939,4**	**913,7**
Capital requirement	538,3	566,0
Surplus capital	401,1	347,7
Cover ratio (in %)	174,5%	161,4%
Tier 1 ratio (credit risk in %)	**12,1%**	**10,4%**
Solvency ratio (credit risk in %)	**14,0%**	**12,9%**

The risk-weighted basis pursuant to the Austrian Banking Act and the capital requirements are as follows:

in EUR million	**2012**	**2011**
Risk pursuant to section 22 (1) 1 Austrian Banking Act	6.247,0	6.002,4
hereof 8% minimum own funds requirement	499,8	480,2
own funds requirement for foreign currency risk	0,7	0,6
own funds requirement for operational risk	37,8	49,4
minimum own funds requirements from switch to Basel II (Floor)	0,0	35,9
Capital requirement	**538,3**	**566,0**

30) Assets and liabilities denominated in foreign currencies and outside Austria

Assets and liabilities not denominated in EUR were as follows:

in EUR million	**2012**	**2011**
Assets	2.564,8	2.924,8
Liabilities	847,5	1.220,5

Assets and liabilities outside Austria are listed below:

in EUR million	**2012**	**2011**
Assets	2.645,3	2.628,8
Liabilities	858,3	1.080,8

F. Other notes

31) Segment reporting

In accordance with IFRS 8 (management approach), the external segment reporting follows the structure of the internal reporting and takes into account the duties and responsibilities of the management.

Steiermärkische Sparkasse divides the segment reporting into the following four classes of business:

- Regions
- Corporate
- International Business
- Residual activities

The Corporate segment includes all large corporate customers, project finance and cooperative housing, direct and indirect financing in Immorent project companies and securitized loans (credit substitutes). As of 1 January 2011, the SMEs from Graz, and Upper Styria (Bruck, Leoben, Kindberg, Aflenz, Mariazell) were transferred to the management board member for corporate.

The Regions segment includes the business partnerships with retail clients and the SME's from the remaining areas in Styria (approx. 30% of the SME lending volume). This segment also includes the investment in Bankhaus Krentschker & Co AG.

The International Business segment includes primarily the results of the investments in banks and financial institutions in south east Europe. Steiermärkische Sparkasse is a shareholder in the following foreign banks: Erste and Steiermärkische Bank d.d. in Croatia, Sparkasse Bank d.d. in Bosnia and Herzegovina, Erste Bank a.d. Novi Sad in Serbia, Banka Sparkasse d.d. in Slovenia, and Sparkasse Bank Makedonija AD Skopje in Macedonia. Furthermore, Steiermärkische Sparkasse is a shareholder in financial institutions in Croatia, Slovenia, Serbia, Montenegro, Bosnia and Herzegovina and Macedonia.

The income from associates accounted for at equity in the comprehensive income statement are fully reported in this segment as well as the customer base depreciation of Sparkasse Bank d.d., Sarajevo and Sparkasse Bank Makedonija AD Skopje.

The segment "Residual activities" includes the results from financial instruments, balance sheet management one-time effects that were not allocated to any business segment to preserve comparability.

Through the first time application of the early adoption of IAS 19 (revised 2011) Employee Benefits effective 31 December 2012 actuarial gains are recognized fully in other comprehensive income and no longer in the profit and loss statement. The figures for the previous year have been adjusted accordingly.

At the same time figures for the previous year have been adjusted to reflect the debt consolidation of risk-weighted assets in the International Division segment as well as the transfer of the non-resident retail client branch to the GF Region; whereby the latter is of secondary materiality.

The funding costs to subsidiaries have been allocated to the respective segment.

The attributed equity represents the economic capital of each segment to which is assigned. The assignment of equity for credit risk is over risk weighted assets and for operational risk over operating expense. Capital allocation is calculated for operational risks over the operating costs and for credit risks over risk-weighted assets, whereby the required quota increased from 8% to 10%.

The basis for the results is the contribution margin per segment. The valuation of the net interest income per segment is based on market interest rate method (interest rate contribution, structural contribution), whereas the structural contribution is reported entirely in the segment residual activities. General administrative expenses are determined based on cost accounting (product, fixed sales, and overhead costs) per segment. The segment report is in compliance with the IFRS accounting and valuation policies.

Segmentation by core business

in EUR million	Regions 2012	Regions 2011 (adjusted)	Corporate 2012	Corporate 2011 (adjusted)
Net interest income	138,6	141,0	68,7	61,9
Risk provisions for loans and advances	(19,1)	(12,7)	(31,2)	(32,9)
Net fee and commission income	88,0	83,4	17,9	15,6
General administrative expenses	(167,3)	(169,2)	(21,8)	(21,1)
Results from financial instruments	0,1	(3,9)	(0,0)	(2,0)
Other operating income	(0,5)	(2,4)	(2,2)	(2,6)
Pre-tax profit/loss	**39,8**	**36,1**	**31,4**	**18,9**
Taxes on income	(10,1)	(9,1)	(7,0)	(4,9)
Net profit/loss for the yeaar	**29,8**	**27,0**	**24,3**	**14,0**
attributable to non-controlling interests	(0,4)	(0,2)	0,0	0,0
attributable to owners of the parent	**29,4**	**26,9**	**24,3**	**14,0**
Average risk-weighted assets	2.052,9	2.111,3	2.484,6	2.657,4
Average attributed equity	235,5	211,1	252,9	218,3
Cost/income ratio	**73,8%**	**75,4%**	**25,1%**	**27,2%**
ROE	**12,5%**	**12,7%**	**9,6%**	**6,4%**

in EUR million	Int'l Business 2012	Int'l Business 2011 (adjusted)	Residual activities 2012	Residual activities 2011 (adjusted)	Total Group 2012	Total Group 2011 (adjusted)
Net interest income	64,4	73,6	13,2	30,6	284,9	307,1
Risk provisions for loans and advances	(8,7)	(19,8)	2,5	1,5	(56,5)	(63,9)
Net fee and commission income	8,5	8,0	(6,9)	(0,1)	107,5	106,8
General administrative expenses	(27,0)	(27,5)	(5,6)	(2,2)	(221,7)	(220,0)
Results from financial instruments	0,4	(1,5)	1,9	(34,9)	2,4	(42,3)
Other operating income	(15,2)	(1,8)	(5,2)	(3,3)	(23,1)	(10,1)
Pre-tax profit/loss	**22,3**	**31,0**	**(0,1)**	**(8,4)**	**93,5**	**77,7**
Taxes on income	1,0	0,1	(1,0)	0,1	(17,1)	(13,8)
Net profit/loss for the year	**23,3**	**31,1**	**(1,1)**	**(8,3)**	**76,3**	**63,9**
attributable to non-controlling interests	(0,1)	(0,0)	(0,0)	0,0	(0,5)	(0,2)
attributable to owners of the parent	**23,2**	**31,1**	**(1,1)**	**(8,3)**	**75,9**	**63,7**
Average risk-weighted assets	1.845,9	1.921,5	333,1	352,4	6.716,5	7.042,6
Average attributed equity	188,5	159,8	266,2	260,6	943,1	849,7
Cost/income ratio	**37,1%**	**33,7%**	**-**	**7,2%**	**56,5%**	**53,1%**
ROE	**12,3%**	**19,5%**	**-0,4%**	**-3,2%**	**8,0%**	**7,5%**

32) Related party transactions

Information regarding payments and performance to personnel in the Steiermärkische Sparkasse Group is presented in Note 5 general administrative expenses.

In addition to principal shareholders, Steiermärkische Sparkasse Group defines as related parties also other investments and associates. Furthermore related parties consist of management and supervisory board members of Steiermärkische Sparkasse and the Steiermärkische Verwaltungssparkasse as well as companies over which these persons have control or significant influence, the Erste Bank der oesterreichischen Sparkassen AG and Erste Group Bank AG. Moreover, Steiermärkische Sparkasse Group defines also close family members of management and supervisory board members from Steiermärkische Sparkasse, Steiermärkische Verwaltungssparkasse, Erste Bank der oesterreichischen Sparkassen AG and Erste Group Bank AG as related parties.

Loans and advances to and amounts owed to non-consolidated related parties

in EUR million	2012	2011
Loans and advances to credit institutions		
Other non-consolidated related parties	1.881,7	1.771,8
Total	**1.881,7**	**1.771,8**
Loans and advances to customers		
Other non-consolidated related parties	775,4	778,2
Other investments	102,3	94,0
Total	**877,6**	**872,2**
Financial assets - available for sale		
Other non-consolidated related parties	163,6	131,3
Total	**163,6**	**131,3**
Deposits by banks		
Other non-consolidated related parties	1.791,7	2.091,7
Total	**1.791,7**	**2.091,7**
Customer deposits		
Other non-consolidated related parties	6,5	5,0
Other investments	33,5	27,6
Total	**40,0**	**32,6**
Debt securities in issue		
Other non-consolidated related parties	1.180,0	1.294,7
Total	**1.180,0**	**1.294,7**
Subordinated debt		
Other non-consolidated related parties	3,6	3,6
Total	**3,6**	**3,6**

For loans and advances to other non-consolidated related parties impairments amounting to EUR 2,7 million (2011: EUR 6,2 million) were made for doubtful or irrecoverable debts.

Due to the supplementary agreement with the Haftungsverbund, the group of related companies is extended to the Erste Group Bank AG, as well as savings banks that the Erste Group Bank AG holds at least 20% interest. For this reason under the position loans and advances to credit institutions exposure is reported under other non-consolidated related parties.

As of 31 December 2012, the foundation Steiermärkische Verwaltungssparkasse held around 72,91% interest in Steiermärkische Sparkasse making it the largest single investor. The Steiermärkische Verwaltungssparkasse received a dividend of EUR 3,6 million on its stake in Steiermärkische Sparkasse in 2012 (for financial year 2011).

The business purpose of Steiermärkische Verwaltungssparkasse is the management of own assets that primarily consists of the investment in Steiermärkische Sparkasse. Steiermärkische

Verwaltungssparkasse has committed itself to contributing to the common good as outlined in the articles of association. To this end, in 2012 substantial contributions were made in the promotion of youth and sciences, as well as for social, cultural and sports purposes.

The management board of the Steiermärkische Verwaltungssparkasse is as follows:

Dr. Friedrich Santner, Chairman
Mag. Johann Weigand
Dr. Gerhard Fabisch (Chairman of the Management Board of Steiermärkische Sparkasse)

As of 31 December 2012, Steiermärkische Sparkasse has in relation to the Steiermärkische Verwaltungssparkasse accounts receivable of EUR 17,5 million. In 2012, the interest income of Steiermärkische Sparkasse resulting from said transactions for the reporting period was EUR 0,4 million.

As of 31 December 2012, accounts receivables of EUR 1.005,8 million and accounts payable of EUR 1.757,6 million existed with Erste Group Bank AG.

Transactions with Erste Group Bank AG and related companies are granted under market conditions.

In relation to Erste Bank der oesterreichischen Sparkassen AG, who holds 25% interest in Steiermärkische Sparkasse, no significant business relations exist.

Compensation to management and supervisory board members

Compensation to management board members

in EUR thousand	2012	2011
Performance related salaries	344	585
Fixed salaries	1.754	1.690
Other compensation	500	399
Total	**2.598**	**2.673**

Compensation to supervisory board members

in EUR thousand	2012	2011
Supervisory board compensation	169	166
Meeting fees	40	38
Total	**209**	**203**

In 2012, members of the management board received cash and non-cash compensation for their functions as members of the management board totaling EUR 2,6 million (2011: EUR 2,7 million), which is 1,7% (2011: 1,8%) of the total personnel costs of the Steiermärkische Sparkasse Group. In the 2012 financial year, EUR 0,4 million (2011: EUR 0,4 million) was paid to former members of the management board or their surviving dependents. The members of the supervisory board were paid a combined total of EUR 0,2 million (2011: EUR 0,2 million).

In 2012 EUR 0,8 million (2011: EUR 0,4 million) was spent on pensions and severance payments including the servicing of respective provisions for members of the management board and their surviving dependents.

Related party transactions

Loans and advances to related parties

in EUR thousand	2012	2011
Management board and persons related thereto	891	942
Supervisory board and persons related thereto	1.261	2.737
Management board members of the savings bank foundation ("Anteilsverwaltung") and persons related thereto	2	1
Supervisory board members of the savings bank foundation ("Anteilsverwaltung") and persons related thereto	2.681	859
Management and supervisory board members of Erste Group and Erste Bank Österreich	895	1.168
Companies	229.757	177.908
Total	**235.486**	**183.616**

Amounts owed to related parties

in EUR thousand	2012	2011
Management board and persons related thereto	2.161	2.127
Supervisory board and persons related thereto	2.107	9.902
Management board members of the savings bank foundation ("Anteilsverwaltung") and persons related thereto	356	464
Supervisory board members of the savings bank foundation ("Anteilsverwaltung") and persons related thereto	7.726	218
Management and supervisory board members of Erste Group and Erste Bank Österreich	1	6
Companies	50.100	28.945
Total	**62.451**	**41.662**

The applicable interest rate and other terms (maturity dates and collateral) are at market conditions. Regarding loans and advances to related parties, loan repayments were as follows:

in EUR thousand	2012	2011
Management board and persons related thereto	61	18
Supervisory board and persons related thereto	56	316
Sparkassenräte and persons related thereto	358	107
Management and supervisory board members of Erste Group and Erste Bank Österreich	273	0
Companies	21.524	13.162
Total	**22.271**	**13.603**

Otherwise there were no material repayments in relation to related party loans and advances.

For loans and advances to related parties provisions were made amounting to EUR 0.1 million (2011: EUR 0.0 million).

Compensation policy and practices

In 2012, the current principles of the Steiermärkische Sparkasse's[6] compensation policy were evaluated by the Remuneration Committee of the Supervisory Board on 13 June 2012; taking into consideration current legal and supervisory regulations, the "Principles of Compensation Policy for 2012" was approved.

The Compensation Committee consists of 6 members, whereby one member of the Compensation Committee exercises the role of remuneration expert. The Compensation Committee monitors the compensation policy, practices and incentives structures. On the basis of an in-depth self-assessment, Steiermärkische Sparkasse applied the principle of proportionality, outlined in the Austrian Banking Act Section 39b, as follows:

Although Steiermärkische Sparkasse primarily operates in the deposit and credit business, thus concentrating risks in the credit business that as a result of the risk bearing capacity is very secure, Steiermärkische Sparkasse assessed itself as a complex institution on the basis of total assets over EUR 13 billion (Group: EUR 14 billion). Steiermärkische Sparkasse issued registered shares that are not tradable due to the restrictions on transferability, and therefore are not available as instruments for the payment of non-cash compensation components.

Management board members and senior management have a significant influence on the risk profile. The compensation system is comprised of a market conform, occupation/function basis compensation, a variable performance/success component and contributions to company pension schemes. In the opinion of Steiermärkische Sparkasse, the variable compensation component lies under the materiality threshold in regards to influencing the risk situation since payment of a portion of the variable compensation is through non-cash instruments or over a number of years.

The variable compensation system of Steiermärkische Sparkasse is primarily based on the income and financial situation of the bank, but also takes the importance of risk and capital adequacy into consideration. In addition to the performance of the employee and divisions directly under the reporting line, the total results of Steiermärkische Sparkasse as well as long-term criteria are reflected. Steiermärkische Sparkasse reserves the right through its competent authorities, despite total achievement of targets to partially or wholly restrict bonus payments on the date of disbursement if doing so would lead to a deterioration or negative impact on the financial or operating results of the company.

According to the provisions of the Austrian Data Protection Act, due to the small number of defined employees, further quantitative information is restricted. The findings of the FMA-Circular from December 2012 will be evaluated in the Compensation Policy of 2013.

Further information regarding base compensation and variable components for the management board and defined employees can be found under: www.sparkasse.at/steiermaerkische/Wir-ueber-uns/Finanzbericht/offenlegung.

Other transactions with related parties

The option program for management board members and managers was not exercised in 2012.

[6] The principles of Compensation Policy of the subsidiaries will be evaluated in 2013.

33) Collateral

The collateral pledged as security can be found in the following assets:

in EUR million	2012	2011
Loans and advances to credit institutions	0,0	0,0
Loans and advances to customers	3.083,3	2.382,0
Financial assets	240,2	391,7
Total	**3.323,5**	**2.773,7**

The financial assets pledged as collaterals consist of loan receivables, bonds and other interest-bearing securities. Collaterals were pledged as a result of repurchase transactions, refinancing transactions with the European Central Bank, loans backing issued mortgage bonds and other collateral arrangements.

34) Transfers of financial assets - repurchase transactions and securities lending

The total amount of EUR 9,8 million (EUR 0,0 million) represents the carrying amount of the financial assets in the respective balance sheet positions for which the transferee has a right to sell or repledge.

Liabilities from repo transaction in the amount of EUR 9,8 million (EUR 0,0 million), which are measured at amortised cost, represent an obligation to repay the borrowed funds.

in EUR million	carrying amount transferred assets 2012	carrying amount related liabilities 2012	carrying amount transferred assets 2011	carrying amount related liabilities 2011
Loans and advances to credit institutions	0,0	0,0	0,0	0,0
Loans and advances to customers	0,0	0,0	0,0	0,0
Trading assets	0,0	0,0	0,0	0,0
Financial assets - At Fair Value through Profit or Loss	0,0	0,0	0,0	0,0
Financial assets - Available for Sale	9,8	9,8	0,0	0,0
Financial assets - Held to Maturity	0,0	0,0	0,0	0,0
Total Repo Transactions	**9,8**	**9,8**	**0,0**	**0,0**

35) Fiduciary services

Steiermärkische Sparkasse Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Group.

36) 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. Steiermärkische Sparkasse Group uses a risk policy that is based on the clear goal of early identification of risks in the banking business and to actively manage and limit exposure through a clear and effective risk strategy. The central focus of these risk management activities is on employing available equity as efficiently as possible while pursuing the Group's medium- and long-term strategic goals and growth opportunities. At the same time Steiermärkische Sparkasse Group aims to achieve an optimal balance of risk and return in order to achieve a sustainable, high return on equity. The risk management strategy of Steiermärkische Sparkasse Group is marked by a rather conservative approach to bank operational risks that on the one hand is geared towards the requirements from the customer oriented banking operations and on the other hand to the regulatory framework. Under the risk management strategy, Steiermärkische Sparkasse Group uses an enterprise-wide system of risk monitoring and control designed to identify all risks throughout the Group (market, credit, business and operational risks), measure these risks and ultimately enable the management to exert active control over the identified and measured risks in order to attain the goal of optimising the risk-return relationship.

36.1) Risk management organisation

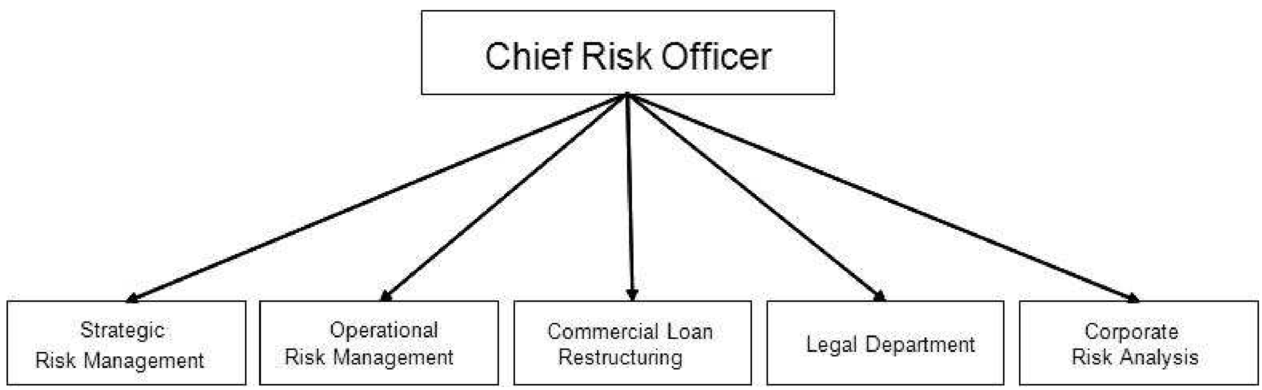
Based on the legal regulations (particularly the Austrian Banking Act) the entire management board bears the central responsibility for risk management. This responsibility is fulfilled among other things by devising a risk strategy as well as establishing an overall bank limit based on the risk taking capability calculation.

In order to ensure the group-wide management of risks in the Steiermärkische Sparkasse Group, the responsibility for an independent board member for risk control and management functions is centralized in the area of Chief Risk Officer (CRO). The CRO responsibilities include the following divisions:

- Strategic risk management
- Operative risk management
- Operational and risk analysis
- Corporate loan restructuring
- Legal

Steiermärkische Sparkasse Group pursues an interpretive risk management approach with both strategic and operational alignment. An integrative and all-around risk management should be understood as a continuous process with multiple organizational anchors throughout the group. As basis of an adequate risk culture and the prescribed risk policy, a distinction is made between operational and strategic risk management responsibilities depending whether the client risk or total business/total bank risks are being steered.

The Strategic Risk Management service unit supports the Chief Risk Officer in furthering the disciplined handling of risks and in harmonizing risk management applications for all risk types in the business units. Working closely with the risk management departments of the business units, this unit also ensures the implementation of the risk management strategy. At every level of the risk management process – particularly concerning market and credit risks – the measurement and monitoring functions are exercised independently of the front-office functions to be supervised (separation of front-office and back-office function). In addition, the Chief Risk Officer is responsible for the development, implementation and monitoring of limit compliance, of risk reporting, of the risk management strategy and of the associated standards and processes. The Chief Risk Officer also has oversight of credit risk control for the Steiermärkische Sparkasse Group. Under the Chief Risk Officer's leadership, standards are defined for credit policy and processes, credit portfolio management and risk-adjusted pricing. As well, the Chief Risk Officer is the functional head of the entire credit risk management organisation. In view of the growing demands placed on risk control, and in the interest of a clear definition of the roles and areas of authority of all units involved, the Group credit risk management and risk control activities are combined and bundled in the Strategic Risk Management service unit.



36.2) Risk controlling

Steiermärkische Sparkasse Group's risk control process that is independent from the market divisions consists of five main steps:

Risk identification at Steiermärkische Sparkasse refers to the detection of all relevant risks related to banking operations. A systematic and structured approach to this task is emphasised. In addition to existing risks, potential risks also need to be identified. The aim of risk identification is the permanent, timely, rapid, complete and cost-effective capture of all individual risks that have a bearing on the achievement of Steiermärkische Sparkasse's business targets. However, risk identification is concerned not only with the early detection of risks themselves, but also with the most complete possible recognition of all sources of risk.

Risk measurement at Steiermärkische Sparkasse Group refers to the valuation and analysis of all quantifiable.

The expected loss is the average amount which Steiermärkische Sparkasse loses per year in its business activities. This represents the average annual observed historical loss over the course of an economic cycle. These foreseeable costs enter into pricing as a risk premium (standard risk costs) and must be recouped through the terms extended to customers.

The unexpected loss (equivalent to Value-at-Risk) is the maximum actual loss in excess of this expected loss for a given observation period and a predetermined probability of occurrence (expressed in terms of a confidence level). For this unexpected loss, equity capital must be set aside. In addition, stress scenarios are defined, with the goal of quantifying the losses that may be triggered by extremely adverse, highly unlikely events.

Risk aggregation at Steiermärkische Sparkasse Group refers to the compilation of the results of risk measurement for the individual risk types (taking into account diversification effects) into an aggregate potential loss from the assumption of risk. In a multi-stage process, this aggregate total potential loss from the assumption of risk (i.e., economic capital) is compared to the resources (profitability, reserves, equity and subordinated liabilities) available to cover potential losses. At Steiermärkische Sparkasse this is done as part of the determination of risk-bearing capacity.

Risk limit setting Steiermärkische Sparkasse Group refers to the setting of a loss ceiling (aggregate bank limit) by management through the Risk Committee based on the periodic determination of risk-bearing capacity, which takes into account the bank's equity base and profitability situation.

Risk reporting at Steiermärkische Sparkasse refers to the continual reporting of the risk calculation results for the individual risk types to management.

36.3) Group-wide risk management

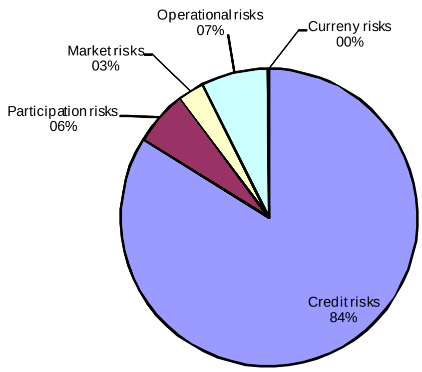
At Steiermärkische Sparkasse Group, the regulatory requirements for qualitative risk management that result from pillar 2 (Supervisory Review Process) of Basel II and from the ICAAP (Internal Capital Adequacy Assessment Process) consultation paper of the CEBS (Committee of European Banking Supervisors) are fulfilled by the long established calculation of risk-bearing capacity.

Determination of risk bearing capacity

The main tool for assuring an appropriate level of capital resources at all times across all risks relevant to the group, and thus for assuring the Steiermärkische Sparkasse Group's continued viability, is the calculation of its risk-bearing capacity. In this computation, the Value-at-Risk resulting from the different risk types is aggregated to arrive at the total potential loss from the assumption of risk (Economic Capital) and this loss potential is then compared in a multi-stage process to the resources (earnings potential, reserves and equity) available to cover these potential losses. The point of this comparison is to determine the extent to which the bank is in a position to absorb potential unexpected losses (calculation of risk bearing capacity). Risk bearing capacity thus represents a limit for the aggregate risk activities of Steiermärkische Sparkasse Group. Based on the calculation of risk-bearing capacity, an aggregate bank limit is established and approved by the Managing Board.

The chart shows the composition of the economic capital requirement as of 31 December 2012 according to the type of risk.

Economic capital requirements in %:



Basel II

In 2007 and 2008 during the course of the Basel II qualification process from the Austrian Financial Market Authority, the Austrian National Bank evaluated the quality of the risk management of the Steiermärkische Sparkasse Group. The unlimited accreditation for IRB-approach (Internal Rating Based) has been issued.

36.4) Current Topics

Current regulatory topics

Since 2010, Steiermärkische Sparkasse Group has been scrutinising the impacts of the planned regulatory changes in the European level commonly known as Basel III or Capital Requirements Directive IV (CRD IV). The Steiermärkische Sparkasse Group, in close cooperation with the Erste Group Bank AG, has established that all requirements arising from the CRD IV and from related national and international regulations such as the new liquidity rules and the newly introduced leverage ratio can be fulfilled. Particularly important for the Steiermärkische Sparkasse Group as well as for other members of the Austrian Savings Bank Group is the discussion over the recognition of the non-controlling interest in the core capital calculation. Scenario calculations based on the current status of discussions show that the Steiermärkische Sparkasse Group in the event of an eventual restructuring of the Haftungsverbund will be able to fulfill capital requirements at all times.

According to regularly performed scenario calculations that are calibrated for current data situation as well as the current regulatory discussions, the Steiermärkische Sparkasse Group will at all times be in a position to fulfill capital requirements even with consideration of a safety margin or in the event of an eventual new structuring of the Haftungsverbund. Regarding the expected liquidity regulations “Liquidity Coverage Ratio” (LCR), currently works are in progress for an extension to the IT-System and the liquidity steering is being adapted for the new requirements.

In view of the minor significance of the trading book and the generally low impact on equity resulting by the proposed strengthening of market risk capital requirements, Steiermärkische Sparkasse Group expects no material impact.

Current economic topics

In 2012 the focus continued to be on curbing the deficits of national budgets that resulted from the financial crisis of 2008. On the one hand the financial markets seemed more optimistic regarding future development in the second half of the year (as seen in lower spreads on the bond markets for the majority of EU-countries compared to German bonds), on the other hand the prognosis for the future development of the Eurozone deteriorated.

As stated in the tables below, Steiermärkische Sparkasse Group’s net exposure to selected countries was reduced from EUR 30.3 million in 2011 to EUR 22.1 million in 2012. The exposure to Greece was eliminated completely. Steiermärkische Sparkasse Group does not have any concentration risks, due to the low volume of investments in bonds of sovereign issuers.

The following tables show exposure to sovereigns and institutions in selected European countries as well as sovereigns in Steiermärkische Sparkasse Group core market. The sovereign net exposure includes central banks, central governments and institutions that are explicitly guaranteed by the central government.

Exposure to selected European countries

in EUR million	Sovereigns		Institutions		Other[1)]		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Greece	0,0	0,9	0,0	0,0	0,0	0,5	0,0	1,4
Ireland	0,0	0,0	0,0	0,0	0,3	0,8	0,3	0,8
Portugal	2,9	2,1	0,0	0,0	0,0	0,2	2,9	2,3
Spain	0,0	0,0	0,0	0,0	4,1	5,2	4,1	5,2
Italy	0,0	0,0	7,7	9,2	6,9	11,2	14,6	20,3
Cyprus	0,0	0,0	0,0	0,1	0,2	0,2	0,2	0,3
Total	**2,9**	**3,1**	**7,7**	**9,3**	**11,5**	**18,0**	**22,1**	**30,3**

1) "Other" is composed of securitisations and claims against corporations.

Sovereigns

in EUR million	Fair Value		Available for Sale		At amortised cost		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Greece	0,0	0,0	0,0	0,9	0,0	0,0	0,0	0,9
Ireland	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Portugal	0,0	0,0	2,9	2,1	0,0	0,0	2,9	2,1
Spain	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Italy	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Cyprus	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total	**0,0**	**0,0**	**2,9**	**3,1**	**0,0**	**0,0**	**2,9**	**3,1**

Institutions

in EUR million	Fair Value		Available for Sale		At amortised cost		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Greece	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Ireland	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Portugal	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Spain	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Italy	0,0	0,0	7,5	6,0	0,2	3,2	7,7	9,2
Cyprus	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,1
Total	**0,0**	**0,0**	**7,5**	**6,0**	**0,2**	**3,3**	**7,7**	**9,3**

Greece:
In March 2012, Greek bonds underwent a haircut. The securities portfolio of EUR 4.0 million (nominal value) was exchanged with 2/3 value into long-term Greek bonds. Considering prospects of the Eurogroup's measures to reduce Greece's deficit (subject to a successful debt buy-back program), the Greek Finance Ministry publically announced the conditions for the debt buy-back. This enabled long-term Greek bonds to be traded in for shorter-term EFSF bonds that matured on 16 June 2013. The Greek bond trade was capped between 32%-40% of issue price. On 17 December 2012, the repurchase offer from Bankhaus Krentschker was accepted.

Exposure to sovereigns in the core market[7]

in EUR million	2012	2011
Austria	895,7	859,8
Bosnia and Herzogovina	35,8	31,2
Croatia	5,2	5,0
Macedonia	103,9	88,1
Serbia	0,0	0,0
Slovenia	1,3	2,4
Hungary	0,0	0,0
Total	**1.041,8**	**986,5**

36.5) Credit risks

Credit risk arises from traditional lending and investment businesses. It involves losses incurred as a result of default by borrowers and the need to set aside provisions as a result of the deteriorating credit quality of certain borrowers, as well as counterparty risks from trading in market risk instruments. Country risk is also recognized in the calculation of credit risk.

The role and responsibility of the division "Strategic Risk Management" is to monitor the portfolio credit risk for the entire lending risks of Steiermärkische Sparkasse AG and the domestic and foreign subsidiaries.

The division "Strategic Risk Management" is not responsible for the operative credit decisions. The division "Operational Risk Management" is responsible for the submission of the second qualifying vote for credit decision as laid out in the minimum standards for loan business.

The Austrian Financial Market Authority required stress test method for foreign currency loans and repayment vehicles is being conducted semi-annually since 2005 in Steiermärkische Sparkasse Group.

Risk grades and categories

The classification of credit assets into risk grades is based on Steiermärkische Sparkasse Group's internal ratings. Steiermärkische Sparkasse Group uses two internal risk scales for risk classification: for customers that have not defaulted, a risk scale of eight risk grades (for retail) and 13 risk grades (for all other segments). Defaulted customers are classified into a separate risk grade. For newly acquired subsidiaries of Steiermärkische Sparkasse Group, the respective local risk classification is mapped to group standard classifications until internal rating systems according to group methodology are introduced.

For the purpose of group steering and reporting, Steiermärkische Sparkasse Group has developed a framework to map the risk grades into four different risk categories, as follows:

[7] Adjustments of previous year values for Bosnia and Macedonia as a result that not all Basel II exposures were previously included.

Low risk:

Typical regional customers with well established and rather long-standing relationships with Steiermärkische Sparkasse Group or large internationally recognized customers. Strong and good financial position and no forseeable financial difficulties. Retail clients having long relationships with the bank, or clients with a wide product pool. No late payments currently or in the most recent 12 months. New business is generally with clients in the risk category.

Management attention:

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

Substandard:

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

Non-performing:

One or more of the default criteria under Basel II are met:

- 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,
- realization of a loan loss, or initiation of bankruptcy proceedings.

For purposes of analyzing non-performing positions Steiermärkische Sparkasse 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 SEE, the customer view is also applied. However, in the retail and SME segment in SEE, Steiermärkische Sparkasse 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 review and monitoring

In order to manage the credit risk for large corporates, banks, sovereigns and country risk, credit limits are established to reflect the maximum exposure Steiermärkische Sparkasse Group is willing to take on that particular customer or group of connected customers. All credit limits and the exposures booked within the limits are reviewed at least once a year. For customers for which no credit limit is established (corporations, real estate), the monitoring takes place through regular credit reviews. For small corporate and retail customers, monitoring and credit review is based on a rating model, which is updated monthly. For weaker small corporate (with a risk category of 'Management attention' or 'Substandard'), a continuous review process is undertaken.

Portfolio reports for asset classes and business lines are prepared on a regular basis. Watch-list meetings or remedial committee meetings are held on a regular basis to discuss customers with weak ratings or to discuss pre-emptive measures to help a particular client avoid default. Following classification of an asset in 'Management attention' or worse, the responsibility for the continued monitoring shifts in the most cases to credit risk management.

Credit risk exposure

Credit risk exposure relates to the following balance sheet items:[8]

- 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 undrawn credit commitments)

The credit risk exposure comprises the gross amount without taking into account loan loss provisions, any collateral held, netting effects, other credit enhancements or other credit risk mitigating factors.

Non-performing assets and risk provisions

Steiermärkische Sparkasse Group provisions for credit risk, with risk provisions divided into specific risk provisions and portfolio risk provisions. Steiermärkische Sparkasse Group has established a common framework which defines minimum standards and principles for risk provisioning principles related to risk infrastructure, processes and quantification of risk provisioning. It also puts risk provisioning into overall economic perspective in terms of financial planning and ratios relevant for the group's performance management.

The policy describes also underlying methodological standards for specific risk provisions and portfolio risk provisions, respectively. Through a standardized process, risk provisions are created for the portion of exposure that is not covered by collateral or expected recoveries.

Credit risk exposure by industry and risk category

The following tables present Steiermärkische Sparkasse Group's credit risk exposure by industry and risk category as of 31 December 2012 and 31 December 2011:

[8] Credit risk exposure includes now the banking book derivatives disclosed in other assets. Previous year values were adjusted accordingly.

Credit risk exposure by industry

in EUR million	Total loans and advances to credit institutions and customers [1]	Contingent credit liabilities [2]	Total 2012	Total 2011 (adjusted)
Agriculture and forestry	217,7	29,5	247,2	239,5
Mining	40,3	3,5	43,7	39,9
Manufacturing	495,2	331,6	826,9	826,1
Energy and water supply	207,5	48,6	256,1	252,8
Construction	875,1	298,7	1.173,8	1.169,6
Trade	744,4	271,0	1.015,4	1.024,3
Hotels and restaurants	255,3	31,7	286,9	314,0
Transport and communication	245,1	58,4	303,4	274,5
Banking and insurance	3.322,4	3.429,2	6.751,6	5.699,9
Real estate and other business activities	1.996,8	334,9	2.331,6	2.326,4
Public administration	1.148,4	75,4	1.223,8	1.138,4
Health and social work	269,0	33,7	302,7	304,2
Other service activities	578,4	124,1	702,5	755,6
Private households	3.486,2	523,3	4.009,5	4.064,0
Other	0,0	0,0	0,0	0,0
Total	**13.881,7**	**5.593,6**	**19.475,3**	**18.429,2**

[1] Including bonds and other interest bearing securities
[2] Including unconditionally revocable commitments

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Sub-standard	non-performing	Credit risk exposure 2012
Agriculture and forestry	171,1	46,0	7,8	22,4	247,2
Mining	29,8	13,1	0,7	0,3	43,7
Manufacturing	618,4	107,8	9,8	90,9	826,9
Energy and water supply	190,9	19,1	6,5	39,7	256,1
Construction	971,5	127,9	7,9	66,5	1.173,8
Trade	723,4	146,5	26,8	118,7	1.015,4
Hotels and restaurants	154,0	68,1	16,6	48,2	286,9
Transport and communication	233,9	35,1	3,1	31,4	303,4
Banking and insurance	6.676,5	41,3	3,1	30,8	6.751,6
Real estate and other business activities	1.936,2	281,5	41,8	72,1	2.331,6
Public administration	1.220,8	1,3	1,3	0,3	1.223,8
Health and social work	224,5	49,5	4,2	24,5	302,7
Other service activities	539,7	110,1	5,2	47,5	702,5
Private households	3.280,2	510,2	40,4	178,7	4.009,5
Other	0,0	0,0	0,0	0,0	0,0
Total	**16.970,8**	**1.557,5**	**175,1**	**771,9**	**19.475,3**

in EUR million	Low risk	Management attention	Sub-standard	non-performing	Credit risk exposure 2011 (adjusted)
Agriculture and forestry	157,7	54,1	6,9	20,7	239,5
Mining	31,1	8,1	0,3	0,3	39,9
Manufacturing	591,6	117,2	26,6	90,7	826,1
Energy and water supply	190,9	21,9	3,1	36,9	252,8
Construction	997,1	101,8	10,2	60,6	1.169,6
Trade	714,0	158,8	26,0	125,5	1.024,3
Hotels and restaurants	146,8	93,1	18,3	55,7	314,0
Transport and communication	202,8	32,5	6,2	33,0	274,5
Banking and insurance	5.592,8	60,9	9,9	36,3	5.699,9
Real estate and other business activities	1.896,7	323,6	14,1	92,1	2.326,4
Public administration	1.134,4	2,7	0,0	1,3	1.138,4
Health and social work	233,7	54,4	1,0	15,2	304,2
Other service activities	561,9	123,8	13,9	56,1	755,6
Private households	3.263,0	549,2	52,5	199,3	4.064,0
Other	0,0	0,0	0,0	0,0	0,0
Total	**15.714,5**	**1.702,0**	**189,0**	**823,6**	**18.429,2**

in EUR million	Low risk	Management attention	Sub-standard	non-performing	Credit risk exposure
Total exposure as of 31 December 2012	16.970,8	1.557,5	175,1	771,9	19.475,3
Share of credit risk exposure in %	87,1	8,0	0,9	4,0	100,0
Risk provisions 31 December 2012	18,7	16,9	4,9	409,1	449,6
Coverage in %	0,1	1,1	2,8	53,0	2,3
Total exposure as of 31 December 2011 (adjusted)	15.714,5	1.702,0	189,0	823,6	18.429,2
Share of credit risk exposure in %	85,3	9,2	1,0	4,5	100,0
Risk provisions 31 December 2011	19,9	17,9	11,1	429,6	478,5
Coverage in %	0,1	1,1	5,9	52,2	2,6
Change in credit risk exposure 2012 - 2011	1.256,3	(144,6)	(13,9)	(51,7)	1.046,1
Change in %	8,0	(8,5)	(7,4)	(6,3)	5,7
Change in risk provisions 2012 - 2011	(1,2)	(1,0)	(6,3)	(20,5)	(28,9)
Changes in %	(6,1)	(5,4)	(56,4)	(4,8)	(6,0)

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 Steiermärkische Sparkasse Group entities of the credit risk exposure by geography differs from the composition of credit risk exposure in terms of reporting segments of Steiermärkische Sparkasse Group.

The following tables present the credit risk exposure of Steiermärkische Sparkasse Group divided by region as of 31 December 2012 and 31 December 2011, respectively[9]:

in EUR million	Low risk	Management attention	Sub-standard	non-performing	Credit risk exposure 2012
Core market	16.573,3	1.516,9	169,8	735,9	18.996,0
Austria	14.426,2	1.335,8	110,3	632,5	16.504,7
Croatia	1.121,3	30,0	15,3	26,5	1.193,0
Bosnia and Herzegovina	369,4	67,0	7,1	28,3	471,7
Macedonia	192,7	43,1	31,4	29,0	296,1
Slovenia	334,0	31,0	4,0	13,3	382,4
Serbia	73,3	0,3	0,0	0,2	73,8
Montenegro	42,9	0,8	0,0	0,0	43,7
Hungary	13,6	8,9	1,7	6,2	30,4
Other EU	332,0	25,1	5,3	5,2	367,7
Other industrialised countries	22,7	11,7	0,0	30,6	65,1
Emerging Markets	42,7	3,8	0,0	0,1	46,6
South-Eastern Europe/CIS	29,2	2,5	0,0	0,0	31,7
Asia	1,1	0,0	0,0	0,0	1,1
Latin America	4,2	0,6	0,0	0,1	4,9
Middle East/Africa	8,2	0,7	0,0	0,0	8,9
Total	**16.970,8**	**1.557,5**	**175,1**	**771,9**	**19.475,3**

in EUR million	Low risk	Management attention	Sub-standard	non-performing	Credit risk exposure 2011 (adjusted)
Core market	15.339,8	1.655,5	183,1	783,0	17.961,3
Austria	13.327,3	1.458,0	139,4	704,1	15.628,8
Croatia	1.144,6	50,3	0,6	3,1	1.198,6
Bosnia and Herzegovina	338,6	38,2	16,7	29,8	423,3
Macedonia	182,8	58,3	21,5	23,3	285,9
Slovenia	228,0	40,2	3,0	15,4	286,6
Serbia	54,9	0,6	0,0	0,0	55,5
Montenegro	44,2	1,2	0,2	0,0	45,5
Hungary	19,3	8,8	1,7	7,1	37,0
Other EU	322,6	28,5	5,9	5,5	362,5
Other industrialised countries	19,6	11,9	0,1	35,1	66,6
Emerging Markets	32,5	6,2	0,0	0,0	38,7
South-Eastern Europe/CIS	18,3	1,7	0,0	0,0	20,0
Asia	1,2	0,0	0,0	0,0	1,2
Latin America	0,1	4,1	0,0	0,0	4,2
Middle East/Africa	12,8	0,4	0,0	0,0	13,3
Total	**15.714,5**	**1.702,0**	**189,0**	**823,6**	**18.429,2**

[9] Due to a new definition of core market, there has been a change in the listed countries. Previous year values were adjusted accordingly.

The following tables show the coverage of the non-performing credit risk exposure across the reporting segments by provisions (excluding collateral) as of 31 December 2012 and 31 December 2011, respectively. The differences in provisioning levels for the segments result from the risk situation in the respective markets, different levels of collateralisation, as well as the local legal environments and regulatory requirements.

The NPL-Ratio is calculated by dividing non-performing credit risk exposure by total credit risk exposure. The non-performing coverage ratio is calculated by dividing risk provisions that are built for non-performing loans by non-performing credit risk exposure. Collateral or other recoveries are not taken into account.

Exposure is classified into segments based on domicile of the Group entities that carry the credit risk on their books and is therefore not reconcilable with the credit risk by region.

2012 **in EUR million**	Non-performing	Credit risk exposure	Risk provisions	NPL-Ratio	NPL-coverage
Austria	715,1	18.731,4	367,4	3,8%	51,4%
Steiermärkische Sparkasse	666,7	17.599,3	343,3	3,8%	51,5%
Bankhaus Krentschker	48,5	1.132,1	24,1	4,3%	49,7%
Central and Eastern Europe	56,8	743,9	41,7	7,6%	73,5%
Bosnia and Herzogovina	28,3	469,9	24,6	6,0%	87,0%
Macedonia	28,5	274,0	17,1	10,4%	60,1%
Total	**771,9**	**19.475,3**	**409,1**	**4,0%**	**53,0%**

2011 (adjusted) **in EUR million**	Non-performing	Credit risk exposure	Risk provisions	NPL-Ratio	NPL-coverage
Austria	771,2	17.719,6	395,6	4,4%	51,3%
Steiermärkische Sparkasse	732,3	16.617,7	373,4	4,4%	51,0%
Bankhaus Krentschker	38,9	1.101,9	22,2	3,5%	57,0%
Central and Eastern Europe	52,4	709,6	34,0	7,4%	64,9%
Bosnia and Herzogovina	29,8	432,1	20,2	6,9%	67,7%
Macedonia	22,6	277,6	13,8	8,1%	61,2%
Total	**823,6**	**18.429,2**	**429,6**	**4,5%**	**52,2%**

Collateral for non-performing loans mainly consists of real estate.

Forbearance of debts

Steiermärkische Sparkasse Group focuses on early identification of customers who are facing difficulties with payments or other loan-related obligations with the aim of restructuring their loans if the mid- to long-term outlook is positive.

Steiermärkische Sparkasse Group believes that this can help to build customer loyalty for long-term relationships and co-operation. In principle, Steiermärkische Sparkasse Group follows a policy of restructuring by lengthening maturity and/or by deferring capital repayment but insisting on payment of interest.

Collaterals obtained in foreclosure procedures are made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding claim. Generally, Steiermärkische Sparkasse Group does not occupy repossessed properties for its own business use.

The main part of assets taken into its own books are commercial land and buildings. In addition, privately occupied properties and transport vehicles are taken into Steiermärkische Sparkasse Group's possession.

The carrying value of these assets amounted to EUR 1,6 million as of 31 December 2012 (2011: EUR 1,3 million).

Credit exposure and collateral

2012 **in EUR million**	Credit risk exposure	Collaterals & other credit risk mitigation		
		Basel II total	Guarantees	Real estate
Central governments and central banks	803,9	74,1	0,0	0,0
Regional governments and local authorities	322,7	0,6	0,5	0,0
Administrative bodies and non-commercial undertakings	228,8	93,5	93,5	0,0
Multilateral development banks	31,6	0,0	0,0	0,0
International organisations	55,6	0,0	0,0	0,0
Institutions	5.438,1	0,6	0,6	0,0
Corporates	6.796,7	1.894,5	89,2	1.584,6
Retail & SME	5.663,0	2.986,0	60,6	2.451,8
Securitisation positions	4,4	0,0	0,0	0,0
Covered bonds	130,5	0,0	0,0	0,0
Total	**19.475,3**	**5.049,3**	**244,5**	**4.036,4**

2011 (adjusted) **in EUR million**	Credit risk exposure	Collaterals & other credit risk mitigation		
		Basel II total	Guarantees	Real estate
Central governments and central banks	660,6	57,2	0,0	57,2
Regional governments and local authorities	313,7	1,2	1,0	0,0
Administrative bodies and non-commercial undertakings	204,4	103,4	103,4	0,0
Multilateral development banks	10,0	0,0	0,0	0,0
International organisations	39,7	0,0	0,0	0,0
Institutions	4.553,2	69,4	69,4	0,0
Corporates	6.667,7	1.810,9	211,1	1.381,5
Retail & SME	5.827,6	3.011,0	97,5	2.503,3
Securitisation positions	14,4	0,0	0,0	0,0
Covered bonds	138,0	0,0	0,0	0,0
Total	**18.429,2**	**5.053,2**	**482,4**	**3.942,0**

The major types of collateral are mortgages on residential and commercial real estate, as well as guarantees. Among the other types of collaterals, financial collateral is the most common. The valuation of security takes into account the requirements for risk mitigation under Basel II.

The following tables show the balance of assets which were past due but for which specific provisions has not yet been established:

2012 **in EUR million**	Credit risk exposure			thereof collateralised		
	91-180 days past due	>180 days past due	Total loans and advances past due	91-180 days past due	>180 days past due	Total loans and advances past due
Regional governments and local authorities	0,0	0,0	0,0	0,0	0,0	0,0
Corporates	0,0	0,0	0,0	0,0	0,0	0,0
Retail & SME	0,0	9,5	9,5	0,0	9,3	9,3
Total	**0,0**	**9,5**	**9,5**	**0,0**	**9,3**	**9,3**

2011 **in EUR million**	Credit risk exposure			thereof collateralised		
	91-180 days past due	>180 days past due	Total loans and advances past due	91-180 days past due	>180 days past due	Total loans and advances past due
Regional governments and local authorities	0,0	0,0	0,0	0,0	0,0	0,0
Corporates	0,6	4,9	5,5	0,1	4,1	4,2
Retail & SME	0,6	20,2	20,8	0,5	18,7	19,2
Total	**1,2**	**25,1**	**26,3**	**0,6**	**22,8**	**23,4**

At 31 December 2012 and 31 December 2011, specific provisions existed for the following exposures:

2012 **in EUR million**	Total loans under specific provisions	91-180 days past due	>180 days past due
Loans and advances to credit institutions	0,0	0,0	0,0
Loans and advances to customers	762,0	7,0	402,0
Total	**762,0**	**7,0**	**402,0**

2011 **in EUR million**	Total loans under specific provisions	91-180 days past due	>180 days past due
Loans and advances to credit institutions	0,0	0,0	0,0
Loans and advances to customers	803,0	36,0	426,0
Total	**803,0**	**36,0**	**426,0**

All loans and other advances presented in the tables above were classified as non-performing. Provisions are as a rule established for loans and other advances that are more than 90 days past due. However, specific provisions are not established if the loans and their advances are covered by portfolio provisions or by adequate collateral.

In 2012, Steiermärkische Sparkasse and Bankhaus Krentschker reduced foreign currency loans by EUR 487.3 million. Both institutions follow a strategy of sustainable reduction of foreign currency loans and loans with investment products meeting the supplementary FMA-Minimum Standards for Granting and Managing Foreign Currency Loans and Loans with Repayment Vehicles from 22 October 2010.

The following tables show the loans and advances to customers broken down by region and currency:

2012 **in EUR million**	EUR	CHF	JPY	USD	Local currencies/ Other	Total loans and advances
Austria	8.520,1	1.187,4	71,2	15,8	0,3	9.794,8
Central and Eastern Europe	417,3	0,0	0,0	0,1	144,8	562,2
Herzogovina	290,8	0,0	0,0	0,0	103,6	394,4
Macedonia	126,5	0,0	0,0	0,1	41,2	167,8
Total	**8.937,4**	**1.187,4**	**71,2**	**15,9**	**145,1**	**10.357,0**

2011 **in EUR million**	EUR	CHF	JPY	USD	Local currencies/ Other	Total loans and advances
Austria	8.198,8	1.653,0	91,9	16,8	0,3	9.960,8
Central and Eastern Europe	404,3	0,0	0,0	0,7	130,2	535,1
Herzogovina	246,5	0,0	0,0	0,0	100,2	346,7
Macedonia	157,8	0,0	0,0	0,7	30,0	188,5
Total	**8.603,1**	**1.653,0**	**91,9**	**17,5**	**130,5**	**10.495,9**

36.6) Market risk

Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived therefrom. At Steiermärkische Sparkasse Group, market risk is divided into interest rate risk, currency risk, equity risk, commodity risk and volatility risk.

Interest Rate Risk

In the Steiermärkische Sparkasse Group evaluation of market risk that are naturally resulting out of the balance sheet is carried out by evaluating the change in present value of all interest sensitive positions in relation to equity for a parallel shift of 200 basis points in the yield curve. Additionally stress scenarios relating to money market and capital market shocks are analysed thoroughly with varying underlying time horizons. The simulation results are presented quarterly to the Treasury committee and the Strategy team in order to initiate timely counteractive measures. Since participation in trading activities is not a core business area of Steiermärkische Sparkasse Group, the associated risks are negligible.

Sensitivity Analysis of Market Risk

In the course of balance sheet structure reporting, Steiermärkische Sparkasse uses rate shock scenarios with effects on future net interest income for the sensitivity analysis of market risk.

The following rate shock scenarios with effects on future net interest income for EUR area are applied:

- Immediate parallel shift in the interest rate curve of +200 basis points
- Immediate parallel shift in the interest rate curve of -200 basis points
- Parallel shift in the interest rate curve of +200 basis points in 12 months
- Parallel shift in the interest rate curve of -200 basis points in 12 months
- Shifts in the money market rate of +200 basis points
- Shifts in the money market rate of -200 basis points
- Shifts in the market interest rate of +200 basis points
- Shifts in the market interest rate of -200 basis points
- Base scenario (without any changes)

Steiermärkische Sparkasse Group analysis resulted in the following figures:

in EUR million	2012			2011		
	Net interest income	Difference to base scenario	Change in %	Net interest income	Difference to base scenario	Change in %
Base scenario (without any changes)	*159,4*	-	-	*171,5*	-	-
Immediate parallel shift in the interest rate curve of +200 basis points	176,2	16,8	10,5	180,3	8,9	5,2
Immediate parallel shift in the interest rate curve of -200 basis points	153,4	(6,0)	(3,8)	154,4	(17,1)	(10,0)
Parallel shift in the interest rate curve of +200 basis points in 12 months	179,8	20,3	12,8	183,4	11,9	7,0
Parallel shift in the interest rate curve of -200 basis points in 12 months	154,2	(5,3)	(3,3)	154,3	(17,1)	(10,0)
Shifts in the money market rate of +200 basis points	168,4	8,9	5,6	174,9	3,4	2,0
Shifts in the money market rate of -200 basis points	163,4	3,9	2,5	165,5	(5,9)	(3,4)
Shifts in the market interest rate of +200 basis points	173,8	14,4	9,0	185,4	13,9	8,1
Shifts in the market interest rate of -200 basis points	151,2	(8,3)	(5,2)	157,7	(13,7)	(8,0)

Further cases use the Monte Carlo approach. This approach shows the probability of distribution of the expected net interest income from 250 simulation runs (probability 5%, 50% and 95%).

The Monte Carlo simulation delivers the actual upside and downside risk at a probability of 5% and 95%. The downside risk serves as the greatest percentage net interest income decline over 3 years when taking extreme values over 95% out of the equation. The upside risk serves as the greatest percentage net interest income increase over 3 years when taking extreme values under 5% into the equation. The downside risk is -1.9% (2011: -4.8%) and the upside potential is 2.1% (2011: 6.7%).

Exchange rate risk

Steiermärkische Sparkasse Group is exposed to several types of risks related to exchange rates, however, due to strict low limits, the impact is negligible.

Open currency risk

Risk from open currency positions is the risk related to exchange rates that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. These risks might originate from customer-related operations or proprietary trading and are monitored and managed on a daily basis.

Foreign currency exposure is subject to regulatory and internal limits. The internal limits are set by the Treasury Committee.

The following table shows the open exchange rate positions of Steiermärkische Sparkasse Group as of the dates indicated.

in EUR million	2012	2011
Bosnian Mark (BAM)	3,3	4,0
British Pound (GBP)	0,1	0,1
Japanese Yen (JPY)	0,2	(0,1)
Croatian Kuna (HRK)	2,4	2,2
Macedonian Denar (MKD)	(1,9)	0,3
Swiss Franc (CHF)	1,4	0,9
US Dollar (USD)	2,2	2,4
Other currency	3,6	2,5
Total	**11,3**	**12,2**

Shares and commodity risk

These business fields are not part of the Steiermärkische Sparkasse Group strategy and therefore are negligible throughout the group.

36.7) Liquidity risk

The liquidity risk is defined in Steiermärkische Sparkasse Group with the principles set by the Basel Committee of Banking Supervision. Accordingly, a distinction is made between market liquidity risk, which is the risk that the Group entities cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the Group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group members.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full, on time in an economically justified way, while structural liquidity risk in the long term risk of losses due to a change in the Group’s own refinancing cost or spread.

In 2012 liquidity risk management was one of the most important priorities for Steiermärkische Sparkasse Group not only a tactical short-term liquidity risk, but the whole process of liquidity management e.g. long- term structural liquidity risk, planning of funding needs across the group, crisis scenario-based analysis, contingency plans, collateral mobilization, communication, etc.

Organisation und Reporting

Steiermärkische Sparkasse Group liquidity risk is reported to the Management Board in the Strategy Team, Treasury Committee and in Operating Liquidity Committee (OLC). The Strategy Team (Management Board) is informed on a regular basis about the global liquidity position of the Group and the internal and external market liquidity situation. The Operating Liquidity Committee (OLC) is responsible for the liquidity management and coordination in crisis situations operational tasks and reports regularly to the members of the Strategy team (Management Board). In 2011 and 2012, the Austrian National Bank regularly observed the liquidity situation and liquidity risks. Steiermärkische Sparkasse Group analyses since 2012 the Basel II liquidity ratios (LCR and NSFR) and is steering actively towards the 2015 and 2018 targets.

Short-term liquidity risk

The short-term liquidity position is monitored on a daily basis. The short-term refinancing is slightly higher compared to total assets; it is cushioned however by a liquid nostro-portfolio. Steiermärkische Sparkasse Group is particularly focusing on the net cash outflow projection and its coverage by collateral. The OLC continued to put a special focus on collateral mobilization in 2012, which resulted in a significant increase in the pool of central bank eligible securities in the Steiermärkische Sparkasse Group or rather stabilized at a high level.

Long-term liquidity risk

Steiermärkische Sparkasse Group manages long-term (structural) liquidity risk on both group and individual subsidiary levels through a multiple scenario approach. Dynamic aspects of the renewal of existing balance sheet items are considered while incorporating certain set of assumptions of the crisis situation. Assumptions regarding marketability, valuation haircuts (in the case of securities) and early withdraw (by deposit products) similarly, the modelling of customer business are adjusted according to the respective scenario. The purpose of the analysis is to determine Steiermärkische Sparkasse Group’s ability to withstand distressed situations before they actually occur. Additionally, the traditional liquidity gaps (depicting the mismatches of the contractual maturities) of the subsidiaries and the whole group are reported and monitored regularly. Steiermärkische Sparkasse Group primary source of refinancing is customer deposits, which also proved its stability during the recent liquidity crisis. The total volume of customer deposits slightly decreased over the growth in customer loans and advances on the reporting date. The actual loan deposit ratio is 118.4% (after risk provisions). In a modified view (including retail-issues) the loan deposit ratio was 104.8%.

Methods and instruments of risk mitigation

General standards of liquidity risk controlling and management (standards, limits and analysis) have been defined by Erste Group Bank and implemented in Steiermärkische Sparkasse Group. Results of the analyses are reported regularly and consolidated on the Group level. Since the refinancing needs is of fundamental importance for the liquidity management, a detailed overview of liquidity needs is prepared on a quarterly basis across Steiermärkische Sparkasse Group.

Contingency Plan

The comprehensive contingency plan ensures the necessary coordination of all parties involved in the liquidity management in case of crisis.

Liquidity Gap

The long-term liquidity position is managed using liquidity gaps on the basis of expected cash flows.

The following table shows liquidity gaps as of 31 December 2012 and 31 December 2011:

in EUR million	up to 1 month		1 - 12 months		1 - 5 years		5+ years	
	2012	2011	2012	2011	2012	2011	2012	2011
Liquidity Gap	(658,0)	(785,2)	(1.058,6)	(1.329,5)	550,4	1.194,2	1.166,2	920,4

Liquidity buffer

Steiermärkische Sparkasse Group holds securities that can be used in repo transactions at central banks to manage liquidity risk. In conjunction with the group-wide liquidity risk management, central bank tenders are executed over Erste Group Bank.

The maturity profile of these financial assets is shown in the table below:

in EUR million	up to 1 month		1 - 12 months		1 - 5 years		5+ years	
	2012	2011	2012	2011	2012	2011	2012	2011
Repo-eligible securities	0,0	3,0	119,6	74,3	463,4	402,0	532,6	525,8

Analysis of financial liabilities

Maturities of contractual, undiscounted cash flows from financial liabilities were as follows:

2012 **in EUR million**	Carrying amounts	Contractual cash flows	<1 month	1 - 12 months	1 - 5 years	> 5 years
Non-derivative liabilities						
Deposits by banks	2.424,5	2.489,0	686,6	613,8	899,3	289,3
Customer deposits	8.381,1	8.577,4	582,6	4.876,5	1.370,0	1.748,3
Debt securities in issue	2.103,8	2.227,9	15,6	198,7	1.688,7	324,9
Subordinated liabilities	159,7	170,5	7,3	20,5	105,9	36,8
Total	**13.069,0**	**13.464,8**	**1.292,1**	**5.709,5**	**4.063,9**	**2.399,3**
Derivative liabilities						
Derivatives banking book	137,8	137,8	1,6	112,8	12,7	10,7
Total	**137,8**	**137,8**	**1,6**	**112,8**	**12,7**	**10,7**

2011 in EUR million	Carrying amounts	Contractual cash flows	<1 month	1 - 12 months	1 - 5 years	> 5 years
Non-derivative liabilities						
Deposits by banks	2.566,2	2.638,8	1.045,4	764,1	420,1	409,2
Customer deposits	8.290,3	8.452,4	2.505,6	5.052,7	635,3	258,8
Debt securities in issue	1.923,4	2.122,8	25,4	338,6	1.182,2	576,6
Subordinated liabilities	200,3	225,8	14,6	29,0	102,5	79,7
Total	**12.980,1**	**13.439,8**	**3.591,0**	**6.184,4**	**2.340,1**	**1.324,3**
Derivative liabilities						
Derivatives banking book	150,0	150,0	2,4	37,7	97,4	12,5
Total	**150,0**	**150,0**	**2,4**	**37,7**	**97,4**	**12,5**

36.8) Operational Risk

In line with Section 2 Para. 57(d) of the Austrian Banking Act, Steiermärkische Sparkasse Group defined operational risk as the risk of loss resulting from inadequacy or failure of internal processes, people or systems, or from external events, including legal risks. Both qualitative and quantitative methods are used to identify operational risks. Consistent with international practice, the responsibility for managing operational risk rests with the line management.

The quantitative measurement methods are based on internal loss experience data, which is collected in across Steiermärkische Sparkasse Group in accordance with Erste Group standards using a standard methodology and entered into a central data pool. Additionally, in order to be able to model losses that have not occurred in the past but are nonetheless possible, scenarios and external data are also used. As a member of the Erste Group, Steiermärkische Sparkasse Group sources external data from the leading non-profit risk-loss data consortium “Operational Riskdata eXchange Association (ORX)”.

In addition to quantitative methods, qualitative methods are also used to determine operational risk, such as risk assessment surveys (risk and control self-assessments). The results of and suggestions for risk control in these surveys, which are conducted by experts, are reported to the line management and thus help to reduce operational risks. Steiermärkische Sparkasse Group also reviews certain key indicators periodically to ensure early detection of changes in risk potential that may lead to losses.

The quantitative and qualitative methods used, together with the modelling approaches described above, form the operational risk framework of Steiermärkische Sparkasse Group. Information of operational risk is periodically communicated to the management board via various reports, including the quarterly top management report, which describes recent loss history, loss development and key risk indicators.

In 2011, Steiermärkische Sparkasse applied for regulatory approval to use the AMA (Advanced Measurement Approach) for calculating the required capital for managing operational risk. The Austrian Financial Market Authority granted regulatory approval for the use of the AMA beginning 1 January 2012 following the submission of documentation and the corresponding assessment from the Austrian National Bank. In 2011, required capital was calculated as of 31 December 2011 using the Basic Indicator Approach. AMA is a sophisticated approach to measuring operational risk. Pursuant to AMA, beginning January 2012 the required capital is calculated using an internal Value at Risk- Model (VaR model), taking into account internal data, external data, scenario analysis, business environment and internal risk control factors.

37) Derivative financial instruments held or issued for hedging purposes

Banking book market risk management consist of optimising Steiermärkische Sparkasse Group‘s risk position by finding the proper trade-off between economic environment, competitive landscape, fair value of risk, effect on net interest income and appropriate liquidity position. In order to achieve the goals of risk management, hedging activities focus on the two main control variables: net interest income and market value of equity risk. To steer these risks, Cash flow hedges and fair value hedges are utilized. Cash flow hedges are used to eliminate uncertainty in future cash flows. Fair value hedges are employed to reduce market risk.

Fair Value Hedges are currently employed to transform fixed-rate or structured transactions into variable-rate transactions. Current policy is to convert all into fixed-rate transactions bearing interest rate risks via fair value hedges into variable transactions. Interest rate swaps are the main instrument used for fair value hedges. Currency risk is hedged with spot transactions, currency swaps, cross-currency swaps, FX forwards or balance sheet items denominated in a hedged currency.

Cash flow hedges are used to transform variable rate transactions into fixed-rate transactions in order to stabilise net interest income. Currently a portion of the fixed-rate liquidity reserve held at Erste Group Bank AG is hedged. Interest rate swaps are primarily used to hedge interest rate risks.

In the reporting period and in the comparison period no cash flow hedge reserve recognised as income in the consolidate income statement. EUR -4,2 million (EUR 3,6 million) was recognised directly in equity. The majority of the hedged cash flows is likely to occur within the next five years and will then be recognised in the consolidated income statement.

in EUR million	2012		2011	
	Positive Fair Value	Negative Fair Value	Positive Fair Value	Negative Fair Value
Hedging instrument - fair value hedge	46,2	13,7	32,7	14,2
Hedging instrument - cash flow hedge	12,1	78,7	9,5	70,8

Fair value hedges resulted during 2012 in gains of EUR 13,9 million on hedging instruments and losses of EUR -13,9 million on hedged items.

Total volume of unsettled derivatives

in EUR million	Notional amount 2012	Fair Value positive	Fair Value negative	Notional amount 2011	Fair Value positive	Fair Value negative
Interest Rate Contracts						
Interest rate swaps						
purchase	813,2	54,9	(16,5)	951,3	131,2	0,0
sale	813,2	8,2	0,0	951,3	0,0	(100,2)
Interest rate option						
purchase	299,7	5,3	(13,2)	298,7	4,9	0,0
sale	345,5	0,0	(4,9)	331,8	0,0	(15,7)
Currency Contracts						
Currency options						
purchase	1,7	0,1	0,0	0,2	0,0	0,0
sale	1,7	0,0	(0,1)	0,2	0,0	0,0
Currency swaps						
purchase	500,0	0,0	(29,2)	600,0	0,0	(113,7)
sale	605,0	0,0	(70,1)	728,6	0,0	0,0
Currency forward rate agreement						
purchase	907,2	5,5	0,0	1.005,2	5,8	0,0
sale	905,9	0,0	(3,8)	1.004,5	0,0	(5,5)
Total						
purchase	**2.521,9**	**65,8**	**(59,0)**	**2.855,4**	**142,0**	**(113,7)**
sale	**2.671,3**	**8,2**	**(78,8)**	**3.016,3**	**0,0**	**(121,3)**

38) Fair value of financial instruments

Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The best indication of a financial instrument's fair value is provided by quoted market prices in an active market. Where quoted market prices in an active market are available, they are used to measure the financial instrument's value. The measurement of fair value at Steiermärkische Sparkasse Group is based primarily on external sources of data (stock market prices or broker quotes in highly liquid market segments). Where no market prices are available, fair value is determined on the basis of valuation models that are based on observable market information. In some cases, the fair value of financial instruments can be determined neither on the basis of market prices nor of valuation models that rely entirely on observable market data. In such cases, individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions.

Steiermärkische Sparkasse Group employs only generally accepted, standard valuation models. Fair value is determined for non-option derivatives (e.g. interest rate swaps, cross currency swaps, foreign exchange forwards, and forward rate agreements) by discounting the respective cash flows. Plain Vanilla OTC options (on shares, currencies and interest rates) are valued using option pricing models of the Black-Scholes class; complex interest rate derivatives are measured using Hull-White and/or Brace Gatorek Musiela (BGM) models.

Steiermärkische Sparkasse Group uses only valuation models which have been tested internally and for which the valuation parameters (such as interest rates, exchange rates and volatility) have been determined independently.

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

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

Level 1: Financial instruments which are valued based on quoted (unadjusted) prices in active markets for identical assets or liabilities. This includes financial instruments which are traded in sufficient volume on an exchange, debt instruments quoted by several market participants with a sufficient depth, or liquid derivatives which are traded on an exchange.

Level 2: Financial instruments which are valued based on quoted prices (in non-active markets or in active markets for similar assets or liabilities) and inputs other than quoted prices that are observable. This includes yield curves derived from liquid underlying instruments or prices from similar instruments.

Level 3: Inputs used are not observable. This includes extrapolation of yield curves or volatilities, usage of historical volatilities, significant adjustment of quoted CDS spreads or equity prices.

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

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 non-observable inputs **Level 3**	**Total 2012**
Financial assets - at Fair Value (P/L)	0,0	0,0	0,0	0,0
Financial assets - Available for Sale	1.386,2	276,4	29,8	1.692,3
Trading assets - securities	0,1	0,2	0,0	0,3
Positive market value - derivatives	0,0	74,0	0,0	74,0
Total assets	**1.386,3**	**350,6**	**29,8**	**1.766,6**
Negative market value - derivatives	0,0	137,8	0,0	137,8
Other trading liabilities	0,0	0,0	0,0	0,0
Total liabilities and equity	**0,0**	**137,8**	**0,0**	**137,8**

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 non-observable inputs **Level 3**	**Total 2011**
Financial assets - at Fair Value (P/L)	0,0	0,0	0,0	0,0
Financial assets - Available for Sale	1.164,3	315,2	32,2	1.511,7
Trading assets - securities	0,0	1,3	0,0	1,3
Positive market value - derivatives	0,0	56,9	0,0	56,9
Total assets	**1.164,3**	**373,4**	**32,2**	**1.569,9**
Negative market value - derivatives	0,0	150,0	0,0	150,0
Other trading liabilities	0,0	0,0	0,0	0,0
Total liabilities and equity	**0,0**	**150,0**	**0,0**	**150,0**

Movements between Level 1 and 2

In 2012 the liquidity of the asset classes held in the portfolio was very good. This was in line with the group strategy to hold as many highly liquid assets as possible for liquidity management. Only one asset with amounting to EUR 0.3 million was reclassified from Level 1 to Level 2 as a result of decrease of market depth. As a result of increased trading turnover and corresponding price deliveries, 12 assets were reclassified from Level 2 to Level 1 with a total volume of EUR 36.9 million.

Movements in Level 3

Changes in Level 3 assists were the result of depreciation amounting to EUR 0.7 million, purchases of EUR 2.4 million sales of EUR 3.8 million and reclassification of an asset from Level 3 to Level 2 of EUR 0.3 million.

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

in EUR million	Financial assets - Availabe for Sale	Financial assets - at Fair Value (P/L)	Trading assets - securities	Total assets	Other Trading assets	Total Liabilities
Value at 31. December 2011	**32,2**	**0,0**	**0,0**	**32,2**	**0,0**	**0,0**
Gain/loss in						
profit or loss	(0,7)	0,0	0,0	(0,7)	0,0	0,0
in other comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0
Purchases	2,4	0,0	0,0	2,4	0,0	0,0
Sales/Settlements	(3,8)	0,0	0,0	(3,8)	0,0	0,0
Transfer into Level 3	0,0	0,0	0,0	0,0	0,0	0,0
Transfer out of Level 3	(0,3)	0,0	0,0	(0,3)	0,0	0,0
Currency translation	0,0	0,0	0,0	0,0	0,0	0,0
Value at 31. Dezember 2012	**29,8**	**0,0**	**0,0**	**29,8**	**0,0**	**0,0**

The following table shows fair values of financial instruments not measured at fair value[10]:

in EUR million	2012		2011 (adjusted)	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
ASSETS				
Cash and balances with central banks	184,5	184,5	173,9	173,9
Loans and advances to credit institutions	2.023,7	2.024,3	1.856,6	1.854,7
Loans and advances to customers	9.888,4	9.919,9	10.001,6	10.036,4
LIABILITIES				
Deposits by banks	2.423,2	2.424,5	2.564,6	2.566,2
Customer deposits	8.339,1	8.381,1	8.260,9	8.290,3
Debt securities in issue	2.081,6	2.103,8	1.917,4	1.923,4
Subordinated liabilities	158,2	159,7	201,3	200,3

[10] Adjustment of previous year, since many values were reported before the reduction of risk provisions.

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration calculated credit spreads and liquidity costs.

Loans and advances were grouped into homogeneous portfolios based on maturity.

For liabilities without contractual maturities, the carrying amount plus 1 month interest payments represents its fair value. The fair value of the other liabilities is estimated by taking into consideration the actual interest rate environment and changes plus the liquidity premium in own credit risk.

39) Audit fees and tax consultancy fees

The following table contains fundamental audit fees and tax fees charged by the auditors (of Steiermärkische Sparkasse and subsidiaries; the auditors primarily being Austrian Savings Bank Auditing Association (Sparkassen-Prüfungsverband), Deloitte, PricewaterhouseCoopers and Ernst & Young) in the fiscal years 2012 and 2011:

in EUR thousand	2012	2011
Audit fees	441	443
Tax consultancy fees	0	0
Total	**441**	**443**

40) Contingent liabilities and other obligations

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do contain credit risk and are therefore part of the overall risk of the bank.

in EUR million	2012	2011
Contingent liabilities	**3.757,5**	**3.104,2**
Guarantees and pledges	3.728,2	3.074,1
Others	29,3	30,1
Other obligations	**1.836,1**	**1.632,3**
Not utilised credit lines, promissory notes	1.710,2	1.530,6
Others	125,9	101,7

41) Legal proceedings

At the balance sheet date there were no significant legal proceedings open.

42) Events after the balance sheet date

There were no significant events in the Steiermärkische Sparkasse Group after the balance sheet date.

43) Analysis of remaining maturities

2012 in EUR million	maturing daily	Up to 3 months	3 months to 1 year	1 - 5 years	> 5 years
Loans and advances to credit institutions	59,1	1.188,8	170,8	594,6	11,5
Loans and advances to customers	685,1	611,3	1.124,1	3.743,7	4.192,7
Derivative financial instruments	0,0	5,1	0,9	16,1	51,9
Trading assets	0,0	0,2	0,0	0,0	0,2
Financial assets - at Fair Value	0,0	0,0	0,0	0,0	0,0
Financial assets - Available for Sale	0,0	33,6	201,6	572,5	856,3
Total	**744,2**	**1.838,9**	**1.497,5**	**4.926,9**	**5.112,5**
Deposits by banks	42,7	834,6	383,3	868,4	295,5
Customer deposits	3.189,4	1.175,9	1.250,7	1.253,3	1.511,8
Derivative financial instruments	0,0	3,2	100,0	14,8	19,8
Debt securities in issue	0,0	26,4	34,4	1.541,7	501,3
Subordinated liabilities	0,0	16,2	7,2	70,7	65,6
Total	**3.232,1**	**2.056,3**	**1.775,5**	**3.749,0**	**2.394,0**

2011 in EUR million	maturing daily	Up to 3 months	3 months to 1 year	1 - 5 years	> 5 years
Loans and advances to credit institutions	5,7	1.306,6	266,8	263,7	12,8
Loans and advances to customers	701,6	615,0	1.234,2	3.575,1	4.369,9
Derivative financial instruments	0,0	6,5	1,2	9,7	39,6
Trading assets	0,0	0,0	0,0	1,3	0,0
Financial assets - at Fair Value	0,0	0,0	0,0	0,0	0,0
Financial assets - Available for Sale	0,0	35,6	142,1	499,1	803,4
Total	**707,3**	**1.963,8**	**1.644,4**	**4.348,8**	**5.225,8**
Deposits by banks	91,7	1.360,4	331,6	412,3	370,2
Customer deposits	3.006,7	918,1	1.707,9	1.053,3	1.604,3
Derivative financial instruments	0,0	5,1	29,1	98,2	17,5
Debt securities in issue	0,0	35,2	241,6	782,6	863,9
Subordinated liabilities	0,0	18,0	13,2	90,0	79,1
Total	**3.098,4**	**2.336,9**	**2.323,4**	**2.436,4**	**2.935,0**

In 2012 the total volume of debt securities in issue increased, whereby the midterm maturities increased. At the same time the total volume of deposits by banks decreased and the remaining maturity shifted to the midterm.

44) Management bodies of Steiermärkische Bank und Sparkassen AG

Management Board of Steiermärkische Bank und Sparkassen AG
Dr. Gerhard Fabisch, Chairman
Mag. Franz Kerber, Vice Chairman
Dr. Georg Bucher
Sava Dalbokov, MBA

Supervisory Board of Steiermärkische Bank und Sparkassen AG
Dkfm. Dr. Werner Tessmar-Pfohl, Chairman
Univ.Prof. DDr. Peter Schachner-Blazizek, 1. Vice Chairman
Dr. Gunter Griss, 2. Vice Chairman

Mag. Michaela Christiner (from 10.5.2012)
Mag. Regina Friedrich (until 10.5.2012)
Dr. Guido Held (until 10.5.2012)
Dr. Franz Hochstrasser
Dr. Oswin Kois (from 10.5.2012)
Dr. Matthias Konrad (until 10.5.2012)
Dr. Alexander Leeb (until 10.5.2012)
o. Univ.-Prof. Mag. Dr. Dieter Mandl
Mag. Reinhard Ortner (until 10.5.2012)
Alois Sundl (until 10.5.2012)
Dr. Thomas Uher

Delegated by the employees council:
Mag. Frederick Robertson, Employee Council-Chairman
Rudolf Wallis, 1. Employee Council-Vice Chairman
Gerald Jakum, 2. Employee Council-Vice Chairman
Karlheinz Bauer (until 10.5.2012)
Dr. Liselotte Palz
Volker Wetschnig (until 10.5.2012)

45) Details of the companies wholly or partly owned by Steiermärkische Sparkasse Group at 31 December 2012

The reported equity and earnings figures were generally prepared in accordance with IFRS and may therefore differ from the financial statements of the individual companies prepared according to local policies, as well as the presentation in segment reporting. The reported profit/loss is the profit/loss after taxes (but before movement on reserves). The details of companies wholly or partly owned begin with companies with a calculated ownership interest starting at 20%.

Company name, registered office	Ownership interest %	Capital in EUR million	Profit/loss in EUR million	Transfer agreement[1]	Date of Annual Report	Consolidation category[2]
Credit institutions						
Banka Sparkasse d.d.; Ljubljana	26,0%	82,2	(9,1)		31.12.2012	E
Bankhaus Krentschker & Co. Aktiengesellschaft; Graz	92,6%	70,0	5,1		31.12.2012	V
ERSTE BANK AD NOVI SAD; Novi Sad	26,0%	117,2	9,6		31.12.2012	E
ERSTE BANK AD PODGORICA; Podgorica	41,0%	4,5	0,6		31.12.2012	A
Erste & Steiermärkische Bank d.d., Rijeka; Rijeka (Konzern)	41,0%	962,0	77,7		31.12.2012	E
Sparkasse Bank d.d.; Sarajevo	97,0%	53,8	3,6		31.12.2012	V
SPARKASSE BANK MAKEDONIJA AD SKOPJE; Skopje	99,7%	34,5	0,0		31.12.2012	V
Other financial institutions						
AMICUS Immorent Kommunalleasing GmbH; Graz	49,0%	(1,1)	(0,1)		31.12.2011	A
CALDO Grundstücksverwertungsgesellschaft m.b.H.; Wien	25,0%	0,0	(0,0)		31.12.2011	A
DENAR-Immorent Grundverwertungsgesellschaft m.b.H.; Wien	50,0%	(1,6)	(0,0)		31.12.2011	A
ERSTE CARD CLUB d.d.o.; Zagreb	41,0%	61,7	12,3		31.12.2012	A
ERSTE DELTA d.o.o.; Zagreb	41,0%	(0,4)	0,7		31.12.2012	A
Erste & Steiermärkische S-Leasing d.o.o.; Zagreb	54,1%	16,3	(6,2)		31.12.2012	E
GIROLEASING-Mobilienvermietungsgesellschaft m.b.H.; Wien	50,0%	(0,3)	0,0		31.12.2011	A
ILION-Immorent Grundverwertungsgesellschaft m.b.H.; Wien	35,0%	(2,1)	(0,2)		31.12.2011	A
IMMORENT ALFA leasing druzba, d.o.o.; Ljubljana	33,3%	(0,3)	0,1		31.12.2011	A
IMMORENT - ANDROMEDA Grundverwertungsgesellschaft m.b.H.; Wien	33,2%	(0,6)	0,7		31.12.2011	A
IMMORENT-APOLLO Grundverwertungsgesellschaft m.b.H.; Wien	25,0%	0,0	(0,0)		31.12.2011	A
IMMORENT BETA, leasing druzba, d.o.o.; Ljubljana	25,0%	(0,0)	(0,1)		31.12.2011	A
IMMORENT DELTA, leasing druzba, d.o.o.; Ljubljana	33,3%	0,3	0,2		31.12.2011	A
IMMORENT EPSILON, leasing druzba, d.o.o.; Ljubljana	33,3%	2,0	0,1		31.12.2011	A
IMMORENT GAMA, leasing druzba, d.o.o.; Ljubljana	33,3%	(1,5)	(0,0)		31.12.2011	A
IMMORENT-HATHOR Grundverwertungsgesellschaft m.b.H; Wien	50,0%	(2,0)	(0,1)		31.12.2011	A
IMMORENT-JURA Grundverwertungsgesellschaft m.b.H.;Wien	90,0%	0,6	0,1		31.12.2011	A

[1] Profit and Loss Transfer Agreement with Steiermärkische Bank und Sparkassen AG
[2] V = fully-consolidated, E = at-equity, A = not consolidated

Company name, registered office	Ownership interest %	Capital in EUR million	Profit/loss in EUR million	Transfer agree-ment[1)]	Date of Annual Report	Consoli-dation category[2)]
IMMORENT leasing nepremicnin d.o.o.; Ljubljana	25,0%	(1,8)	0,3		31.12.2011	A
IMMORENT-RAFI Grundverwertungsgesellschaft m.b.H.; Wien	50,0%	0,1	0,1		31.12.2011	A
IMMORENT-RIO Grundverwertungsgesellschaft m.b.H.; Wien	60,0%	(0,9)	(0,1)		31.12.2011	A
IMMORENT SIGMA d.o.o.; Zagreb	50,0%	0,1	(2,8)		31.12.2011	A
Immorent-Süd Gesellschaft m.b.H.; Graz	35,0%	0,2	0,2		31.12.2012	E
Immorent - Süd Gesellschaft m.b.H., S - Leasing KG; Graz	42,9%	5,8	3,4		31.12.2012	E
IMMORENT-TRIAS Grundverwertungsgesellschaft m.b.H.; Wien	50,0%	0,2	0,4		31.12.2011	A
IMMORENT-VITUS Grundverwertungsgesellschaft m.b.H.; Wien	50,0%	0,0	(0,0)		31.12.2011	A
KERES-Immorent Immobilienleasing GmbH; Wien	100,0%	0,3	(0,0)		31.12.2011	A
Ölim-Grundverwertungsgesellschaft m.b.H.; Graz	100,0%	(0,2)	(0,0)		31.12.2011	A
PONOS-Immorent Immobilienleasing GmbH; Graz	50,0%	1,9	0,0		31.12.2011	A
RUTAR INTERNATIONAL trgovinska d.o.o.; Ljubljana	25,0%	0,4	0,4		31.12.2011	A
S IMMORENT EPSILON d.o.o.; Zagreb	50,0%	0,2	0,0		31.12.2011	A
S IMMORENT ETA d.o.o.; Zagreb	50,0%	(1,3)	(0,6)		31.12.2011	A
S IMMORENT GAMMA d.o.o.; Zagreb	50,0%	(0,0)	(0,0)		31.12.2011	A
S-IMMORENT nepremicnine d.o.o.; Ljubljana	33,3%	(0,2)	0,1		31.12.2011	A
S IMMORENT ZETA d.o.o.; Zagreb	20,2%	(0,5)	(0,6)		31.12.2012	A
S-LEASING DOO BEOGRAD; Beograd	50,0%	1,8	0,0		31.12.2012	E
S-Leasing doo Podgorica; Podgorica	50,0%	0,9	0,9		31.12.2012	E
S-Leasing d.o.o., Sarajevo; Sarajevo	99,7%	0,7	0,3		31.12.2012	A
S-Leasing d.o.o., Skopje; Skopje	100,0%	0,9	0,1		31.12.2012	A
SPARKASSEN LEASING druzba za financiranje d.o.o.; Ljubljana	33,3%	(27,9)	(1,1)		31.12.2012	E
S-RENT DOO BEOGRAD; Beograd	50,0%	1,8	0,3		31.12.2012	E
Theuthras-Immorent Grundverwertungsgesellschaft m.b.H.; Graz	50,0%	2,9	0,1		31.12.2011	A
Other						
AWEKA - Kapitalverwaltungsgesellschaft m.b.H.; Graz	100,0%	13,1	0,7		31.12.2012	V
AWEKA-Beteiligungsgesellschaft m.b.H.; Wien	92,6%	5,9	0,0		31.12.2011	A
BioEnergie Stainach GmbH; Stainach	100,0%	0,0	0,0		31.12.2011	A
BioEnergie Stainach GmbH & Co KG; Stainach	99,9%	0,9	(0,5)		31.12.2011	A
BRS Büroreinigungsgesellschaft der Steiermärkischen Bank und Sparkassen Aktiengesellschaft Gesellschaft m.b.H.; Graz	100,0%	0,0	0,0	X	31.12.2012	V
CITY REAL Immobilienbeteiligungs- und Verwaltungsgesellschaft mbH; Graz	100,0%	(0,3)	(0,1)		31.12.2011	A

1) Profit and Loss Transfer Agreement with Steiermärkische Bank und Sparkassen AG
2) V = fully-consolidated, E = at-equity, A = not consolidated

Company name, registered office	Ownership interest %	Capital in EUR million	Profit/loss in EUR million	Transfer agree-ment[1)]	Date of Annual Report	Consoli-dation category[2)]
CITY REAL Immobilienbeteiligungs- und Verwaltungsgesellschaft mbH & Co KG; Graz	99,0%	(0,3)	0,0		31.12.2011	A
Erste d.o.o.; Zagreb	27,6%	11,2	1,9		31.12.2011	A
ERSTE DMD d.o.o.; Zagreb	41,0%	2,3	0,2		31.12.2012	A
ERSTE FACTORING d.o.o.; Zagreb	30,7%	20,3	5,8		31.12.2012	A
ERSTE NEKRETNINE d.o.o.; Zagreb	41,0%	0,4	0,1		31.12.2012	A
Erz und Eisen Regional Entwicklungs GmbH; Eisenerz	26,0%	0,1	0,0		31.12.2011	A
ESB Holding GmbH; Wien	41,0%	0,0	0,0		31.12.2011	A
GWS Gemeinnützige Alpenländische Gesellschaft für Wohnungsbau und Siedlungswesen m.b.H.; Graz	27,8%	41,7	4,7		31.12.2011	A
IMMOKOR BUZIN d.o.o.; Zagreb	20,1%	4,0	(0,1)		31.12.2012	A
Kabel-TV MITTLERES MÜRZTAL Gesellschaft m.b.H.; Kindberg	25,0%	0,8	0,1		31.12.2011	A
Kreco Realitäten Aktiengesellschaft; Wien	73,2%	1,9	0,2		31.12.2011	A
LIEGESA Immobilienvermietung GmbH Nfg OG; Graz	100,0%	(0,7)	(0,1)		31.12.2012	V
Real-Service für steirische Sparkassen, Realitätenvermittlungsgesellschaft m.b.H.; Graz	45,8%	0,3	(0,2)		31.12.2011	A
RegioZ Regionale Zukunftsmanagement und Projektentwicklung Ausseerland Salzkammergut GmbH; Bad Aussee	20,0%	(0,0)	(0,0)		31.12.2011	A
RTG Tiefgaragenerrichtungs und -vermietungs GmbH; Graz	100,0%	0,0	0,0		31.12.2011	A
s ASG Sparkassen Abwicklungs- und Servicegesellschaft mbH; Graz	99,8%	0,1	0,0	X	31.12.2012	V
SBS Beteiligungs GmbH; Graz	100,0%	0,0	(0,0)		31.12.2011	A
Schauersberg Immobilien Gesellschaft m.b.H.; Graz	100,0%	2,4	0,3		31.12.2011	A
Seniorenresidenz "Am Steinberg" GmbH; Graz	100,0%	0,2	0,1		31.12.2011	A
"SIMM" Liegenschaftsverwertungsgesellschaft m.b.H.; Graz	100,0%	0,2	(0,0)		31.12.2011	A
S-PREMIUM d.o.o. Sarajevo; Sarajevo	98,4%	0,1	0,0		31.12.2011	A
Sparkassen IT Holding AG; Wien	20,3%	4,6	0,7		31.12.2011	A
Sparkasse S d.o.o.; Ljubljana	26,0%	0,3	0,2		31.12.2011	A
SPK - Immobilien- und Vermögensverwaltungs GmbH; Graz	100,0%	15,1	(0,0)		31.12.2012	V
Sparkasse Nekretnine d.o.o.; Sarajevo	84,5%	0,1	0,0		31.12.2011	A
Steiermärkische Verwaltungssparkasse Immobilien & Co KG; Graz	100,0%	113,6	(0,5)		31.12.2012	V
Technologiezentrum Deutschlandsberg GmbH; Deutschlandsberg	29,0%	0,5	0,0		31.12.2011	A
Technologiezentrum Kapfenberg Vermietungs-GmbH; Kapfenberg	24,0%	1,4	0,2		31.12.2011	A
W.E.I.Z. Immobilien GmbH; Weiz	24,0%	3,2	(0,0)		30.09.2011	A

[1)] Profit and Loss Transfer Agreement with Steiermärkische Bank und Sparkassen AG
[2)] V = fully-consolidated, E = at-equity, A = not consolidated

Graz, 15 April 2013

The Management Board:

Dr. Gerhard Fabisch mp Chairman	Mag. Franz Kerber mp Vice Chairman
Dr. Georg Bucher mp Member	Sava Dalbokov, MBA mp Member

C. Auditors' Report
(Report of the Independent Auditors)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Steiermärkische Bank und Sparkassen AG for the financial year from 1 January 2012 to 31 December 2012. These consolidated financial statements comprise the balance sheet as at 31 December 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended 31 December 2012, and the notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements and for the consolidated accounting

Steiermärkische Bank und Sparkassen AG's management is responsible for the consolidated accounting as well as the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and description of the type and extent of the statutory audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws, regulations and principles governing an audit of financial statements which are applicable in Austria and in accordance with International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2012, and of its financial performance and its cash flows for the financial year from 1 January 2012 to 31 December 2012 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Statement on the consolidated management report

Laws and regulations require us to perform audit procedures to determine whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report are not misleading to the group's position. The audit report must also include a statement as to whether the consolidated management report is consistent with the consolidated financial statements and if the disclosures pursuant to section 243a of the Austrian Business Code are appropriate.

In our opinion, the consolidated management report for the group is consistent with the consolidated financial statements. The disclosures pursuant to section 243a Austrian Business Code are appropriate.

This report has been translated from German to English for referencing purposes only. Please refer to the official legally binding version as written and signed in German. Only the German version is definitive.

Consolidated Financial Statements 2012

Steiermärkische Bank und Sparkassen Aktiengesellschaft

Vienna, 15 April 2013

Austrian Savings Bank Auditing Association
Auditing Board
(Bank Auditor)

Mag. Friedrich O. Hief mp Certified Accountant	Mag. Reinhard Gregorich mp Auditor

This report has been translated from German to English for referencing purposes only. Please refer to the official legally binding version as written and signed in German. Only the German version is definitive.

D. Statement of all Members of the Management Board

In accordance with Section 82 (4) 3 of the Austrian Stock Exchange Act, the undersigned members of the Management Board confirm:

We confirm to the best of our knowledge that the consolidated 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 the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

Graz, 15 April 2013

The Management Board:

Dr. Gerhard Fabisch mp Chairman	Mag. Franz Kerber mp Vice Chairman
Dr. Georg Bucher mp Member	Sava Dalbokov, MBA mp Member

Responsibilities of the Management Board

Dr. Gerhard Fabisch Chairman	Mag. Franz Kerber Vice Chairman	Dr. Georg Bucher	Sava Dalbokov, MBA
Company Secretariat Human Resources Securities Trading Private Banking Currency & Money Market Employee’s Council Retail Styria Division	Corporate Loan Administration Marketing Facility Management	Organisation/ IT Accounting/ Controlling Internal Audit *) Strategic Risk Management Operative Risk Management Operational and Risk Analysis Corporate Loan Restructuring Legal Compliance *) Security Payment Transactions Sales Support *) report directly to entire Management Board	Strategy and Business Development International Operations and FI Strategic Projects SEE

Glossary

CEPS
Committee of European Banking Process was established based on a decision of the European Commission. It is an independent advisory group on banking supervision seated in London.

Core tier-1 ratio (total risk in %)
The ratio of tier-1 capital after regulatory deductions to the calculation base for the capital requirement pursuant to Section 22 (1) of the Austrian Banking Act.

Cost/Income ratio
General administrative expenses as a percentage of operating income.

Coverage ratio (own funds)
Total eligible qualifying capital as a percentage of total capital requirement.

CRD IV
Capital Requirements Directive
Specifically regarding CRD IV and the introduction from European Commission regulatory supervisory framework Directive initiative reflecting Basel III rules on capital measurements and capital standards.

CRR
Capital Requirements Regulation
European Union Regulation that has to be implemented in each member state regarding centralised equity capital and liquidity regulations.

Earnings per share
Net profit for the year attributable to owners of the parent divided by average shares outstanding.

EMIR
European Market Infrastructure Regulation is a European Union intiative to regulate the over-the-counter trading and derivatives.

FATCA
Foreign Account Tax Compliance Act
US Tax law requiring foreign financial institutions to report to tax relevant information of American clients to the Internal Revenue Service (IRS).

ICAAP
Internal Capital Adequacy Assessment Process
Financial institutions are required to demonstrate to the regulator that they have internal risk assessment and management information systems in place to efficiently assess their economic capital requirement. Discussions about the procedure re referred to as ICAAP.

Interest-bearing assets
Total assets less cash, derivative financial instruments, tangible and intangible assets, tax assets, assets held for sale and other assets.

LCR
Liquidity coverage ratio is part of Basel III and they define how much liquid assets have to be held by financial institutions. Banks are required to hold an amount of highly-liquid assets, such as cash or Treasury bonds, equal to or greater than their net cash over a 30 day period (having at least 100% coverage). The Liquidity coverage ratio is designed to ensure that financial institutions have the necessary assets on hand to ride out short-term liquidity disruptions under certain scenarios.

Net interest margin
Net interest income as a percentage of average interest-bearing assets, calculated on a monthly basis.

NPL coverage ratio (non-performing loans coverage ratio)
Risk provisions for loans and advances to customers as a percentage of non-performing loans and advances to customers.

NPL-Ratio
Non-performing loans and advances to customers as a percentage of total loans and advances to customers.

NSFR
Net Stable Funding Ratio has been proposed within Basel III is intended to promote longer-term structural funding of banks' balance sheets, whereby a time horizon of one year is taken into account. The NSFR measures the amount of longer-term, stable sources of funding employed by an institution relative to the liquidity profiles of the assets funded.

Operating income
Consists of net interest income, net commission income and trading result.

Operating expenses
Consists of personnel expenses, other administrative expenses and depreciation and amortisation.

Operating result
Operating income less operating expenses (i.e. general administrative expenses).

Return on equity
Also referred to as ROE – net profit/loss for the year attributable to owners of the parent, as a percentage of average equity. The average equity is calculated based upon the equity outstanding as of the close of each of the 12 months during the year.

Risk categories
Risk categories are based on internal customer ratings and are used for classification of the bank's assets and contingent credit liabilities. Steiermärkische Sparkasse Group applies internal rating systems, which for private individuals comprise eight rating grades for non-defaulted customers and one rating grade for customers in default. For all other customer segments, the Group uses 13 rating grades for non-defaulted customers and one rating grade for defaulted customers.

Risk category – management attention
These clients have good recent history and no current delinquencies, but the client repayment ability is vulnerable under unfavorable economic environment; new business with clients in this risk category requires adequate structuring of the credit risks (securities).

Risk category – substandard
The borrower is vulnerable to negative financial and economic developments. Such loans are managed in specialised risk management departments.

Risk category - non-performing
One or more of the default criteria under Basel II are met: 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.

Risk category – low risk
The client demonstrates a strong ability to pay interest and principal; new business with clients in this category is generally possible.

SEE (South Eastern Europe)
Encompasses the Balkan states as well as the states that evolved from the former Yugoslavia.

Share capital
Total equity attributable to owners of the parent of a company, subscribed by the shareholder at par.

Tax rate
Taxes on income/loss as a percentage of pre-tax profit from continuing operations.

Tier-1 ratio (total risk in %)
The ratio of tier-1 capital (including hybrid capital pursuant to section 23 (4a) and (4b) of the Austrian Banking Act) after regulatory deductions to the calculation base for the capital requirement pursuant to section 22 (1) of the Austrian Banking Act.

COMPANY DETAILS

Media owner and publisher
Steiermärkische Bank und Sparkassen Aktiengesellschaft
Subject of the company: Credit institute
Company headquarters: A-8010 Graz, Sparkassenplatz 4

Owners of the media owner
» **Steiermärkische Verwaltungssparkasse** (73 %)
» **Erste Bank der österreichischen Sparkassen AG** (25 %)
Subject of the company: Credit institute
A-1010 Vienna, Graben 21

Participating in Erste Bank der österreichischen Sparkassen AG:
Erste Group Bank AG (100 %)
Subject of the company: Credit institute
A-1010 Vienna, Graben 21
Participating in Erste Group Bank AG:
http://www.erstgroup.com/de/Impressum

» **Employee participation** (2 %)

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Birgit Pucher, Communication Department

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As a rule, gender-neutral language was used throughout this publication for improved readability.
We would like to emphasise that gender-neutral terms include both women and men.