CONSOLIDATED FINANCIAL STATEMENTS 2013
GROUP

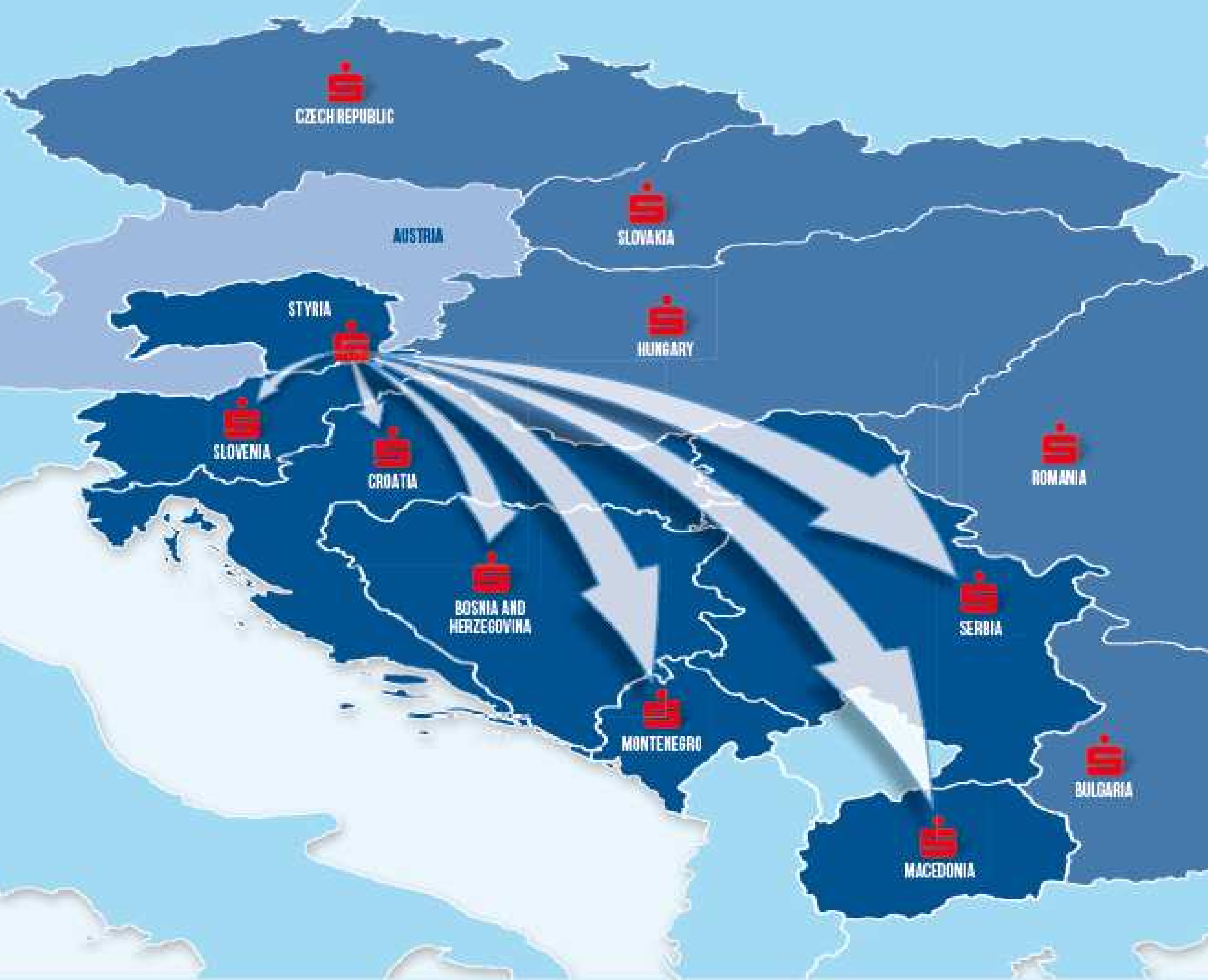
TRUST

Vertrauen ist die wichtigste Währung

Steiermärkische
SPARKASSE

In jeder Beziehung zählen die Menschen.

STEIERMÄRKISCHE SPARKASSE-GROUP



Steiermärkische SPARKASSE

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CONSOLIDATED FINANCIAL STATEMENTS

A. Management Report

Economic and regulatory environment

In 2013, Austria was rated „Triple A“ by three of the four most prominent rating agencies. Particularly emphasis was placed on the long-term stability, competitiveness and balanced economy of the country.

According to preliminary calculations of the Austrian Institute for Economic Research (WIFO), the Austrian GDP grew by 0.3% in 2013. In contrast, some Eurozone countries, just as in 2012, continued to find themselves in a profound corrective recession resulting in an overall GDP reduction (-0.4%) throughout Europe. Beginning mid-2013 the leading Austrian indicators were pointing upwards again and indicated by year-end a gradual upturn. The current forecasts indicate a 1.7% GDP growth in 2014 for the Austrian economy with continued upwards momentum (1.7% to 2%) for 2015. However, the downside risks for the economic development continue to be high. A recurrence of the international sovereign debt crisis still cannot be excluded.

On the demand side economic growth was contrained in 2013 as a result of the domestic economy. For the first time since 1984, consumption declined by just under -0.1%. Also investments in the corporate sector declined (-1.4%), while exports grew by 2.6%. Austria's unemployment rate increased rather strongly to 4.9% but remained as in the previous year the lowest in the European Union. In 2013 approximatly 3.5 million people on average were employed, which is a 0.5% increase over the previous year. Unemployment increased by 11.9% to a total of 361,279.

2013 was primarily a year dominated by central banks. The European Central Bank continued to ensure low interest rates. The European Central Bank lowered the base rate twice to a current level of 0.25% while emphasising when necessary to take further measures such as negative interest rates for commercial banks. Despite low interest rates, domestic loan volume decreased since the fiscal year end 2013 by 0.4% (level November 2013). The development of deposits was on the rise, however on a long-term comparison under-average.

According to the Austrian National Bank, with the exception of the well-known problem cases, the Austrian Banking sector showed stability in 2013. The borrowing dynamic of domestic corporations weakened during the course of the 2013, which according to a survey with banks and corporations from the Austrian National Bank is a result of both supply and demand.

With the exception of the well-known problem cases, the Austrian banks were assessed as stable in 2013 according to the Austrian National Bank. Domestic corporate loan dynamic weakend during the course of the year, which according to the Austrian National Bank survey is a result of both demand and supply. The earnings of Austrian banks during the 3rd quarter 2013 were characterized by a difficult market environment and sluggish profitability in dometic business. Due to low interest rates, net interest and income from securities and equity interest weakened, while light increases in fees and commissions could be achieved. Simultaneously, general operating costs rose resulting in EUR 0.6 billion lower operating result as the previous year of EUR 4.7 billion. On the capital markets there were record highs on the leading exchanges and decreasing bond yields. Although the Vienna Stock Exchange fell short of the international developments; while others managed to book double digit growth, the ATX only grew by 6.1%

Haftungsverbund

Steiermärkische Bank und Sparkassen AG (Steiermärkische Sparkasse) is a member of the Haftungsverbund (cross-guarantee system) of Austrian savings banks created in 2001 that began operations starting 1.1.2002. In addition to the Erste Group Bank AG, the Haftungsverbund belongs to all Austrian savings banks with the exception of the Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft and UniCredit Bank Austria AG.

In 2007 and 2013 the collaboration between the savings banks was further strengthened by way of Supplemental Agreement 1 and Supplmental Agreement 2. The purpose of the agreement concluded in 2013 and effective as of 1 January 2014 is not only to broaden the steering options available to the Haftungsverbund but also to ensure compliance with point 127 of Article 4 (a) (1) CRR and Article 113 (7) CRR with a view to allowing recognition of minority interests at consolidated level in acc. with Article 84 (6) CRR. Savings banks that are party to the agreement concluded in 2013 also include Allgemeine Sparkasse Oberösterreich, which forms an institutional protection scheme as defined under Article 113 (7) CRR with the other members of the Haftungsverbund. The members of the Haftungsverbund build a group of credit insitutions according to Article 30 of the Austrian Banking Act (BWG) whose parent company is the Erste Group Bank AG. This requires that the Erste Group Bank AG perform the consolidation of equity capital (according to Article 24 Austrian Banking Act) as well as the risk-weighted assessment (according to Article 22 Austrian Banking Act). Therefore, in accordance with IFRS, all Haftungsverbund members are fully consolidated as at 31 December 2013 and will continue to be integral part of the IFRS consolidation scope of Erste Group starting with 2014.

Performance in 2013

Despite the challenging economic and regulatory environment, Steiermärkische Sparkasse together with our subsidiaries and associates had a satisfactory fiscal year in 2013. There was a decline in operating profit as a result of continually low net interest income and compared with recent years disappointing earnings of the Croatian subsidiary that could be partially compensated through consistent cost and risk management.

The group's total assets decreased by 2.3% to EUR 14.2 billion compared to last year. As the parent company, Steiermärkische Sparkasse dominated with total assets of EUR 12.8 billion followed by Bankhaus Krentschker & Co. AG with stabile total assets of a little over EUR 1.0 billion.

The operating profit1 of Steiermärkische Sparkasse Group decreased to EUR 150 million (-12.1%). The consolidated net income in 2013 EUR 60 million which is a 20.4% reduction over the previous year. Both declines are primarily the result of the non-recuring charges to income of the Croatian subsidiary (consolidated income -68.8%) that is consolidated at equity. Important success factors for 2013, as in the previous year, can be attributed to exceptionally low cost as well as costs discipline in operating and personnel expenses. Profits side, the 5.9% increase in commission income stands out positively.

The planned dividend for Steiermärkische Sparkasse for the financial year 2013 is EUR 0.65 per share, just as the previous year.

A key priority of Steiermärkische Sparkasse in the fiscal year 2013 was also focused on preparing the Sparkasse for the challenges that will arise from numerous forthcoming regulations (especially CRD IV, CRR, Revision of existing directives on deposit guarantee schemes and investor compensation schemes, BRRD, European-wide uniform payment area SEPA, 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 2013, the Steiermärkische Sparkasse Group established 2 new and closed 7 branches and regional consultation centres. In addition 15 regional consultation centres were merged with branches. Location optimisation will continue to be the focus in 2014 as well. Steiermärkische Sparkasse has a total of 223 branches (without ATM-Vestibules[2]) and regional consultation centres, of which 149 are in Styria, 1 in Vienna, 46 in Bosnia and 27 in Macedonia. The Steiermärkische Sparkasse group employed 2,219.5 banking employees (less leased employees) in its branches and regional consultation centres per fiscal year-end, compared to 2,236.6 in the previous year.

[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)

[2] In the previous year ATM Vestibules were included in total.

Performance indicators

in EUR million					2013	2012

a) Core tier-1 ratio (total risk in %)

$$\frac{\text{Tier-1 capital Steiermärkische Sparkasse}^{1)}}{\text{Austrian Banking Act Sec. 22 (1)}^{1)}} = \frac{836{,}2}{6.617{,}3} = 12{,}6\% \quad (2012: 12{,}1\%)$$

					2013	2012
Tier-1 capital Steiermärkische Sparkasse [1)] / Austrian Banking Act Sec. 22 (1) [1)]	=	836,2 / 6.617,3	=		12,6%	12,1%

[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.*

b) Net interest margin:

					2013	2012
Net interest income / average interest bearing assets [2)]	=	255,8 / 13.941,4	=		1,8%	2,0%

[2)] *Interest bearing assets includes 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)*

c) Cost-Income-Ratio:

					2013	2012
General administrative expenses / Operating income	=	216,6 / 366,7	=		59,1%	56,5%

d) Return on Equity (ROE) after tax:

					2013	2012
Net profit/loss / Average equity [3)]	=	60,4 / 1.040,8	=		5,8%	8,0%

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

e) Workforce productivity:

					2013	2012
Operating result [4)] / Average Employees [5)]	=	150,1 / 2.307	=		0,065	0,073

[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 leases employees*

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 953.1 million, thereof EUR 836.2 million core tier 1 capital. The equity surplus is EUR 423.7 million.[3]

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 that is compatible with regulatory requirements.

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 2013 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 2013 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.

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

[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.

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[4]. 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 contrast to the renewed weakening expansion of the world economy, the Eurozone took a turn towards recovery in 2013. Restrictive budget politics and low inflation complicate the debt reduction for private households and corporations that are relatively high in some Eurozone countries and partially still on the rise. This puts a strain on private consumption, investments and lending services. In the 3rd quarter the Eurozone began to emerge from the recession but the confidence indicators remained sceptical. The forecast for 2014 remains conservative. Following a mere 0.3% GDP growth in 2013, a real GDP growth of 1.7% p.a in 2014 and 2015 is forecasted.

In the past years the traditional business model of the Austrian credit institutions that focuses on lending and deposit business proved to be a stabilising factor. Favored by high deposit of the Austrian population, the Austrian regional savings banks were especially able to increase their deposit base.

Securing the market position of Steiermärkische Sparkasse Group as universal bank in the region as well as their future growth will remain also in future years as a primary goal. Activities aimed at client acquisition will continue to remain a priority also in 2014 as well as strict cost management and process optimization will remain central topics to improve the competitive market position. Thereby longterm goals will be reenforced on the competitive market.

The solid capital resources and the excellent liquidity of the Steiermärkische Sparkasse enable us to be a reliable partner in the future for our clients and the people in our region. As member of the Austrian savings banks group, clients profit additionally from an international network and the safety of the cross gurantee mechanism.

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.

[4] 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, 4 March 2014

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 2013

Income Statement

in EUR million	(Notes)	2013	2012 (adjusted)
Interest and similar income		372,7	430,2
Interest and similar expenses		(132,6)	(181,4)
Income from associates accounted for at equity		15,7	36,1
Net interest income	1	**255,8**	**284,9**
Risk provisions for loans and advances	2	(72,4)	(56,5)
Fee and commission income		120,4	113,3
Fee and commission expenses		(12,8)	(11,6)
Net fee and commission income	3	**107,6**	**101,6**
Net Trading result	4	3,3	5,8
General administrative expenses	5	**(216,6)**	**(221,7)**
Results from financial assets	6	(0,1)	2,4
Other operating results	7	(4,1)	(23,1)
Pre-tax profit from continuing operations		**73,6**	**93,5**
Taxes on income	8	(13,1)	(17,1)
Post-tax profit from continuing operations		**60,5**	**76,3**
attributable to non-controlling interests		(0,1)	(0,5)
attributable to owners of the parent		**60,4**	**75,9**

Statement of comprehensive income

in EUR million	2013	2012
Net profit for the year	**60,5**	**76,3**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of net liability of defined pension plans	(2,4)	-5,2
Deferred taxes relating to items that will not be reclassified	0,6	1,3
Total	-1,8	-3,9
Items that may be reclassified to profit or loss		
Available for Sale-reserve (including currency translation)	(27,2)	124,4
Gain/loss during the year	(28,4)	126,2
Reclassification adjustments	1,2	(1,8)
Cash Flow Hedge-reserve (including currency translation)	(2,8)	(4,2)
Gain/loss during the year	(2,8)	(4,2)
Reclassification adjustments	0,0	0,0
Neutral changes in at-equity consolidated subsidiaries*)	1,0	15,3
Currency translations	(4,0)	(3,2)
Deferred taxes relating to items that may be reclassified	7,5	-30,0
Gain/loss during the year	7,8	(30,5)
Reclassification adjustments	(0,3)	0,5
Total	-25,4	102,3
Total other comprehensive income	**-27,3**	**98,4**
Total comprehensive income	**33,2**	**174,7**
attributable to non-controlling interests	(0,4)	0,9
attributable to owners of the parent	**33,6**	**173,8**

*) after offset of deferred taxes.

The change in presentation of the consolidated financial statement is applied retroactively as a result of changes in IAS 1 and IAS 19.

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

in units	2013	2012
Shares outstanding at 1 January	**7.593.785**	**7.596.771**
Acquisition of own shares	(10.588)	(8.950)
Disposal of own shares	4.420	5.964
Capital increase	0	0
Shares outstanding at 31 December	**7.587.617**	**7.593.785**
Own shares	52.383	46.215
Number of shares at 31 December	**7.640.000**	**7.640.000**
Weighted average number of shares outstanding	**7.590.701**	**7.595.278**

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	2013	2012
Earnings per share	7,96	9,99

II. Balance Sheet of Steiermärkische Sparkasse Group at 31.12.2013

in EUR million	(Notes)	2013	2012 (adjusted)
ASSETS			
Cash and balances with central banks	11	192,9	184,5
Loans and advances to credit institutions	12	1.875,9	2.024,7
Loans and advances to customers	13	10.227,2	10.356,9
Risk provisions for loans and advances	14	(444,1)	(437,5)
Derivatives	15	43,8	74,0
Trading assets	16	0,0	0,3
Financial assets	17	1.677,8	1.692,3
Equity holdings in associates accounted for at equity	18	456,5	453,2
Intangible assets	19	8,0	8,2
Property and equipment	19	95,1	97,7
Investment properties	19	76,8	84,8
Tax assets	20	2,0	2,8
Other assets	21	25,2	30,7
Total assets		**14.237,0**	**14.572,7**
LIABILITIES AND EQUITY			
Deposits by banks	22	2.078,4	2.424,5
Customer deposits	23	8.499,3	8.381,1
Debt securities in issue	24	2.139,9	2.132,7
Derivatives	25	19,4	137,8
Provisions	26	162,0	162,5
Tax liabilities	20	29,6	38,0
Other liabilities	27	117,5	102,2
Subordinated liabilities	28	134,8	159,7
Total Equity	29	1.056,1	1.034,2
attributable to non-controlling interests		1,9	6,9
attributable to owners of the parent		1.054,3	1.027,3
Total liabilities and equity		**14.237,0**	**14.572,7**

In order to improve transparency the Steiermärkische Sparkasse Group expanded the balance sheet structure. For further details regarding adjustments please refer to Chapter C Accounting policies Adjustments.

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 2012	**55,5**	**122,5**	**680,8**	**858,9**	**6,3**	**865,1**
Changes in own shares	0,0	0,0	(3,2)	(3,2)	0,0	(3,2)
Dividends	0,0	0,0	(0,5)	(0,5)	0,0	(0,5)
Capital increases	0,0	0,0	(4,9)	(4,9)	(0,3)	(5,2)
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	75,9	75,9	0,5	76,3
Change in interest in subsidiaries	0,0	0,0	101,1	101,1	0,5	101,5
Other comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0
Other transfers within the group[1)]	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	(17,7)
Available for Sale-reserve				152,3	0,8	153,1
Cash Flow Hedge reserve				6,2	0,0	6,2
Remeasurements of net liability of defined benefit plans				(35,9)	(0,1)	(36,0)
Deferred tax				(30,6)	(0,2)	(30,8)
Total equity at 1. January 2013	**55,5**	**118,3**	**853,4**	**1.027,3**	**6,9**	**1.034,2**
Currency translation	0,0	0,0	(4,0)	(4,0)	0,0	(4,0)
Changes in own shares	0,0	0,0	(1,1)	(1,1)	0,0	(1,1)
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	60,4	60,4	0,1	60,5
Income recognized direct in equity	0,0	0,0	(22,7)	(22,7)	(0,5)	(23,2)
Change in interest in subsidiaries	0,0	0,0	(0,6)	(0,6)	(4,4)	(5,0)
Other comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0
Total equity at 31. December 2013	**55,5**	**118,3**	**880,4**	**1.054,3**	**1,9**	**1.056,1**
Currency translation				(21,8)	0,0	(21,8)
Available for Sale-reserve				125,9	0,0	125,9
Cash Flow Hedge reserve				3,4	0,0	3,4
Remeasurements of net liability of defined benefit plans				(38,5)	(0,0)	(38,5)
Deferred tax				(22,7)	(0,0)	(22,7)

[1)] Other comprehensive income affects reclassifications of real estate transactions.

For more information on equity please refer to Note 29 Total Equity.

Cash Flow Statement

in EUR million	2013	2012
Net profit for the year (before minorities)	**60,5**	**76,3**
Non-cash adjustments for items in net profit for the year		
Depreciation, Amortisation, revaluation of assets	14,8	3,7
Impairment and reversal of impairment	66,1	55,8
Gains/losses from the sale of assets	(7,1)	(3,6)
Other adjustments	(0,2)	0,2
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Loans and advances to credit institutions	148,9	(169,1)
Loans and advances to customers	60,7	65,8
Trading assets and financial assets	(14,7)	(58,2)
Other assets from operating activities	39,2	(21,8)
Deposits by banks	(346,1)	(141,7)
Customer deposits	118,2	90,8
Debt securities in issue	7,1	180,4
Other liabilities from operating activities	(109,6)	(16,8)
Cash Flow from operating activities	**37,8**	**61,7**
Proceeds of disposal		
Associated companies	0,0	0,0
Property and equipment, intangible assets and investment properties	17,7	8,6
Acquisition of		
Associated companies	0,0	0,0
Property and equipment, intangible assets and investment properties	(17,3)	(14,0)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0,0	0,0
Cash Flow from investing activities	**0,4**	**(5,4)**
Capital increases	0,0	0,0
Dividends paid	(4,9)	(5,2)
Other financing activities (mainly changes of subordinated liabilities)	(24,9)	(40,6)
Cash Flow from financing activities	**(29,9)**	**(45,8)**
Cash and cash equivalents[*)] at the beginning of period	**184,5**	**173,9**
Cash Flow from operating activities	37,8	61,7
Cash Flow from investing activities	0,4	(5,4)
Cash Flow from financing activities	(29,9)	(45,8)
Cash and cash equivalents at the end of the period	**192,8**	**184,4**
Cash flows related to taxes, interest and dividends	**237,8**	**249,9**
Payments for taxes on income	(10,2)	(10,3)
Interest and dividends received	380,6	441,6
Interest paid	(132,6)	(181,4)

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

[**)] The previous year had to be adjusted for invalid cash interest payments

IV. Notes to the Financial Statements of Steiermärkische Sparkasse Group

A. General information

Steiermärkische Bank und 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 2013 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. In addition to the Erste Group Bank AG, the Haftungsverbund belongs to all Austrian savings banks with the exception of the Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft and UniCredit Bank Austria AG.

In 2007 and 2013 the collaboration between the savings banks was further strengthened by way of Supplemental Agreement 1 and Supplmental Agreement 2. The purpose of the agreement concluded in 2013 and effective as of 1 January 2014 is not only to broaden the steering options available to the Haftungsverbund but also to ensure compliance with point 127 of Article 4 (a) (1) CRR and Article 113 (7) CRR with a view to allowing recognition of minority interests at consolidated level in acc. with Article 84 (6) CRR. Savings banks that are party to the agreement concluded in 2013 also include Allgemeine Sparkasse Oberösterreich, which forms an institutional protection scheme as defined under Article 113 (7) CRR with the other members of the Haftungsverbund. The members of the Haftungsverbund build a group of credit insitutions according to Article 30 of the Austrian Banking Act (BWG) whose parent company is the Erste Group Bank AG. This requires that the Erste Group Bank AG perform the consolidation of equity capital (according to Article 24 Austrian Banking Act) as well as the risk-weighted assessment (according to Article 22 Austrian Banking Act). Therefore, in accordance with IFRS, all Haftungsverbund members are fully consolidated as at 31 December 2013 and will continue to be integral part of the IFRS consolidation scope of Erste Group starting with 2014.

As per the requirements of the Austrian Banking Act and the CRR, 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 Article 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. In any case the liability is limited with the overspill of equity capital.

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 2013 financial year and the comparable data for 2012 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 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 2012. Except as otherwise indicated, all amounts are stated in millions of euros. The tables in this report may contain rounding differences.

It is planned for the Management (following a presentation to the Supervisory Board) to approve the consolidated financial statements on 25 March 2014 for publication.

B. Acquisitions and disposals

Acquisitions / Disposals / Foundations 2013

In the first half of 2013, the shares of Steiermärkische Sparkasse in Bankhaus Krentschker & Co AG increased through a purchase by 7.34% to 99.98%.

This transaction did not have any significant impact or effect for the Steiermärkische Sparkasse Group.

Otherwise there were no other significant acquisitions or 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.

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 46).

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 2013.

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.

Hedge accounting

Steiermärkische Sparkasse Group makes use of derivative instruments to manage exposures to interest rate risk and foreign currency risk. At inception of a hedge relationship, the bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. Hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. Exact conditions for particular types of hedges and for testing the hedge effectiveness by Steiermärkische Sparkasse Group are specified internally in hedge policy.

Additionally at inception of a hedge relationship it is necessary to eliminate uncertainty in future cash flows of the hedging instrument in order to stabilize net interest income. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset the fair value changes of the hedging instrument in a range of 80% to 125%. When offsetting changes in the fair value or cash flow of the attributable are compared.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported on the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Leasing

A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments. A finance lease at Steiermärkische Sparkasse Group is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. All other lease agreements at Steiermärkische Sparkasse Group are classified as operating leases.

Steiermärkische Sparkasse Group as a lessor

The lessor in the case of a finance lease reports a receivable from the lessee under the line item 'Loans and advances to customers' or 'Loans and advances to credit institutions'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the income statement under the line item 'Net interest income'.

In the case of operating leases, the leased asset is reported by the lessor in 'property and equipment' or investment property' and is depreciated in accordance with the principles applicable to the assets involved. Lease income is recognised on a straight-line basis over the lease term in the income statement under the line item 'Net interest income'.

Lease agreements in which Steiermärkische Sparkasse Group is the lessor almost exclusively comprise finance leases.

Steiermärkische Sparkasse Group as lessee

As a lessee, Steiermärkische Sparkasse Group has not entered into any leases meeting the condition of finance lease. Operating lease payments are recognised as an expense in the income statement on the line item 'General administrative expenses' on a straight-line basis over the lease term.

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. Interest income earned is included under the line item 'Interest and similar income' in the income statement. Allowances for impairment and incurred but not reported losses are reported under the balance sheet line 'Risk provisions for loans and advances'. Losses arising from impairment are recognised in the income statement on the line item 'Risk provisions ofr loans and advances'.

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.

Derivative financial instruments

Derivatives used by Steiermärkische Sparkasse Group include mainly interest rate swaps, futures, forward rate agreements, interest rate options, currency swaps and currency options as well as credit default swaps. Derivatives are measured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. All kinds of derivatives without regard to their internal classification are disclosed under the line item 'Derivative financial instruments', which can be found, depending on their fair value as of the balance sheet date, on the assets or liabilities side of the balance sheet. Hence, the line item 'Derivative financial instruments' contains both derivatives held in the trading book and banking book and also includes derivatives designated for hedge accounting.

Changes in fair value (clean price) are recognised in the income statement under the line item 'Net trading result', except for those resulting from the effective part of cash flow hedges which are reported in other comprehensive income. Furthermore, changes in fair value (clean price) of derivatives related to financial liabilities designated at fair value through profit or loss are presented on the income statement under the line item 'Result from financial instruments – at fair value through profit or loss'. Interest income/expense related to derivative financial instruments is recognised in the income statement under the line item 'Net interest income' if held in the banking book or designated as hedging instruments in fair value hedges under the line item 'Net interest income' in the income statement.

Trading assets

Financial assets and financial liabilities held for trading include debt securities as well as equity instruments acquired or issued principally for the purpose of selling or repurchasing in the near term. Financial instruments held for trading are measured at fair value and are presented as 'Trading assets' or 'Trading liabilities' on the balance sheet. Changes in fair value (clean price) resulting from financial instruments held for trading are reported in the income statement under the line item 'Net trading result'. Nonetheless, interest income and expenses are reported in the income statement under the line item 'Net interest income'.

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. Interest earned on debt instruments as well as dividend income on equity instruments are shown under the item 'Interest and similar income'.

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. Interest and dividend income on available-for-sale financial assets are reported in the income statement under the line item 'Interest and similar income'.

Determination of fair value

Fair value is the price that would be received to sell an asset otr paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The best indication of fair value is quoted market prices in an active market. Where such prices are available, they are used to measure the fair value (level 1 of the fair value hierarchy). 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). If no market prices are available the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as level 2 of the fair value hierarchy. In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor of valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as level 3 of the fair value hierarchy.

Details on valuation techniques that are applied in the Steiermärkische Sparkasse Group are disclosed in Note 38 Fair value of assets and liabilities.

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.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments.

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

Investment property

Investment property is property (land and buildings or part of a building or both) held for the purpose of earning rental income or for capital appreciation. In the case of partial own use, the property is investment property only if the owner-occupied portion is insignificant. Investments in land and buildings under construction, where the future use is expected to be the same as for investment property, are treated as investment property.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated deprecition and impairment. Together with rental income, depreciation is recognised in the income statement under the line item 'Interest and similar income' using the straight-line method over an estimated useful life. The useful lives of investment properties are identical to those of buildings reported under property and equipment. Any impairment losses, as well as their reversals, are recognised under the income statement line item 'Other operating results'. Investment property is presented on the balance sheet under the line item 'Investment property'.

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

Liabilities are measured at amortised cost, unless they are measured at fair value through profit and loss. Zero-coupon bonds and similar obligations are measured at present value.

Defined employee benefit plans

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.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. On the balance sheet, provisions are reported under the line item 'Other provisions'.

They include credit risk loss provisions for contigent liabilities (particularly financial guarantees and loan commitments) as well as provisions for litigation and restructuring. Expenses or income from allocation or release relating to credit risk loss provisions for contigent liabilities are presented under the income statement line item 'Risk provisions for loans and advances'. All other expenses or income related to provisions are reported under the line item 'Other operating result.

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.

Treasury shares and contracts on treasury shares

Equity instruments of Steiermärkische Sparkasse AG that it or any of its subsidiaries acquire (referred to as treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issue or cancellation of Steiermärkische Sparkasse AG's own equity instruments is recognised directly in equity.

Financial guarantees

In the ordinary course of business, Steiermärkische Sparkasse Group provides financial guarantees, consisting of various types of letters of credit and guarantees. According to IAS 39, a financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss it incurs in case a specified debtor fails to make a payment when due in accordance with the original or modified terms of a debt instrument. If Steiermärkische Sparkasse Group is in a position of being a guarantee holder, the financial guarantee is not recorded on the balance sheet but is taken into consideration as collateral when determining impairment of the guaranteed asset.

Steiermärkische Sparkasse Group as a guarantor recognises financial guarantees as soon as it becomes a contracting party (i.e. when the guarantee offer is accepted). Financial guarantees are initially measured at fair value. Generally, the initial measurement is the premium received for a guarantee.

If no premium is received at contract inception, the fair value of a financial guarantee is nil, as this is the price that would be paid to transfer the liability in an orderly transaction between market participants.

Subsequent to initial recognition, the financial guarantee contract is reviewed for the possibility that provisioning will be required under IAS 37. The premium received is recognised in the income statement under the line item ‘Net fee and commission income’ on a straight-line basis over the life of the guarantee.

Adjustments

In order to improve transparency, Steiermärkische Sparkasse Group expanded the balance sheet structure.

The asset side was expanded by the position “Investment property”. Moreover the position “Fair Value Hedge / underlying transaction measurement” were assigned to the other assets / liabilities of the underlying transaction position. Furthermore, interest income from derivatives is no longer disclosed as net exposure, but disclosed under the underlying hedge position “Derivatives – Hedge Accounting”. In the event that it corresponds to an asset then it is disclosed as interest income or interest expense in the event of a liability.

The previous year was adjusted accordingly.

in EUR million **31. December 2012**	published value	reclassification interest inc. derivatives	restated value
Interest income			
Lending and money market transactions with credit institutions	47,2		47,2
Lending and money market transactions with customers	328,7		328,7
Bonds and other interest-bearing securities	40,8		40,8
Derivatives - Hedge accounting, interest rate risk	0,0	(3,6)	(3,6)
Interest income from financial assets - at fair value through profit or loss	0,0	2,5	2,5
Other interest and similar income	0,2		0,2
Current income			
Equity-related securities	6,1		6,1
Non-consolidated subsidiaries	3,6		3,6
Investment properties	4,7		4,7
Total interest and similar income	**431,3**	**(1,1)**	**430,2**
Interest expense			
Deposits by banks	(25,0)		(25,0)
Customer deposits	(104,0)		(104,0)
Debt securities in issue	(42,9)		(42,9)
Subordinated liabilities	(6,2)		(6,2)
Derivat Derivative products	(4,1)	1,1	(3,0)
Interest expenses from financial assets - at fair value through profit or loss	0,0		0,0
Other interest and similar expenses	(0,4)		(0,4)
Total interest and similar expenses	**(182,5)**	**1,1**	**(181,4)**
Income from associates accounted for at Equity	36,1		36,1
Total	**284,9**	**0,0**	**284,9**

in EUR million 1. January 2012	published value	reclassification Investment properties	reclassification FVH - measurement hedged item	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	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
Investment properties		89,1		89,1
Tax assets	4,5			4,5
Other assets	116,4	(89,1)	(2,1)	25,2
Total assets	**14.291,1**	**0,0**	**(2,1)**	**14.289,0**
LIABILITIES AND EQUITY				
Deposits by banks	2.566,2			2.566,2
Customer deposits	8.290,3		15,1	8.305,4
Debt securities in issue	1.923,4			1.923,4
Derivatives	150,0			150,0
Trading Liabilities				0,0
Provisions	164,9			164,9
Tax liabilities	14,4			14,4
Other liabilities	116,5		(17,2)	99,3
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**	**(2,1)**	**14.289,0**

in EUR million 31. December 2012	published value	reclassification Investment properties	reclassification FVH - measurement hedged item	restated value
ASSETS				
Cash and balances with central banks	184,5			184,5
Loans and advances to credit institutions	2.024,7			2.024,7
Loans and advances to customers	10.356,9			10.356,9
Risk provisions for loans and advances	(437,5)			(437,5)
Derivatives	74,0			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
Investment properties		84,8		84,8
Tax assets	2,8			2,8
Other assets	115,5	(84,8)		30,7
Total assets	**14.572,7**	**0,0**	**0,0**	**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		29,0	2.132,8
Derivatives	137,8			137,8
Trading Liabilities				0,0
Provisions	162,5			162,5
Tax liabilities	38,0			38,0
Other liabilities	131,1		(29,0)	102,1
Subordinated liabilities	159,7			159,7
Total Equity	1.034,2			1.034,2
attributable to non-controlling interests	6,9			6,9
attributable to owners of the parent	1.027,3			1.027,3
Total liabilities and equity	**14.572,7**	**0,0**	**0,0**	**14.572,7**

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 2013. 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 2013:

- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income
- IAS 19 (revised 2011) Employee Benefits
- Amendments to IFRS 7 – Offsetting Financial Assets and Liabilities
- IFRS 13 Fair Value Measurement
- Annual improvements to IFRS (issued in 2012)

Application of these amended standards and interpretations had no material effect on the recognition and measurement methods of Steiermärkische Sparkasse Group. However, there were the following presentation and disclosure impacts:

- Amendments to IAS 1 bring new rules on how OCI items and their tax effects are grouped in the statement of comprehensive income
- Application of IAS 19 (revised 2011) leads to a new column ‘Remeasurement of net liability of defined benefit plans’ in the statement of changes in equity. Additionally actuarial gains are no longer recognised in the income statement, but are reported under other comprehensive income. Steiermärkische Sparkasse Group decided in 2012 for early adoption of IAS 19.
- Amendments to IFRS 7 result in new disclosures for offsetting in the area of derivatives and repo transactions in Note 37 Offsetting
- Application of IFRS 13 results in enhanced disclosures about fair value measurements

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 36 – Recoverable Amounts Disclosures for Non-financial Assets*
- *Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting*
- *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*
- *IFRS 10 Consolidated Financial Statements*
- *IFRS 11 Joint Arrangements*
- *IFRS 12 Disclosure of Interests in Other Entities*

Although they have been endorsed by the EU, Steiermärkische Sparkasse Group decided not to apply them before they become effective.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

Amendments to IAS 19 were issued in November 2013 and are effective for annual periods beginning on or after 1 July 2014. The amendments clarify that contributions from employees or third parties that are linked to service must be attributed to periods of service using the same attribution method as used for the gross benefit. However, the contribution may be recognised as a reduction in the service cost if the amount of the contributions is independent of the number of years of service.

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

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.

Amendments to IAS 36 – Recoverable Amounts Disclosures for Non-financial Assets

Amendments to IAS 36 were issued in May 2013 and are effective for annual periods beginning on or after 1 January 2014.

The amendments require an entity to disclose the recoverable amount of an individual asset (including goodwill) or a cash-generating unit for which the entity has recognised or reversed an impairment loss during the reporting period. Additional disclosures are required if the recoverable amount is determined based on fair value less costs of disposal.

Application of these amendments will result in new disclosures concerning recoverable amounts.

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

Amendments to IAS 39 were issued in June 2013 and are effective for annual periods beginning on or after 1 January 2014.

Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative were novated, provided certain criteria are met.

Application of these amendments is 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. In November 2013, a part for hedge accounting was issued. Currently, IFRS 9 is available for application, but there is no effective date.

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.

The objective of the new hedge accounting model is to reflect in accounting actual risk management practices of entities hedging risks. For Steiermärkische Sparkasse Group, the following areas are expected to be relevant to achieve this objective: only the prospective effectiveness test is required and the retrospective effectiveness test with the 80%-125% corridor was abandoned; when options are used as hedging instruments, the volatility of the time value is recognised through OCI rather than profit or loss; the possibility of hedging synthetic items containing derivatives.

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.

Annual Improvements to IFRSs 2010-2012 and 2011-2013 Cycle

In December 2013, the IASB issued and published two sets of amendments to various standards. The amendments are effective for annual periods beginning on or after 1 July 2014.

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

IFRIC 21 Levies

IFRIC 21 was issued in May 2013 and is effective for annual periods beginning on or after 1 January 2014.

The interpretation addresses when a liability for a levy imposed by a government is recognised. The liability is recognised progressively if the obligating event occurs over a period of time. If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

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	2013	2012 (adjusted)
Interest income		
Lending and money market transactions with credit institutions	31,5	47,2
Lending and money market transactions with customers	281,9	328,7
Bonds and other interest-bearing securities	40,2	40,8
Derivatives - Hedge accounting, interest rate risk	3,1	(3,6)
Interest income from financial assets - at fair value through profit or loss	0,8	2,5
Other interest and similar income	0,0	0,2
Current income		
Equity-related securities	6,9	6,1
Non-consolidated subsidiaries	3,5	3,6
Investment properties	4,8	4,7
Total interest and similar income	**372,7**	**430,2**
Interest expense		
Deposits by banks	(17,9)	(25,0)
Customer deposits	(71,8)	(104,0)
Debt securities in issue	(37,4)	(42,9)
Subordinated liabilities	(4,1)	(6,2)
Derivat Derivative products	(1,4)	(3,0)
Interest expenses from financial assets - at fair value through profit or loss	0,0	0,0
Other interest and similar expenses	(0,0)	(0,4)
Total interest and similar expenses	**(132,6)**	**(181,4)**
Income from associates accounted for at Equity	15,7	36,1
Total	**255,8**	**284,9**

Rental income from investment properties that are classified in accordance with IAS 40 totalled EUR 7.9 million (2012: EUR 7.8 million).

2) Risk provisions for loans and advances

in EUR million	2013	2012
Allocation to risk provisions for loans and advances	(175,4)	(151,1)
Release of risk provisions for loans and advances	107,5	100,8
Direct write-offs of loans and advances	(7,6)	(8,4)
Recoveries on written-off loans and advances	3,2	2,3
Total	**(72,4)**	**(56,5)**

3) Net fee and commission income

in EUR million	2013	2012
Lending business	9,2	9,5
Payment transfers	46,3	43,4
Card business	7,0	6,7
Securities business	21,6	19,2
Investment fund transactions	8,4	7,5
Custodial fees	6,1	5,5
Brokerage	7,0	6,2
Insurance brokerage	10,8	10,4
Building society brokerage	4,6	4,3
Foreign exchange transactions	3,8	3,9
Other	4,3	4,1
Total	**107,6**	**101,6**

4) Net trading result

in EUR million	2013	2012
Securities and derivatives trading	(2,4)	(1,6)
Foreign exchange transactions	5,6	7,5
Total	**3,3**	**5,8**

From cash flow and fair value hedges, an amount of EUR 0.7 million (2012: EUR 0.0 million) is reported under the line item ‘Net trading result’.

5) General administrative expenses

in EUR million	2013	2012
Personnel expenses	(148,8)	(150,7)
Other administrative expenses	(55,4)	(59,0)
Depreciation and amortisation	(12,3)	(12,0)
Total	**(216,6)**	**(221,7)**

Personnel expenses

in EUR million	2013	2012
Wages and salaries	(110,8)	(110,7)
Compulsory social security contributions	(25,3)	(24,8)
Long-term employee provisions	(6,6)	(8,8)
Other personnel expenses	(6,0)	(6,3)
Total	**(148,8)**	**(150,7)**

Average number of employees during the financial year

weighted according to the level of employment	2013	2012
Domestic	1.528	1.582
Abroad	779	749
Total	**2.307**	**2.331**

Other administrative expenses

in EUR million	2013	2012
IT expenses	(16,0)	(18,7)
Expenses for office space	(11,5)	(11,0)
Office operating expenses	(11,8)	(12,3)
Advertising/marketing	(7,9)	(8,2)
Legal and consulting costs	(3,7)	(4,2)
Sundry administrative expenses	(4,5)	(4,5)
Total	**(55,4)**	**(59,0)**

Depreciation and amortisation

in EUR million	2013	2012
Software and other intangible assets	(2,8)	(2,4)
Real estate used by the Group	(4,0)	(4,0)
Office furniture and equipment	(5,5)	(5,6)
Total	**(12,3)**	**(12,0)**

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	2013	2012
Gain from measurement/sale of financial assets at fair value through profit & loss	0,1	0,3
Gains/(loss) from sale of financial assets available for sale	2,0	4,1
Impairment/reversal of impairment of financial assets available for sale	(2,1)	(2,1)
Total	**(0,1)**	**2,4**

During the reporting period the amount removed from “Other Comprehensive Income” to “Result from Financial Assets – Available for Sale” was EUR -1.2 million (2012: EUR 1.8 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	2013	2012
Shares and other equity related securities	1,6	1,2
Gorenjska banka d.d. (Slovenia)	1,4	0,6
Other	0,2	0,7
Bonds and other fixed-income securities[1)]	0,0	0,6
Greece	0,0	0,1
Hungary	0,0	0,0
Slovenia	0,0	0,0
Other	0,0	0,4
Total	**1,6**	**1,8**

[1)] Sovereigns, institutions and companies

7) Other operating result

in EUR million	2013	2012
Other operating income	8,1	4,4
Other operating expenses	(12,2)	(27,5)
Total	**(4,1)**	**(23,1)**
Result from real estate/moveables/properties	3,1	(1,2)
Allocation/release of other provisions/risks	(0,2)	(2,5)
Depreciation of customer relationships (incl. at-equity consolidated companies)	(1,6)	(4,1)
Bank tax	(2,9)	(2,9)
Other taxes	(0,6)	(2,5)
Gains from companies accounted for at -equity	(3,1)	(6,0)
Result from other operating expenses/income	1,3	(4,0)
Total	**(4,1)**	**(23,1)**

Operating expenses (including repair and maintenance) for ‘Investment properties’ not held for rental income totalled EUR 1.8 million (2012: EUR 1.4 million).

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	2013	2012
Current tax expense/income	(17,2)	(16,2)
Deferred tax expense/income	4,1	(0,9)
Total	**(13,1)**	**(17,1)**

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	2013	2012
Pre-tax profit from continuing operations	73,6	93,5
Income tax expense for the financial year at the domestic statutory tax rate (25%)	(18,4)	(23,4)
Impact of different tax rates	0,6	0,0
Impact of tax-exempt earnings of investments and other tax-exempt income	7,3	11,0
Tax increases due to non-deductible expenses	(2,8)	(5,8)
Tax income/expense not attributable to the reporting period	0,2	1,1
Total	**(13,1)**	**(17,1)**

Tax effects relating to each component of other comprehensive income:

in EUR million			2013			2012
	Before-tax amount	Tax benefit	Net-of-tax amount	Before-tax amount	Tax benefit	Net-of-tax amount
Available for Sale-reserve (including currency translation)	(27,2)	6,8	(20,4)	124,4	(31,1)	93,3
Cash Flow Hedge-reserve (including currency translation)	(2,8)	0,7	(2,1)	(4,2)	1,1	(3,2)
Changes in equity of companies valued at equity*)	1,0	0,0	1,0	15,3	0,0	15,3
Actuarial profits and losses	(2,4)	0,6	(1,8)	(5,2)	1,3	(3,9)
Currency translation	(4,0)	0,0	(4,0)	(3,2)	0,0	(3,2)
Total	**(35,4)**	**8,1**	**(27,3)**	**127,1**	**(28,7)**	**98,4**

*) after offset of deferred taxes.

9) Appropriation of profit

The total amount of profits of Steiermärkische Sparkasse Group distributable under Austrian accounting regulations amounts to EUR 5.0 million (2012: EUR 5.0 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 (2012: EUR 0.65 per share), or EUR 4,966,000.00 (2012: 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 2013

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 2013
ASSETS								
Cash and balances with central banks	192,9	-	-	-	-	-	-	192,9
Loans/advances to credit institutions	-	1.875,9	-	-	-	-	-	1.875,9
Loans/advances to customers	-	10.227,2	-	-	-	-	-	10.227,2
Risk provisions for loans/advances	-	(444,1)	-	-	-	-	-	(444,1)
Derivatives	-	-	-	-	9,7	-	34,1	43,8
Trading assets	-	-	-	-	0,0	-	-	0,0
Financial assets	-	-	-	1.677,8	-	-	-	1.677,8
Equity holdings in associates accounted for at equity*)	456,5	-	-	-	-	-	-	456,5
Intangible assets	8,0	-	-	-	-	-	-	8,0
Property and equipment	95,1	-	-	-	-	-	-	95,1
Investment properties	76,8	-	-	-	-	-	-	76,8
Tax assets	2,0	-	-	-	-	-	-	2,0
Other assets	25,2	-	-	-	-	-	-	25,2
Total assets	**856,5**	**11.659,0**	**0,0**	**1.677,8**	**9,7**	**0,0**	**34,1**	**14.237,0**
LIABILITIES AND EQUITY								
Deposits by banks	2.078,4	-	-	-	-	-	-	2.078,4
Customer deposits	8.499,3	-	-	-	-	-	-	8.499,3
Debt securities in issue	2.139,9	-	-	-	-	-	-	2.139,9
Derivatives	-	-	-	-	11,4	-	8,0	19,4
Provisions	162,0	-	-	-	-	-	-	162,0
Tax liabilities	29,6	-	-	-	-	-	-	29,6
Other liabilities	117,5	-	-	-	-	-	-	117,5
Subordinated liabilities	134,8	-	-	-	-	-	-	134,8
Total Equity	1.056,1	-	-	-	-	-	-	1.056,1
Total liabilities and equity	**14.217,6**	**0,0**	**0,0**	**0,0**	**11,4**	**0,0**	**8,0**	**14.237,0**
Off-balance								
Guarantees and pledges	-	4.084,8	-	-	-	-	-	4.084,8
Not utilised credit lines, promissory notes	-	1.792,3	-	-	-	-	-	1.792,3

*) First measurement is at cost, subsequent measurement is at equity.

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
Investment properties	84,8	-	-	-	-	-	-	84,8
Tax assets	2,8	-	-	-	-	-	-	2,8
Other assets	30,7	-	-	-	-	-	-	30,7
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	2.132,7	-	-	-	-	-	-	2.132,7
Derivatives	-	-	-	-	45,4	-	92,4	137,8
Provisions	162,5	-	-	-	-	-	-	162,5
Tax liabilities	38,0	-	-	-	-	-	-	38,0
Other liabilities	102,2	-	-	-	-	-	-	102,2
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

*) First measurement is at cost, subsequent measurement is at equity.

11) Cash and balances with central banks

in EUR million	2013	2012
Cash in hand	126,7	117,3
Balances with central banks	66,2	67,2
Total	**192,9**	**184,5**

A portion of 'Balances with central banks' represents mandatory reserve deposits that are not available for use in the day-to-day operations of Steiermärkische Sparkasse Group.

12) Loans and advances to credit institutions

in EUR million	2013	2012
Loans and advances to domestic credit institutions	988,6	1.144,3
Loans and advances to foreign credit institutions	887,3	880,4
Total	**1.875,9**	**2.024,7**

13) Loans and advances to customers

in EUR million	2013	2012
Loans and advances to domestic customers		
Public sector	275,2	311,8
Commercial customers	5.469,5	5.446,9
Private customers	3.180,1	3.196,2
Total loans and advances to domestic customers	**8.924,8**	**8.954,9**
Loans and advances to foreign customers		
Public sector	18,7	20,1
Commercial customers	992,2	1.092,0
Private customers	291,5	289,9
Total loans and advances to foreign customers	**1.302,4**	**1.402,0**
Total	**10.227,2**	**10.356,9**

Loans and advances to customers do not contain finance lease contracts for 2013 or 2012.

14) Risk provisions

in EUR million	2012	Acquisition /disposal of subsid-iaries	Currency translation	Allo-cations[2]	Use	Release[2]	Un-winding[3]	2013
Specific provisions	**402,2**	**0,0**	**0,1**	**130,5**	**(53,4)**	**(64,7)**	**(4,6)**	**410,1**
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	402,2	0,0	0,1	130,5	(53,4)	(64,7)	(4,6)	410,1
Portfolio provisions	**35,3**	**0,0**	**0,0**	**34,2**	**0,0**	**(35,5)**	**0,0**	**34,0**
Loans/advances to credit inst.	0,5	0,0	0,0	0,0	0,0	(0,2)	0,0	0,2
Loans/advances to customers	34,8	0,0	0,0	34,2	0,0	(35,3)	0,0	33,7
Risk provisions for loans and advances[1]	**437,5**	**0,0**	**0,1**	**164,7**	**(53,4)**	**(100,2)**	**(4,6)**	**444,1**
Provision for guarantees	12,1	0,0	0,0	9,4	(0,0)	(7,2)	0,0	14,3
Total	**449,6**	**0,0**	**0,1**	**174,1**	**(53,4)**	**(107,4)**	**(4,6)**	**458,4**

[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.
[3] Interest income on impaired loans.

in EUR million	2011	Acquisition /disposal of subsid-iaries	Currency translation	Allo-cations[2]	Use	Release[2]	Un-winding[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.
[3] Interest income on impaired loans.

Loans and advances pre- and post impairment loss

2013 **in EUR million**	Balance sheet position (gross amount)	Specific loan loss provisions	Portfolio loan loss provisions	Net carrying amount
Loans and advances to credit institutions	1.875,9	0,0	(0,2)	1.875,7
Loans and advances to customers	10.227,2	(410,1)	(33,7)	9.783,3
Risk provisions for loans and advances	(444,1)	410,1	33,9	0,0
Total	**11.659,0**	**0,0**	**0,0**	**11.659,0**

2012 **in EUR million**	Balance sheet position (gross amount)	Specific loan loss provisions	Portfolio loan loss provisions	Net carrying amount
Loans and advances to credit institutions	2.024,7	0,0	(0,5)	2.024,3
Loans and advances to customers	10.356,9	(402,2)	(34,8)	9.919,9
Risk provisions for loans and advances	(437,5)	402,2	35,3	0,0
Total	**11.944,2**	**0,0**	**0,0**	**11.944,2**

15) Positive fair value derivatives

in EUR million	**2013**	**2012**
Fair Value Hedge	28,2	46,2
Cash Flow Hedge	6,0	12,1
Strategic Position (stand-alone derivative)	9,7	15,7
Total	**43,8**	**74,0**

Credit Valuation Adjustments (CVA) were made of positive values of derivatives. This takes counterparty credit risks into account by the valuation of derivatives.

The counterparty credit risk by derivatives results from the probability of default of the counterparty by simultaneous positive market value of the derivative by default. The following belong to the relevant valuation parameters:

- probability of default (PD)
- remaining term of the deriviative
- Recovery Rate and
- expected postive maerket value.

For clients with liquid CDS spreads the probability of default is derived from current market prices. For clients that a 1:1 mapping is possible (i.e. bank subsidiaries, municipalities, communities) the probability of default will be determined by proxy. For all other clients (i.e. Corporations) a method has been developed that derives the probability of default on the basis of liquid market prices of corporations in various categories.

CVA= Σ EPEt * PDt * LGD * DFt

Where by
EPE = expected positive exposure
PD = probability of default
LGD = loss given default
DF = discount factor
t = time

The adjustment of market value per 31.12.2013 was EUR -3.7 Mio (EUR -0.3 Mio).

16) Trading assets

in EUR million	2013	2012
Bonds and other interest bearing securities	0,0	0,3
Equity-related securities	0,0	0,0
Total	**0,0**	**0,3**

17) Financial assets – Available for Sale

in EUR million	2013	2012
Bonds and other interest bearing securities	1.410,9	1.425,7
Equity-related securities	239,5	238,2
Equity holdings	27,4	28,4
Total	**1.677,8**	**1.692,3**

18) Equity holdings in associates accounted for at equity

in EUR million	2013	2012
Credit institutions	436,4	440,2
Non-credit institutions	20,1	13,0
Total	**456,5**	**453,2**

Goodwill in the amount of EUR 0.1 million (2012: EUR 0.1 million) is included in equity holdings in associates accounted for at equity.

As in the previous year, 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 3.1 million (2012: EUR 6.0 million) was recorded.

For the perpetual annuity, a growth rate of 2.00% was applied. The discount rate applied for determining the value in use amounted to 12.88% respectively 10.00% for the perpetual annuity.

Movements in fixed assets schedule

in EUR million	At cost 2012	Acquisition of subsidiaries (+)	Currency translations (+/-)	Additions (+)	Disposals (-)	Reclassification (+/-)	At cost 2013
Intangible assets	**102,0**	**0,0**	**0,0**	**4,2**	**(20,6)**	**0,0**	**85,6**
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)	46,7	0,0	0,0	4,2	(20,6)	0,0	30,3
Property and equipment	**237,7**	**0,0**	**0,1**	**8,4**	**(29,7)**	**(3,6)**	**212,8**
Land and buildings (used by the group)	126,9	0,0	0,1	0,8	(0,1)	(3,6)	124,0
Office furniture and equipment, hardware and sundry property and equipment	110,8	0,0	0,0	7,6	(29,6)	0,0	88,8
Investment properties and moveable other property	**142,3**	**0,0**	**0,0**	**4,7**	**(17,5)**	**3,6**	**133,1**
Investment properties	142,3	0,0	0,0	4,7	(17,5)	3,6	133,1
Total	**482,0**	**0,0**	**0,1**	**17,3**	**(67,8)**	**0,0**	**431,5**

in EUR million	Accumulated depreciation (-)	Currency translations (+/-)	Amortisation & Depreciation (-)	Impairment (+/-)[1]	Reclassification (+/-)	Book value 2013	Book value 2012
Intangible assets	**(77,6)**	**0,0**	**(3,2)**	**(1,2)**	**0,0**	**8,0**	**8,2**
Goodwill	(45,2)	0,0	0,0	0,0	0,0	0,0	0,0
Customer relationships	(10,1)	0,0	(0,4)	(1,2)	0,0	0,0	1,6
Other (primarily Software)	(22,3)	0,0	(2,8)	0,0	0,0	8,0	6,6
Property and equipment	**(117,7)**	**0,1**	**(9,6)**	**0,0**	**(2,2)**	**95,1**	**97,7**
Land and buildings (used by the group)	(52,1)	0,0	(4,0)	0,0	(2,2)	71,9	76,5
Office furniture and equipment, hardware and sundry property and equipment	(65,6)	0,0	(5,5)	0,0	0,0	23,2	21,2
Investment properties and moveable other property	**(56,3)**	**0,0**	**(3,1)**	**(0,6)**	**2,2**	**76,8**	**84,8**
Investment properties	(56,3)	0,0	(3,1)	(0,6)	2,2	76,8	84,8
Total	**(251,6)**	**0,1**	**(15,8)**	**(1,8)**	**(0,0)**	**179,9**	**190,7**

[1] Impairment losses are included in other operating result.

The market value of investment properties and moveable other property was EUR 131.2 million (EUR 141.8 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.

Sparkasse Bank d.d., Sarajevo customer relationships could not be measured reliably and was therefore written off completely in 2013, thus resulting in a nil position in customer relationships (2012: EUR 1.6 million).

Goodwill was fully written down in previous years.

19) Tax assets and liabilities

in EUR million	Tax assets 2013	Tax assets 2012	Tax liabilities 2013	Tax liabilities 2012
Deferred tax assets				
Temporary differences relate to the following items				
Loans and advances to credit institutions and customers	9,7	7,7	0,0	0,0
Risk provisions for loans and advances	2,7	4,4	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	0,0	0,6	(26,2)	(35,4)
Property and equipment	0,0	0,0	(1,3)	(1,2)
Deposits by banks and customer deposits	0,0	0,0	0,0	0,0
Long-term employee provisions	12,2	12,6	0,0	0,0
Sundry provisions	2,4	2,6	0,0	0,0
Tax loss carry forward	0,0	0,0	0,0	0,0
Customer relationships and brand	0,0	0,0	0,0	(0,2)
Other[1)]	0,0	0,0	(20,2)	(24,1)
Total deferred taxes	**27,0**	**27,9**	**(47,7)**	**(60,8)**
Current taxes	**2,0**	**2,8**	**(8,9)**	**(5,1)**
Total taxes	**29,0**	**30,8**	**(56,7)**	**(66,0)**

[1)] including tax liabiliites from untaxed reserves

No deferred taxes were recognised for the tax loss carry forward in subsidiaries amounting to EUR 3.5 million (2012: EUR 3.0 million). In other subsidiaries the utilisation of a tax loss is not expected.

20) Other assets

in EUR million	2013	2012 (adjusted)
Accrued commissions	8,2	6,7
Deferred income	2,7	2,2
Sundry assets	14,3	21,7
Total	**25,2**	**30,7**

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

21) Deposits by banks

in EUR million	2013	2012
Deposits by banks - domestic credit institutions	1.950,6	2.253,3
Deposits by banks - foreign credit institutions	127,8	171,1
Total	**2.078,4**	**2.424,5**

22) Customer deposits

in EUR million	2013	2012
Domestic		
Savings deposits	5.421,6	5.465,7
Other deposits		
Public sector	66,3	72,2
Commercial customers	1.229,9	1.170,0
Private customers	828,5	771,9
Total other	**2.124,7**	**2.014,1**
Total domestic	**7.546,3**	**7.479,8**
Foreign		
Savings deposits	394,0	375,7
Other deposits	0,0	0,0
Public sector	2,4	6,3
Commercial customers	430,8	406,3
Private customers	125,8	113,0
Total other	**559,0**	**525,6**
Total foreign	**953,0**	**901,3**
Total	**8.499,3**	**8.381,1**

23) Debt securities in issue

in EUR million	2013	2012 (adjusted)
Bonds	919,5	813,7
Other certificates of deposits/name certificates	1.220,4	1.319,1
Total	**2.139,9**	**2.132,7**

24) Negative fair value derivatives

in EUR million	2013	2012
Fair Value Hedge	5,2	13,7
Cash Flow Hedge	2,8	78,7
Strategic Position (stand-alone derivative)	11,4	45,4
Total	**19,4**	**137,8**

Debit Valuation Adjustments (DVA) are determined on the basis of the probability of default of derivative financial instruments and are calculated on the basis of Erste Group Buy Back Levels. The adjustment of the fair values on the liabilities side amounted to EUR 0.4 Mio (EUR 0.0 Mio).

25) Provisions

in EUR million	2013	2012
Long-term employee provisions	140,8	145,0
Sundry provisions	21,2	17,5
Total	**162,0**	**162,5**

a) Long-term employee provisions

in EUR million	Pensions	Severance payments	Jubilee payments	Total
31. December 2009	**86,6**	**57,3**	**9,2**	**153,1**
31. December 2010	**79,7**	**57,1**	**9,1**	**145,9**
31. December 2011	**78,4**	**56,3**	**8,9**	**143,6**
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/losses recognised directly in equity	1,6	3,6	0,0	5,2
arising from changes in financial assumptions	*1,4*	*3,0*	*0,0*	*4,4*
arising from changes in demographic assumptions	*0,0*	*0,0*	*0,0*	*0,0*
arising from changes from experience assumptions	*0,2*	*0,6*	*0,0*	*0,9*
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**
Service cost	0,0	1,8	0,4	2,2
Interest cost	2,7	2,1	0,3	5,1
Payments	(6,3)	(6,6)	(0,3)	(13,2)
Actuarial gains recognised directly in equity	1,8	0,7	0,0	2,4
arising from changes in financial assumptions	*0,0*	*0,0*	*0,0*	*0,0*
arising from changes in demographic assumptions	*0,0*	*0,0*	*0,0*	*0,0*
arising from changes from experience assumptions	*1,8*	*0,7*	*0,0*	*2,4*
Actuarial gains/losses recognised in income	0,0	0,0	(0,7)	(0,7)
Present value of long-term employee benefit obligations 31. December 2013	**75,1**	**56,9**	**8,8**	**140,8**

Actuarial assumptions

The actuarial calculation of pension obligations is based on the following assumptions:

in %	2013	2012
Interest rate	3,65	3,65
Expected increase in retirement benefits	2,00	2,00
Fluctuation	no	no

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 currently applicable legislation on the gradual raising of the retirement age for men and women to 65 was taken into consideration.

The actuarial calculation of severance payment and jubilee provisions is based on the following assumptions:

in %	2013	2012
Interest rate	3,65	3,65
Average increase in salary (incl. career trend and collective agreement trend)	2,90	2,90
Fluctuation	no	no

Obligations were calculated in accordance with the Pagler & Pagler mortality tables entitled 'AVÖ 2008 P – Rechnungsgrundlagen für die Pensionsversicherung'. The effects of CEE countries are insignificant compared to Austrian entities for which the data are in the table.

Sensitivity to Key Assumption

The following table presents reasonably possible changes of individual parameters and their impact on post-employment benefit obligations as of year end 2013.

in EUR million	Pensions	Severance payments	Total
Change in discount rate + 1.0 %	69,0	51,2	120,3
Change in discount rate (1.0) %	82,3	63,6	145,8
Change in future salary increases + 0.5 %	-	60,1	60,1
Change in future salary increases (0.5) %	-	53,9	53,9
Change in future benefit increases + 0.25 %	82,1	-	82,1
Change in future benefit increases (0.25) %	68,6	-	68,6

Impact on Cash Flows

The following table reflects the benefits expected to be paid by the defined benefit plans in each of the respective periods:

in EUR million	Pensions	Severance payments	Total
Expected benefit payments for fiscal year ending 2014	6,3	2,2	8,6
Expected benefit payments for fiscal year ending 2015	6,1	2,1	8,2
Expected benefit payments for fiscal year ending 2016	5,9	2,6	8,5
Expected benefit payments for fiscal year ending 2017	5,7	2,7	16,7
Expected benefit payments for fiscal year ending 2018	5,5	5,9	11,4
Expected benefit payments for fiscal years ending 2019 - 2023	23,8	29,8	53,7

Duration

The following table presents weighted average duration of the defined benefit obligations as of year end 2013:

in years	Pensions	Severance payments
Duration	15,6	15,5

b) Sundry provisions

in EUR million	2012	Acquisition/ disposal of subsidiaries	Currency translation	Allocations	Use	Releases	Reclassi-fication	2013
Provisions for contingent credit risk liabilities and other risk provisions	12,1	0,0	0,0	9,4	(0,0)	(7,2)	0,0	14,3
Other provisions[1)]	5,4	0,0	0,0	1,7	0,0	(0,2)	0,0	7,0
Total	**17,5**	**0,0**	**0,0**	**11,1**	**(0,0)**	**(7,4)**	**0,0**	**21,2**

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

26) Other liabilities

in EUR million	2013	2012
Accrued commissions	0,9	1,1
Deferred income	13,0	15,1
Sundry liabilities	103,7	85,9
Total	**117,5**	**102,2**

The previous year reported values that were shown under fair value hedge / hedge accounting were allocated to the underlying transactions accordingly. The prior year was adjusted accordingly. Sundry liabilities consist mainly of clearing items from the settlement of securities and payment transactions.

27) Subordinated liabilities

in EUR million	2013	2012
Subordinated issues and deposits	19,8	21,8
Supplementary capital	115,0	137,9
Total	**134,8**	**159,7**

28) Total equity

in EUR million	2013	2012
Subscribed capital	55,5	55,5
Additional paid-in capital	118,3	118,3
Retained earnings and other reserves	880,4	853,4
Attributable to non-controlling interests	1,9	6,9
Attributable to owners of the parent	**1.054,3**	**1.027,3**
Total[1)]	**1.056,1**	**1.034,2**

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

At 31 December 2013, 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 2013, unissued authorized capital valid until 3 May 2016 amounted to EUR 21.8 million. The holding of own shares per 31 December 2013 totaled 52,383 shares (2011: 46,215 shares). All acquisitions reflect the approval from the general shareholders meeting.

Transactions and shares held by the management board and supervisory board

Information on shares held and transactions in Steiermärkische Bank und Sparkassen AG shares by members of the management board (in number of shares):

in number of shares	As of 31.12.2012	Additions 2013	Disposals 2013	As of 31.12.2013
Gerhard Fabisch	275	-	-	275
Franz Kerber	275	-	-	275
Georg Bucher	250	-	-	250
Total	**800**	-	-	**800**

No Supervisory board members held shares of Steiermärkische Bank und Sparkassen AG.

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

Assets and liabilities not denominated in EUR were as follows:

in EUR million	2013	2012
Assets	2.239,4	2.564,8
Liabilities	791,3	847,5

Assets and liabilities outside Austria are listed below:

in EUR million	2013	2012
Assets	2.554,0	2.645,3
Liabilities	833,9	858,3

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.

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		Corporate	
	2013	2012	2013	2012
Net interest income	121,5	138,6	68,5	68,7
Risk provisions for loans and advances	(12,6)	(19,1)	(45,5)	(31,2)
Net fee and commission income	94,9	88,0	16,5	17,9
General administrative expenses	(164,9)	(167,3)	(21,4)	(21,8)
Results from financial instruments	(0,1)	0,1	(0,0)	(0,0)
Other operating income	5,9	(0,5)	(0,1)	(2,2)
Pre-tax profit/loss	**44,8**	**39,8**	**17,9**	**31,4**
Taxes on income	(11,8)	(10,1)	(4,1)	(7,0)
Net profit/loss for the yeaar	**33,0**	**29,8**	**13,8**	**24,3**
attributable to non-controlling interests	(0,0)	(0,4)	0,0	0,0
attributable to owners of the parent	**33,0**	**29,4**	**13,8**	**24,3**
Average risk-weighted assets	1.933,4	2.052,9	2.426,4	2.484,6
Average attributed equity	227,8	235,5	247,6	252,9
Cost/income ratio	**76,2%**	**73,8%**	**25,2%**	**25,1%**
ROE	**14,5%**	**12,5%**	**5,6%**	**9,6%**

in EUR million	Int'l Business		Residual activities		Total Group	
	2013	2012	2013	2012	2013	2012
Net interest income	47,3	64,4	18,5	13,2	255,8	284,9
Risk provisions for loans and advances	(13,8)	(8,7)	(0,5)	2,5	(72,4)	(56,5)
Net fee and commission income	9,2	8,5	(9,8)	(6,9)	110,9	107,5
General administrative expenses	(28,1)	(27,0)	(2,1)	(5,6)	(216,6)	(221,7)
Results from financial instruments	1,5	0,4	(1,5)	1,9	(0,1)	2,4
Other operating income	(7,0)	(15,2)	(2,9)	(5,2)	(4,1)	(23,1)
Pre-tax profit/loss	**9,0**	**22,3**	**1,8**	**(0,1)**	**73,6**	**93,5**
Taxes on income	1,4	1,0	1,4	(1,0)	(13,1)	(17,1)
Net profit/loss for the year	**10,4**	**23,3**	**3,2**	**(1,1)**	**60,5**	**76,3**
attributable to non-controlling interests	(0,1)	(0,1)	0,0	0,0	(0,1)	(0,5)
attributable to owners of the parent	**10,3**	**23,2**	**3,2**	**(1,1)**	**60,4**	**75,9**
Average risk-weighted assets	2.103,9	1.845,9	404,6	333,1	6.868,3	6.716,5
Average attributed equity	215,3	188,5	350,1	266,2	1.040,8	943,1
Cost/income ratio	**49,8%**	**37,1%**	**23,9%**	**87,8%**	**59,1%**	**56,5%**
ROE	**4,8%**	**12,3%**	**0,9%**	**-0,4%**	**5,8%**	**8,0%**

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	2013	2012
Loans and advances to credit institutions		
Other non-consolidated related parties	1.820,7	1.881,7
Total	**1.820,7**	**1.881,7**
Loans and advances to customers		
Other non-consolidated related parties	681,1	775,4
Other investments	92,3	102,3
Total	**773,4**	**877,6**
Financial assets - available for sale		
Other non-consolidated related parties	139,0	163,6
Total	**139,0**	**163,6**
Deposits by banks		
Other non-consolidated related parties	1.806,4	1.791,7
Total	**1.806,4**	**1.791,7**
Customer deposits		
Other non-consolidated related parties	1,6	6,5
Other investments	29,5	33,5
Total	**31,1**	**40,0**
Debt securities in issue		
Other non-consolidated related parties	1.162,6	1.180,0
Total	**1.162,6**	**1.180,0**
Subordinated debt		
Other non-consolidated related parties	2,0	3,6
Total	**2,0**	**3,6**

For loans and advances to other non-consolidated related parties impairments amounting to EUR 1.7 million (2012: EUR 2.7 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 2013, 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 2013 (for financial year 2012).

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 2013 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 2013, Steiermärkische Sparkasse has in relation to the Steiermärkische Verwaltungssparkasse accounts receivable of EUR 14.7 million. In 2013, the interest income of Steiermärkische Sparkasse resulting from said transactions for the reporting period was EUR 0.3 million.

As of 31 December 2013, accounts receivables of EUR 976.7 million and accounts payable of EUR 1,716.9 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	2013	2012
Performance related salaries	156	344
Fixed salaries	1.819	1.754
Other compensation	482	500
Total	**2.457**	**2.598**

Compensation to supervisory board members

in EUR thousand	2013	2012
Supervisory board compensation	162	169
Meeting fees	25	40
Total	**187**	**209**

In 2013, members of the management board received cash and non-cash compensation for their functions as members of the management board totaling EUR 2.5 million (2012: EUR 2.6 million), which is 1,7% (2012: 1,7%) of the total personnel costs of the Steiermärkische Sparkasse Group. In the 2013 financial year, EUR 0.4 million (2012: 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 (2012: EUR 0.2 million).

In 2013 EUR 0.5 million (2012: EUR 0.8 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	2013	2012
Management board and persons related thereto	1.097	891
Supervisory board and persons related thereto	1.236	1.261
("Anteilsverw altung") and persons related thereto	2	2
("Anteilsverw altung") and persons related thereto	3.166	2.681
Management and supervisory board members of Erste Group and Erste Bank Österreich	24	895
Companies	225.241	229.757
Total	**230.765**	**235.486**

Amounts owed to related parties

in EUR thousand	2013	2012
Management board and persons related thereto	2.061	2.161
Supervisory board and persons related thereto	3.123	2.107
("Anteilsverw altung") and persons related thereto	550	356
("Anteilsverw altung") and persons related thereto	14.191	7.726
Management and supervisory board members of Erste Group and Erste Bank Österreich	16	1
Companies	214.596	50.100
Total	**234.538**	**62.451**

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	2013	2012
Management board and persons related thereto	87	61
Supervisory board and persons related thereto	70	56
Sparkassenräte and persons related thereto	243	358
Management and supervisory board members of Erste Group and Erste Bank Österreich	3	273
Companies	19.747	21.524
Total	**20.152**	**22.271**

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 0.0 million (2012: EUR 0.1 million).

Compensation policy and practices

In 2013, the current principles of the Steiermärkische Sparkasse's compensation policy were evaluated by the Remuneration Committee of the Supervisory Board on 6 June 2013; taking into consideration current legal and supervisory regulations, the "Principles of Compensation Policy for 2013" was approved. The findings taken from the Austrian Financial Market Authority Guidelines from December 2012 were taken into account when evaluating the compensations policy 2013.

The Compensation Committee consists of 6 members, whereby Mr. Dr. Gunther Griss 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 is a member of the Austrian savings banks group and the Haftungsverbund (cross-guarantee system) the savings banks 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 of about EUR 15 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 the defined employees in the compensation policy 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. If the variable compensation exceeds the materiality threshold as outlined in the Principles of Compensation Policy of EUR 30 thousand or 25% of the fixed annual salary, then a 40% portion of the disbursement is then paid out in equal instalments of the next 5 years..

The variable compensation system of Steiermärkische Sparkasse is primarily based on the income and financial situation of the Steiermärkische Sparkasse group, 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 group 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. Under normal conditions the disbursement of the deferred payments can only be achieved in the event that certain criteria have been fulfilled or the absence of unforeseen circumstances that result in the reduction or cancellation of deferred payments.

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

Companies related to members of the supervisory board invoiced the following amounts from other transactions:

In the year 2013, Bertl Fattinger & Partner Wirtschaftsprüfungs- und Steuerberatungsges.mbH, a tax consulting firm in which Michaela Christiner is a partner, invoiced the companies of Steiermärkische Sparkasse Group with a total of EUR 93 thousand (2012: EUR 71 thousand) for consultancy contracts.

33) Collateral

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

in EUR million	2013	2012
Loans and advances to credit institutions	0,0	0,0
Loans and advances to customers	3.502,3	3.083,3
Financial assets	165,2	240,2
Total	**3.667,5**	**3.323,5**

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 0.0 million (EUR 9.8 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 0.0 million (EUR 9.8 million), which are measured at amortised cost, represent an obligation to repay the borrowed funds.

in EUR million	carrying amount transferred assets 2013	carrying amount related liabilities 2013	carrying amount transferred assets 2012	carrying amount related liabilities 2012
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	0,0	0,0	9,8	9,8
Financial assets - Held to Maturity	0,0	0,0	0,0	0,0
Total Repo Transactions	**0,0**	**0,0**	**9,8**	**9,8**

35) Offsetting

Steiermärkische Sparkasse Group uses neither repurchase agreements nor netting agreements as a means of reducing credit risk of derivative and financing transactions. These would qualify as potential offsetting agreements.

36) 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.

37) Risk management

37.1) Risk policy and strategy

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, liquidity, operations and other 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.

Given Steiermärkische Sparkasse Group's business strategy, the key risks for Steiermärkische Sparkasse Group are credit risk, SEE market risk and operational risk. Steiermärkische Sparkasse Group also focuses on managing liquidity risks and macroeconomic risks. In addition, Steiermärkische Sparkasse Group's control and risk management framework takes into account a range of other significant risks faced by the banking Group.

The bank always seeks to enhance and complement existing methods and processes, in all areas of risk management.

The year 2013 has been dominated by preparations for Basel 3 and its impacts as well as by the upcoming changes to the regulatory oversight landscape. Emphasis was also put on improving and upgrading risk-weighted asset measurement, control, steering and stress testing capabilities not only on the Steiermärkische Sparkasse Group level, but also on the local subsidiary level. A further focus was given to continuous consideration of more risk-sensitive measures in the Internal Capital Adequacy Assessment Process (ICAAP).

37.2) Risk management organisation

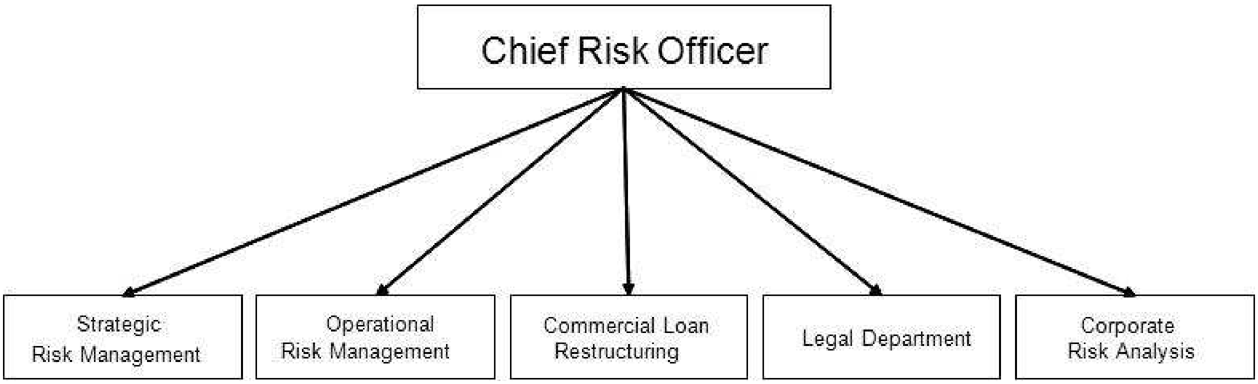
Based on the legal regulations (particularly the Austrian Banking Act) the entire management board bears the central responsibility for risk management. This responsibility is fulfilled among other things by devising a risk appetite statement contained in the strategic and operational risk framework 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 risk appetite statement, 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 appetite statement and of the associated standards and processes. The Chief Risk Officer also has oversight of risk control for the Steiermärkische Sparkasse Group. Under the Chief Risk Officer's leadership, standards are defined for risk policy and processes, portfolio management and risk-adjusted pricing. As well, the Chief Risk Officer is the functional head of the entire 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.



37.3) 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.

37.4) Group-wide risk and capital management

Overview

In light of the lessons learned from recent turbulences on the financial markets, among other reasons, the risk management framework has been continuously strengthened. In particular, Group Strategic Risk Management and its Enterprise-wide Risk Management (ERM) have been developed into a comprehensive framework. This includes its fundamental pillar the Internal Capital Adequacy Assessment Process (ICAAP), as required under Pillar 2 of the Basel framework.

The ERM framework is designed to support the bank's management in managing the risk portfolios as well as the coverage potential to assure at all times adequate capital reflecting the nature and magnitude of the bank's risk profile. ERM is tailored to the Group's business and risk profile, and it reflects the strategic goal of protecting shareholders and senior debt holders while ensuring sustainability of the organisation.

ERM is a modular and comprehensive management and steering system within Steiermärkische Sparkasse Group and is integral to the bank's and Group's overall steering and management system.

The components necessary to ensure all aspects of ERM, regulatory requirements, but particularly internal value adding needs, can be clustered as follows:

- Risk appetite statement
- Risk materiality assessment
- Concentration risk management
- Stress testing
- Risk bearing capacity calculation

In addition to the ICAAP's ultimate goal of assuring capital adequacy and sustainability at all times, the ERM components serve to support the bank's management in pursuing its strategy.

Risk appetite statement

The risk appetite statement (RAS) is a high-level strategic statement and forms an integral part of Steiermärkische Sparkasse Group's business and risk strategy. It also serves as a formalised, high-level steering tool from which top-down targets for the bank's limit system on lower aggregation levels can be derived. The objective of Steiermärkische Sparkasse Group's RAS is to contain earnings volatility, avoid net losses, ensure a stable target rating for Steiermärkische Sparkasse Group (including all associated aspects, e.g. funding costs) and protect external and internal stakeholders. In order to reach these goals, general indicators are defined as well as indicators for credit, market and liquidity risk. Targets are in general derived as part of the yearly planning process. Regular reviews are performed and management reports are prepared to ensure oversight.

Risk materiality assessment

For the purpose of systematically and continuously assessing all relevant risk types and identifying risks that are significant for the Group, Steiermärkische Sparkasse Group has defined a clear and structured risk materiality assessment approach that is based on defined quantitative and qualitative factors for each risk type and is carried out annually.

This process constitutes the basis for the determination of material risk types to be included in the risk-bearing capacity calculation. Insights generated by the assessment are also used to improve risk management practices per se to further mitigate risks within the Group but also as an input for the design and definition of the Group's Risk Appetite Statement. Furthermore, insights from the risk materiality assessment are considered in the stress test when defining stress parameters.

Concentration risk management

Steiermärkische Sparkasse Group has implemented a framework to identify, measure, control, report and manage concentration risks. This is essential to ensuring the long-term viability of Steiermärkische Sparkasse Group, and especially in times of stressed economic conditions.

Concentration risk management at Steiermärkische Sparkasse Group is based on a framework of processes, methodologies and reports covering both intra- and inter-risk concentrations. Concentration risks also comprise an integral part of stress test analyses. Furthermore, the outcome of a stress test is directly considered in the Risk-bearing Capacity Calculation of the Group. Additionally, the results of concentration risk assessments are used in defining the Risk Appetite Statement, defining stress factors for stress tests, and when setting or calibrating the limit system.

Based on the results of concentration risk studies, potential regional, country, industry and specific asset class concentrateon risks are analysed across the portfolio. Country concentrations mainly reflect the Steiermärkische Sparkasse Group's strategy to operate in its core SEE region.

Stress testing

Modelling sensitivities of the Group's assets, liabilities and profit or loss provide management and steering impulses and help in optimising the Group's risk-return profile. The additional dimension of stress tests should help to factor in severe but plausible scenarios and provide further robustness to the measuring, steering and management system. Risk modelling and stress testing are vital forward-looking elements of the ICAAP. Finally, sensitivities and stress scenarios are explicitly considered within the Group's planning and budgeting process as well as in the risk- bearing capacity calculation and the setting of the maximum risk exposure limit.

Risk-bearing capacity calculation

The risk-bearing capacity calculation (RCC) is ultimately the tool to define the capital adequacy required by the ICAAP. Within the RCC, all material risks are aggregated and compared to the coverage potential and the bank´s own funds. The integral forecast, risk appetite limit as well as a traffic light system support man- agement in its discussions and decision processes.

The traffic light system embedded in Steiermärkische Sparkasse Group's RCC helps to alert the management in case there is a need to decide, plan and execute actions to either replenish the capital base or to take measures for reducing the risk.

The management board and risk management committees are briefed regularly, at least on a quarterly basis, in relation to the results of the capital adequacy calculation. The report includes movements in risks and available capital and coverage potential after consideration of potential losses in stress situations, the degree of the risk limit's utilisation and the overall status of capital adequacy according to the traffic light system. Besides the Pillar 1 risk types (credit, market and operational risks), in the context of Pillar 2, interest rate risks in the banking book, foreign exchange risks arising from equity investments and credit spread risks in the banking book are explicitly considered within the required economic capital via internal models.

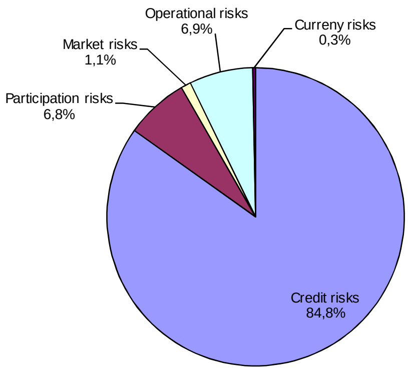
The methodologies that are applied for the different risk types are diverse and range from historic simulations and value at risk approaches to the regulatory approach for residual portfolios. Moreover, calculations for portfolios under the standard regulatory approach are extended by risk parameters from the internal ratings-based approach in order to give a more economic view.

In addition to the Risk-bearing Capacity Calculation, liquidity, concentration and macroeconomic risks in particular are managed by means of a proactive management framework that includes forward-looking scenarios, stress testing, trigger levels and traffic light systems.

Credit risk accounts for approximately 85% of the total economic capital requirement. Reflecting Steiermärkische Sparkasse Group's conservative risk management policy and strategy, the Group does not offset diversification effects between these three risk types.

The chart shows the composition of the economic capital requirement as of 31 December 2013 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.

37.5) 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.

Through the successful conclusion and co-designing of Haftungsverbund 3, the institutional cross-guarantee system for Austrian savings banks, which enters into force on January 1, 2014, an essential step was taken in the direction of adaptation to the changes in the regulatory requirements. As part of the Erste Group banking group an adequate framework was established to ensure the further sustainable development of the Steiermärkische Sparkasse Group.

Current economic topics

As expected, the ECB pushed forward on monetary policy in 2013. Austrian and German State bonds yields remained stabile, while the yields of SEE state bonds decreased and therewith a growing confidence that the Eurozone can overcome the challenges of the financial crisis in the medium to long term. On the one hand, the short term prognosis for the economic development of the Eurozone in 2013 were continually revised, on the other hand, towards the end of the year there were increased tendencies showing an economic recovery and prognosis for economic growth in future years.

The credit exposure of the Steiermärkische Sparkasse Group to sovereigns that are particularly affected by the sovereign debt crisis remained pracitcally unchanged. Due to the low volumen of these positions to sovereigns, they do not form a concentration risk for the Steiermärkische Sparkasse Group.

In tables below illustrate that, in total, Steiermärkische Sparkasse Group increased its exposure in selected countries from EUR 1,252.2 mil in 2012 to EUR 1,487.6 mil in 2013. As a result the exposure increased in the banking sector. The tables below also reflect the group strategy of the extended home markets of the Steiermärkische Sparkasse Group in the SEE region

The following tables show the net exposure to sovereigns and institutions in selected European countries and the extended core market of the Steiermärkische Sparkasse Group as of 31 December 2013 and 31 December 2012, respectively. The sovereign net exposure includes central banks, central governments and institutions that are explicitly guaranteed by a central bank. The net exposure includes all on- and off-balance-sheet items after counterparty netting and risk transfers to guarantors.

Exposure to selected European countries

in EUR million	Sovereigns		Banks		Other[1)]		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Greece	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Ireland	0,0	0,0	0,9	0,0	0,0	0,0	0,9	0,0
Portugal	3,0	2,9	0,0	0,0	0,0	0,0	3,0	2,9
Spain	0,0	0,0	4,8	4,1	0,1	0,2	4,9	4,3
Italy	0,0	0,0	6,3	4,7	2,4	4,1	8,7	8,8
Slovenia	1,2	1,3	242,3	199,5	90,8	102,3	334,3	303,1
Hungary	0,0	0,0	0,0	4,0	11,1	12,1	11,1	16,1
Croatia	5,4	5,2	952,1	720,9	167,1	190,9	1.124,6	917,0
Total	**9,6**	**9,4**	**1.206,4**	**933,2**	**271,5**	**309,6**	**1.487,6**	**1.252,2**

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

Sovereigns

in EUR million	Fair Value		Available for Sale		At amortised cost		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
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	3,0	2,9	0,0	0,0	3,0	2,9
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
Slovenia	0,0	0,0	0,0	0,0	1,2	1,3	1,2	1,3
Hungary	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Croatia	0,0	0,0	5,4	5,2	0,0	0,0	5,4	5,2
Total	**0,0**	**0,0**	**8,4**	**8,1**	**1,2**	**1,3**	**9,6**	**9,4**

Institutions

in EUR million	Fair Value		Available for Sale		At amortised cost		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Greece	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Ireland	0,0	0,0	0,9	0,0	0,0	0,0	0,9	0,0
Portugal	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Spain	0,0	0,0	4,8	4,1	0,0	0,0	4,8	4,1
Italy	0,0	0,0	6,3	4,5	0,0	0,2	6,3	4,7
Slovenia	0,0	0,0	0,0	0,0	242,3	199,5	242,3	199,5
Hungary	0,0	0,0	0,0	0,0	0,0	4,0	0,0	4,0
Croatia	0,0	0,0	0,0	0,0	952,1	720,9	952,1	720,9
Total	**0,0**	**0,0**	**12,0**	**8,6**	**1.194,4**	**924,6**	**1.206,4**	**933,2**

Exposure to sovereigns in the core market[5]

in EUR million	2013	2012
Austria	1.222,3	1.144,4
Bosnia and Herzogovina	45,7	35,8
Croatia	5,4	5,2
Macedonia	98,5	103,9
Serbia	0,0	0,0
Slovenia	1,2	1,3
Total	**1.373,1**	**1.290,5**

37.6) 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. Currently risk classification for corporate and SME segment customers is already implemented in all SEE subsidiaries. A project is currently in progress to phase in risk classification systems for further customer segments.

[5] Adjustment of previous year in Austria since not all exposures in accordance with Basel II credit assets were included.

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:

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. A group-wide conversion to customer view in all customer segments in all SEE subsidiaries will be implemented in 2014.

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:

- 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 2013 and 31 December 2012:

Credit risk exposure by industry

in EUR million	Total loans and advances to credit institutions and customers [1]	Contingent credit liabilities	Total 2013	Total 2012
Agriculture and forestry	215,1	29,0	244,1	247,2
Mining	46,9	5,8	52,7	43,7
Manufacturing	492,4	302,0	794,3	826,9
Energy and water supply	214,8	61,2	276,0	256,1
Construction	1.115,9	336,3	1.452,2	1.173,8
Trade	723,2	221,6	944,9	1.015,4
Hotels and restaurants	223,4	28,9	252,2	286,9
Transport and communication	231,2	64,8	296,0	303,4
Banking and insurance	2.921,6	3.833,8	6.755,4	6.751,6
Real estate and other business activities	1.896,4	317,9	2.214,3	2.331,6
Public administration	1.214,1	116,8	1.330,9	1.223,8
Health and social work	255,5	37,5	293,0	302,7
Other service activities	535,6	143,3	679,0	702,5
Private households	3.471,6	537,9	4.009,5	4.009,5
Other	0,0	0,0	0,0	0,0
Total	**13.557,7**	**6.036,9**	**19.594,6**	**19.475,3**

[1] Including bonds and other interest bearing securities

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Sub-standard	non-performing	Credit risk exposure 2013
Agriculture and forestry	187,9	30,3	11,1	14,8	244,1
Mining	47,9	3,9	0,0	0,9	52,7
Manufacturing	609,8	80,0	13,1	91,4	794,3
Energy and water supply	227,6	19,9	2,5	26,1	276,0
Construction	1.295,8	92,3	5,3	58,7	1.452,2
Trade	644,0	137,4	32,6	131,0	944,9
Hotels and restaurants	151,9	47,9	12,1	40,4	252,2
Transport and communication	230,4	30,5	4,4	30,8	296,0
Banking and insurance	6.653,1	46,9	3,5	51,9	6.755,4
Real estate and other business activities	1.794,8	287,4	40,9	91,3	2.214,3
Public administration	1.329,7	0,7	0,0	0,4	1.330,9
Health and social work	213,5	52,4	11,1	16,0	293,0
Other service activities	531,4	90,1	7,7	49,8	679,0
Private households	3.310,3	504,2	33,8	161,3	4.009,5
Other	0,0	0,0	0,0	0,0	0,0
Total	**17.228,1**	**1.423,6**	**178,1**	**764,9**	**19.594,6**

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 w ater 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 w ork	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
Total exposure as of 31 December 2012	17.228,1	1.423,6	178,1	764,9	19.594,6
Share of credit risk exposure in %	87,9	7,3	0,9	3,9	100,0
Risk provisions 31 December 2012	17,5	13,5	8,5	418,9	458,4
Coverage in %	0,1	0,9	4,8	54,8	2,3
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 2011	18,7	16,9	4,9	409,1	449,6
Coverage in %	0,1	1,1	2,8	53,0	2,3
Change in credit risk exposure 2012 - 2011	257,3	(133,9)	2,9	(7,1)	119,3
Change in %	1,5	(8,6)	1,7	(0,9)	0,6
Change in risk provisions 2012 - 2011	(1,2)	(3,4)	3,6	9,8	8,8
Changes in %	(6,6)	(20,3)	73,6	2,4	2,0

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 2013 and 31 December 2012, respectively:

in EUR million	Low risk	Management attention	Sub-standard	non-performing	Credit risk exposure 2013
Core market	16.777,2	1.401,2	175,8	720,7	19.074,8
Austria	14.739,4	1.223,5	147,2	582,6	16.692,7
Croatia	1.054,7	30,7	8,9	35,1	1.129,3
Bosnia and Herzegovina	413,8	63,6	4,4	38,6	520,4
Macedonia	179,1	41,9	8,3	35,9	265,2
Slovenia	297,2	17,3	6,0	22,4	342,8
Serbia	46,8	18,2	0,0	0,1	65,1
Montenegro	34,8	1,0	0,0	0,0	35,8
Hungary	11,5	5,0	1,0	6,0	23,4
Other EU	411,9	18,4	1,6	7,4	439,2
Other industrialised countries	16,0	2,0	0,6	36,8	55,3
Emerging Markets	23,1	2,0	0,1	0,0	25,2
South-Eastern Europe/CIS	11,9	1,6	0,0	0,0	13,5
Asia	0,7	0,0	0,0	0,0	0,7
Latin America	5,0	0,4	0,1	0,0	5,5
Middle East/Africa	5,5	0,0	0,1	0,0	5,5
Total	**17.228,1**	**1.423,6**	**178,1**	**764,9**	**19.594,6**

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**

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 2013 and 31 December 2012, 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.

2013 **in EUR million**	Non-performing	Credit risk exposure	Risk provisions	NPL-Ratio	NPL-coverage
Austria	692,5	18.824,9	367,0	3,7%	53,0%
Steiermärkische Sparkasse	649,8	17.679,5	341,6	3,7%	52,6%
Bankhaus Krentschker	42,7	1.145,4	25,4	3,7%	59,5%
Central and Eastern Europe	72,4	769,6	51,9	9,4%	71,7%
Bosnia and Herzogovina	38,6	514,8	30,0	7,5%	77,8%
Macedonia	33,8	254,8	21,9	13,2%	64,9%
Total	**764,9**	**19.594,6**	**418,9**	**3,9%**	**54,8%**

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%**

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

Restructurings

Restructuring as contractual modification of clients' loan contract is a way to support long term, profitable client relationships. Contractual modifications can be employed in the following two contexts:

Restructuring as business restructuring is a potential and effective customer retention tool involving re-pricing or offering an additional loan or both in order to maintain the bank's valuable, good clientele in an increasingly competitive market environment.

Distressed restructuring on the other hand is a way to support clients' who are facing financial setbacks. Contractual modifications in this case aim at identifying a reasonable repayment schedule that can be serviced by the client and can include tenor extension, interest, fee or principal waivers or a combination of these. Contractual modifications at the same time provide the bank with an opportunity to strengthen the collateralization as and when feasible.

Restructuring of financial obligations of clients who are facing financial difficulties can contribute to maintaining clients' ability and willingness to service their debt and can lead to a full rehabilitation with strengthened long term client relationships.
In order to ensure that Erste Group's principles are met, the internal credit policies set out specific restructuring related requirements. Overall in retail lending, actions are generally required to be rules-based. Accordingly, the assessment of clients' eligibility for distressed restructuring must be a simple and

straightforward approach. By contrast, a case-to-case approach prevails in corporate lending.

The existing distressed restructuring related internal policies are currently being revisited and updated for the purpose of ensuring full conformity with EBA's requirements for reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No. 575/2013. Along with the content-based alignment, the IT systems will be upgraded in order to improve and strengthen the tracking and reporting mechanisms. In future, all clients and exposures will be tracked whenever the bank is willing to make contractual concessions due to financial difficulties of the debtor. In due consideration of the internal default definition a differentiation is made between a performing and a non-performing forbearance status. These rules will be aligned with all Erste Group banks until the end of February and afterwards the regulations will be implemented throughout the banking group until the end of 2014.

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 0.2 million as of 31 December 2013 (2012: EUR 1.6 million).

Credit exposure and collateral

2013		Collaterals & other credit risk mitigation		
in EUR million	Credit risk exposure	Basel II total	Guarantees	Real estate
Central governments and central banks	814,1	1,1	0,0	1,1
Regional governments and local authorities	399,5	33,9	0,0	32,9
Administrative bodies and non-commercial undertakings	218,3	154,8	152,1	2,6
Multilateral development banks	68,1	0,0	0,0	0,0
International organisations	29,1	0,0	0,0	0,0
Institutions	5.769,9	39,3	39,3	0,0
Corporates	6.638,8	3.157,7	197,2	2.563,4
Retail & SME	5.551,8	2.934,1	46,4	2.362,0
Securitisation positions	0,9	0,0	0,0	0,0
Covered bonds	104,0	0,3	0,3	0,0
Total	**19.594,6**	**6.321,1**	**435,3**	**4.962,0**

2012		Collaterals & other credit risk mitigation		
in EUR million	Credit risk exposure	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**

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:

2013	Credit risk exposure			thereof collateralised		
in EUR million	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	0,5	1,3	1,8	0,0	1,2	1,2
Retail & SME	1,1	17,2	18,2	0,6	16,8	17,4
Total	**1,5**	**18,5**	**20,0**	**0,6**	**17,9**	**18,6**

2012	Credit risk exposure			thereof collateralised		
in EUR million	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**

At 31 December 2013 and 31 December 2012, specific provisions existed for the following exposures:

2013 **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	744,0	22,0	413,0
Total	**744,0**	**22,0**	**413,0**

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**

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 2013, Steiermärkische Sparkasse and Bankhaus Krentschker reduced foreign currency loans by EUR 287.3 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 Foreign Currency Loans and Loans with Repayment Vehicles from 2 January 2013.

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

2013 in EUR million	EUR	CHF	JPY	USD	Local currencies/ Other	Total loans and advances
Austria	8.679,6	935,7	40,8	10,6	0,2	9.666,9
Central and Eastern Europe	377,0	0,0	0,0	0,1	183,0	560,2
Herzogovina	269,3	0,0	0,0	0,0	143,4	412,7
Macedonia	107,7	0,0	0,0	0,1	39,6	147,5
Total	**9.056,6**	**935,7**	**40,8**	**10,7**	**183,3**	**10.227,0**

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**

37.7) 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	2013			2012		
	Net interest income	Difference to base scenario	Change in %	Net interest income	Difference to base scenario	Change in %
Base scenario (without any changes)	160,2	-	-	159,4	-	-
Immediate parallel shift in the interest rate curve of +200 basis points	171,6	11,4	7,1	176,2	16,8	10,5
Immediate parallel shift in the interest rate curve of -200 basis points	159,5	(0,7)	(0,4)	153,4	(6,0)	(3,8)
Parallel shift in the interest rate curve of +200 basis points in 12 months	176,2	16,0	10,0	179,8	20,3	12,8
Parallel shift in the interest rate curve of -200 basis points in 12 months	158,1	(2,1)	(1,3)	154,2	(5,3)	(3,3)
Shifts in the money market rate of +200 basis points	165,2	5,0	3,1	168,4	8,9	5,6
Shifts in the money market rate of -200 basis points	166,1	5,9	3,7	163,4	3,9	2,5
Shifts in the market interest rate of +200 basis points	172,8	12,6	7,9	173,8	14,4	9,0
Shifts in the market interest rate of -200 basis points	152,7	(7,5)	(4,7)	151,2	(8,3)	(5,2)

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 -2.2% (2012: -1.9%) and the upside potential is 2.6% (2012: 2.1%).

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	2013	2012
Bosnian Mark (BAM)	0,0	3,3
British Pound (GBP)	0,1	0,1
Japanese Yen (JPY)	0,1	0,2
Croatian Kuna (HRK)	3,4	2,4
Macedonian Denar (MKD)	0,0	(1,9)
Swiss Franc (CHF)	1,1	1,4
US Dollar (USD)	1,5	2,2
Other currency	1,6	3,6
Total	**7,7**	**11,3**

Shares and commodity risk

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

37.8) 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. Since 2011 the Austrian National Bank regularly observed the liquidity situation and liquidity risks. Steiermärkische Sparkasse Group analyses and manages since 2012 the Basel III liquidity ratios (LCR and NSFR). Despite compliance transitional period (100 %), Steiermärkische Sparkasse Group already meets the minimum requirements.

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 highly liquid nostro-portfolio. The OLC continued to put a special focus on collateral mobilization in 2013, 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 increased compared with customer loans. The actual loan deposit ratio is 115.4% (after risk provisions). In a modified view (including retail-issues) the loan deposit ratio was 102.2%.

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 2013 and 31 December 2012:

in EUR million	up to 1 month		1 - 12 months		1 - 5 years		5+ years	
	2013	2012	2013	2012	2013	2012	2013	2012
Liquidity Gap	(852,8)	(658,0)	(614,3)	(1.058,6)	93,5	550,4	1.373,7	1.166,2

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	
	2013	2012	2013	2012	2013	2012	2013	2012
Repo-eligible securities	4,0	0,0	86,8	119,6	372,2	463,4	584,1	532,6

Analysis of financial liabilities

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

2013 in EUR million	Carrying amounts	Contractual cash flows	<1 month	1 - 12 months	1 - 5 years	> 5 years
Non-derivative liabilities						
Deposits by banks	2.078,4	2.110,3	289,4	557,6	1.094,3	168,9
Customer deposits	8.499,3	8.668,5	470,4	5.088,8	1.062,4	2.046,8
Debt securities in issue	2.139,9	2.245,4	303,7	354,9	1.405,4	181,4
Subordinated liabilities	134,8	145,4	11,0	26,6	68,5	39,3
Total	**12.852,3**	**13.169,5**	**1.074,5**	**6.028,0**	**3.630,6**	**2.436,5**
Derivative liabilities						
Derivatives banking book	19,4	19,4	3,2	1,8	5,0	9,4
Total	**19,4**	**19,4**	**3,2**	**1,8**	**5,0**	**9,4**

2012 (adjusted) 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	2.638,8	686,6	613,8	899,3	289,3
Customer deposits	8.381,1	8.452,4	582,6	4.876,5	1.370,0	1.748,3
Debt securities in issue	2.132,7	2.122,8	15,6	198,7	1.688,7	324,9
Subordinated liabilities	159,7	225,8	7,3	20,5	105,9	36,8
Total	**13.098,0**	**13.439,8**	**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**

37.9) 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.

Beginning 1 January 2012, Steiermärkische Sparkasse has been measuring operational risk in line with the Advance Measurement Approach (AMA) following regulatory approval on 30 January 2012. Pursuant to the AMA, the required capital is calculated using an internal VaR model, taking into account internal data, external data, scenario analysis, business environment and internal risk control factors.

38) 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 -2.8 million (EUR -4.2 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	2013		2012	
	Positive Fair Value	Negative Fair Value	Positive Fair Value	Negative Fair Value
Hedging instrument - fair value hedge	28,2	5,2	46,2	13,7
Hedging instrument - cash flow hedge	6,0	2,8	12,1	78,7

Fair value hedges resulted during 2013 in gains of EUR -9.5 million on hedging instruments and losses of EUR 10.2 million on hedged items.

Total volume of unsettled derivatives

in EUR million	Notional amount 2013	Fair Value positive	Fair Value negative	Notional amount 2012	Fair Value positive	Fair Value negative
Interest Rate Contracts						
Interest rate swaps						
purchase	827,8	30,9	(6,8)	813,2	54,9	(16,5)
sale	827,8	5,2	(0,4)	813,2	8,2	0,0
Interest rate option						
purchase	271,7	3,9	(0,0)	299,7	5,3	(13,2)
sale	290,2	0,0	(9,0)	345,5	0,0	(4,9)
Currency Contracts						
Currency options						
purchase	6,8	0,1	0,0	1,7	0,1	0,0
sale	6,8	0,0	(0,1)	1,7	0,0	(0,1)
Currency swaps						
purchase	0,0	0,0	0,0	500,0	0,0	(29,2)
sale	0,0	0,0	0,0	605,0	0,0	(70,1)
Currency forward rate agreement						
purchase	1.172,4	3,7	0,0	907,2	5,5	0,0
sale	1.172,0	0,0	(3,2)	905,9	0,0	(3,8)
Total						
purchase	**2.278,7**	**38,7**	**(6,8)**	**2.521,9**	**65,8**	**(59,0)**
sale	**2.296,7**	**5,2**	**(12,7)**	**2.671,3**	**8,2**	**(78,8)**

39) 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 assignment of the positions to the levels occurs at the end of each reporting period.

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 2013**
Financial assets - at Fair Value (P/L)	0,0	0,0	0,0	0,0
Financial assets - Available for Sale	1.366,4	284,0	0,0	1.650,4
Trading assets - securities	0,0	0,0	0,0	0,0
Positive market value - derivatives	0,0	43,8	0,0	43,8
Total assets	**1.366,4**	**327,9**	**0,0**	**1.694,2**
Negative market value - derivatives	0,0	19,4	0,0	19,4
Other trading liabilities	0,0	0,0	0,0	0,0
Total liabilities and equity	**0,0**	**19,4**	**0,0**	**19,4**

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	1,4	1.663,9
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**	**1,4**	**1.738,2**
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**

[1)] Reclassification of previous year caused by removal of participations valued at acquisition costs.

Movements between Level 1 and 2

In 2013 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 six assets with amounting to EUR 45.5 million were 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, five assets were reclassified from Level 2 to Level 1 with a total volume of EUR 14.3 million.

Movements in Level 3

Since investments are only made in highly liquid assets, there were no reclassifications in Level 3. Participations valued at acquisition costs are no longer reflected in the table. The previous year was adjusted accordingly.

The amount disclosed in the previous year is a security that was fully written off in 2013. Otherwise there were no movements in Level 3.

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 2012	**1,4**	**0,0**	**0,0**	**1,4**	**0,0**	**0,0**
Gain/loss in						
profit or loss	(1,4)	0,0	0,0	(1,4)	0,0	0,0
in other comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0
Purchases	0,0	0,0	0,0	0,0	0,0	0,0
Sales/Settlements	0,0	0,0	0,0	0,0	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	0,0	0,0	0,0	0,0	0,0	0,0
Currency translation	0,0	0,0	0,0	0,0	0,0	0,0
Value at 31. December 2013	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**

1) Reclassification of previous year caused by removal of participations valued at acquisition costs.

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

in EUR million	2013		2012	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
ASSETS				
Cash and balances with central banks	192,9	192,9	184,5	184,5
Loans and advances to credit institutions	1.880,4	1.875,7	2.023,7	2.024,3
Loans and advances to customers	9.800,0	9.783,3	9.888,4	9.919,9
LIABILITIES				
Deposits by banks	2.085,9	2.078,4	2.423,2	2.424,5
Customer deposits	8.473,0	8.499,3	8.339,1	8.381,1
Debt securities in issue	2.155,3	2.139,9	2.081,6	2.132,7
Subordinated liabilities	137,1	134,8	158,2	159,7

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.

40) 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 2013 and 2012:

in EUR thousand	2013	2012
Audit fees	479	441
Tax consultancy fees	0	0
Total	**479**	**441**

41) 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	2013	2012
Contingent liabilities	**4.114,0**	**3.757,5**
Guarantees and pledges	4.084,8	3.728,2
Others	29,3	29,3
Other obligations	**1.922,8**	**1.836,1**
Not utilised credit lines, promissory notes	1.792,3	1.710,2
Others	130,5	125,9

42) Legal proceedings

Consumer Protection claims
Several banking subsidiaries of Steiermärksiche Sparkasse Group in SEE have been named in their respective jurisdictions as defendants in a number of lawsuits and in regulatory proceedings, filed by individual customers, regulatory authorities or consumer protection agencies and associations. Some of the lawsuits are class actions. The lawsuits mainly relate to allegations that certain contractual provisions, particularly in respect to consumer loans, violate mandatory consumer protection laws and regulations and that certain fees charged to customers in the past must be repaid. The allegations relate to the enforceability of certain fees as well as of contractual provisions for the adjustment of interest rates and currencies. .

Duty of Care Claims
One customer of the Steiermärkische Sparkasse filed a lawsuit against Steiermärksiche Sparkasse for violating of the duty of care in payments. The value of the claim is approximately EUR 1.0 million. There has been no public hearing regarding this claim to date and a possible settlement cannot be determined at this time.

Other legal claims
Otherwise at the balance sheet date there were no other significant legal proceedings

43) Events after the balance sheet date

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

44) Analysis of remaining maturities

2013 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	40,2	1.032,1	514,2	239,5	49,9
Loans and advances to customers	652,9	617,7	1.254,1	3.586,2	4.116,2
Derivative financial instruments	0,0	4,1	2,3	3,2	34,1
Trading assets	0,0	0,0	0,0	0,0	0,0
Financial assets - at Fair Value	0,0	0,0	0,0	0,0	0,0
Financial assets - Available for Sale	0,0	24,2	178,4	506,2	941,6
Total	**693,1**	**1.678,1**	**1.949,1**	**4.335,1**	**5.141,8**
Deposits by banks	26,3	355,5	415,6	1.087,0	194,0
Customer deposits	3.547,3	620,1	1.466,6	1.099,5	1.765,8
Derivative financial instruments	0,0	4,6	0,3	4,1	10,3
Debt securities in issue	0,0	307,7	269,1	1.331,4	231,6
Subordinated liabilities	0,0	35,6	3,1	58,1	37,9
Total	**3.573,6**	**1.323,5**	**2.154,8**	**3.580,2**	**2.239,6**

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	1.570,7	501,3
Subordinated liabilities	0,0	16,2	7,2	70,7	65,6
Total	**3.232,1**	**2.056,3**	**1.775,5**	**3.778,0**	**2.394,0**

In 2013 the total volume of debt securities in issue decreased, whereby the largest reduction was in the maturities to 1 year. At the same time the total volume of deposits by banks decreased and the remaining maturity shifted to over 1 year.

45) Own funds and capital requirement

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	2013	2012
Subscribed capital	55,5	55,5
Reserves	794,3	780,0
Intangible assets	(13,6)	(18,2)
Core tier 1 equity	**836,2**	**817,3**
Eligible subordinated liabilities	61,3	78,0
Revaluation reserve	38,5	51,6
Excess risk provisions for IRB positions	17,9	(5,9)
Other deductions to supplementary capital	(1,3)	(2,3)
Qualifying supplementary capital (Tier 2)	**116,4**	**121,4**
Short-term subordinated capital (Tier 3)	**0,5**	**0,7**
Total capital	**953,1**	**939,4**
Capital requirement	529,4	538,3
Surplus capital	423,7	401,1
Cover ratio (in %)	180,0%	174,5%
Tier 1 ratio (credit risk in %)	**12,6%**	**12,1%**
Solvency ratio (credit risk in %)	**14,4%**	**14,0%**

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

in EUR million	2013	2012
Risk pursuant to section 22 (1) 1 Austrian Banking Act	6.200,9	6.247,0
hereof 8% minimum own funds requirement	496,1	499,8
own funds requirement for foreign currency risk	0,5	0,7
own funds requirement for operational risk	32,8	37,8
minimum own funds requirements from switch to Basel II (Floor)	0,0	0,0
Capital requirement	**529,4**	**538,3**

46) 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
Dr. Franz Hochstrasser
Dr. Oswin Kois
o. Univ.-Prof. Mag. Dr. Dieter Mandl
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
Dr. Liselotte Palz

47) Details of the companies wholly or partly owned by Steiermärkische Sparkasse Group at 31 December 2013

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%	76,1	(13,6)		31.12.2013	E
Bankhaus Krentschker & Co. Aktiengesellschaft; Graz	100,0%	70,5	6,4		31.12.2013	V
ERSTE BANK AD NOVI SAD; Novi Sad	26,0%	124,4	8,4		31.12.2013	E
ERSTE BANK AD PODGORICA; Podgorica	41,0%	38,9	4,6		31.12.2013	E*)
Erste & Steiermärkische Bank d.d., Rijeka; Rijeka (Konzern)	41,0%	959,7	24,3		31.12.2013	E
Sparkasse Bank d.d.; Sarajevo	97,0%	58,2	4,5		31.12.2013	V
SPARKASSE BANK MAKEDONIJA AD SKOPJE; Skopje	99,7%	35,7	0,7		31.12.2013	V
Other financial institutions						
AMICUS Immorent Kommunalleasing GmbH; Graz	49,0%	(1,2)	(0,1)		31.12.2012	A
CALDO Grundstücksverwertungsgesellschaft m.b.H.; Wien	25,0%	0,0	0,0		31.12.2012	A
DENAR-Immorent Grundverwertungsgesellschaft m.b.H.; Wien	50,0%	(1,5)	0,0		31.12.2012	A
ERSTE CARD CLUB d.d.o.; Zagreb	41,0%	71,2	12,8		31.12.2013	E*)
ERSTE DELTA d.o.o.; Zagreb	41,0%	0,2	0,6		31.12.2013	A
Erste d.o.o.; Zagreb	27,6%	11,1	1,4		31.12.2012	A
ERSTE FACTORING d.o.o.; Zagreb	30,7%	26,5	9,3		31.12.2013	A
Erste & Steiermärkische S-Leasing d.o.o.; Zagreb	54,1%	25,9	9,9		31.12.2013	E
GIROLEASING-Mobilienvermietungsgesellschaft m.b.H.; Wien	50,0%	(0,3)	(0,0)		31.12.2012	A
ILION-Immorent Grundverwertungsgesellschaft m.b.H.; Wien	35,0%	(2,3)	(0,2)		31.12.2012	A
IMMORENT ALFA leasing druzba, d.o.o.; Ljubljana	33,3%	(0,2)	0,1		31.12.2012	A
IMMORENT - ANDROMEDA Grundverwertungsgesellschaft m.b.H.; Wien	33,2%	(0,2)	0,4		31.12.2012	A
IMMORENT-APOLLO Grundverwertungsgesellschaft m.b.H.; Wien	25,0%	0,0	(0,0)		31.12.2012	A
IMMORENT BETA, leasing druzba, d.o.o.; Ljubljana	25,0%	0,3	0,3		31.12.2012	A
IMMORENT DELTA, leasing druzba, d.o.o.; Ljubljana	33,3%	0,2	0,2		31.12.2012	A
IMMORENT EPSILON, leasing druzba, d.o.o.; Ljubljana	33,3%	2,2	0,1		31.12.2012	A
IMMORENT GAMA, leasing druzba, d.o.o.; Ljubljana	33,3%	(1,5)	0,0		31.12.2012	A
IMMORENT-HATHOR Grundverwertungsgesellschaft m.b.H; Wien	50,0%	(2,0)	(0,0)		31.12.2012	A
IMMORENT-JURA Grundverwertungsgesellschaft m.b.H.; Wien	90,0%	0,6	0,1		31.12.2012	A
IMMORENT leasing nepremicnin d.o.o.; Ljubljana	25,0%	(1,5)	0,2		31.12.2012	A

[1] Profit and Loss Transfer Agreement with Steiermärkische Bank und Sparkassen AG
[2] V = fully-consolidated, E = at-equity, E*) = at equity through Erste Bank Croatia Group, 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-RAFI Grundverwertungsgesellschaft m.b.H.; Wien	50,0%	0,1	0,1		31.12.2012	A
IMMORENT-RIO Grundverwertungsgesellschaft m.b.H.; Wien	60,0%	(0,6)	0,3		31.12.2012	A
IMMORENT SIGMA d.o.o.; Zagreb	50,0%	(1,2)	(1,3)		31.12.2012	A
Immorent-Süd Gesellschaft m.b.H.; Graz	35,0%	0,2	0,1		31.12.2013	E
Immorent - Süd Gesellschaft m.b.H., S - Leasing KG; Graz	42,9%	7,6	1,8		31.12.2013	E
IMMORENT-TRIAS Grundverwertungsgesellschaft m.b.H.; Wien	50,0%	(0,1)	(0,2)		31.12.2012	A
KERES-Immorent Immobilienleasing GmbH; Wien	100,0%	0,4	(0,0)		31.12.2012	A
Ölim-Grundverwertungsgesellschaft m.b.H.; Graz	100,0%	(0,2)	(0,0)		31.12.2012	A
PONOS-Immorent Immobilienleasing GmbH; Graz	50,0%	1,8	0,0		31.12.2012	A
RUTAR INTERNATIONAL trgovinska d.o.o.; Ljubljana	25,0%	0,7	0,4		31.12.2012	A
S-Factoring, Faktoring druzba d.d.,; Ljubljana	26,0%	0,1	(0,3)		31.12.2012	A
S IMMORENT GAMMA d.o.o.; Zagreb	50,0%	(0,0)	0,0		31.12.2012	A
S-IMMORENT nepremicnine d.o.o.; Ljubljana	33,3%	(0,1)	0,1		31.12.2012	A
S IMMORENT ZETA d.o.o.; Zagreb	20,2%	(0,2)	0,3		31.12.2013	A
S-LEASING DOO BEOGRAD; Beograd	50,0%	2,5	0,1		31.12.2013	E
S-Leasing doo Podgorica; Podgorica	50,0%	1,1	0,2		31.12.2013	E
S-Leasing d.o.o., Sarajevo; Sarajevo	98,5%	1,2	0,5		31.12.2013	A
S-Leasing d.o.o., Skopje; Skopje	100,0%	1,1	0,1		31.12.2013	A
SPARKASSEN LEASING druzba za financiranje d.o.o.; Ljubljana	33,3%	(29,1)	(1,2)		31.12.2013	E
Sparkasse Leasing S, družba za financiranje d.o.o.; Ljubljana	26,0%	0,1	0,1		31.12.2012	A
S-RENT DOO BEOGRAD; Beograd	50,0%	4,0	1,6		31.12.2013	E
Theuthras-Immorent Grundverwertungsgesellschaft m.b.H.; Graz	50,0%	2,8	(0,1)		31.12.2012	A
Other						
AWEKA - Kapitalverwaltungsgesellschaft m.b.H.; Graz	100,0%	12,6	0,3		31.12.2013	V
AWEKA-Beteiligungsgesellschaft m.b.H.; Graz	100,0%	9,3	(0,0)		31.12.2012	A
BRS Büroreinigungsgesellschaft der Steiermärkischen Bank und Sparkassen Aktiengesellschaft Gesellschaft m.b.H.; Graz	100,0%	0,0	0,0	X	31.12.2013	V
CITY REAL Immobilienbeteiligungs- und Verwaltungsgesellschaft mbH; Graz	100,0%	(0,3)	(0,0)		31.12.2012	A
CITY REAL Immobilienbeteiligungs- und Verwaltungsgesellschaft mbH & Co KG; Graz	99,0%	(0,3)	0,1		31.12.2012	A
ERSTE DMD d.o.o.; Zagreb	41,0%	2,2	0,2		31.12.2013	A
ERSTE NEKRETNINE d.o.o.; Zagreb	41,0%	0,4	0,0		31.12.2013	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)]
Erz und Eisen Regional Entwicklungs GmbH; Eisenerz	26,0%	0,1	(0,0)		31.12.2012	A
ESB Holding GmbH; Wien	41,0%	0,0	0,0		31.12.2012	A
GWS Gemeinnützige Alpenländische Gesellschaft für Wohnungsbau und Siedlungswesen m.b.H.; Graz	30,0%	46,1	7,1		31.12.2012	A
IMMOKOR BUZIN d.o.o.; Zagreb	20,1%	0,7	(3,3)		31.12.2013	A
Kreco Realitäten Aktiengesellschaft; Wien	79,0%	2,0	0,1		31.12.2012	A
LIEGESA Immobilienvermietung GmbH Nfg OG; Graz	100,0%	(0,7)	0,0		31.12.2013	V
Real-Service für steirische Sparkassen, Realitätenvermittlungsgesellschaft m.b.H.; Graz	45,7%	0,6	0,3		31.12.2012	A
RegioZ Regionale Zukunftsmanagement und Projektentwicklung Ausseerland Salzkammergut GmbH; Bad Aussee	20,0%	(0,0)	(0,0)		31.12.2012	A
RTG Tiefgaragenerrichtungs und -vermietungs GmbH; Graz	100,0%	0,1	0,0		31.12.2012	A
s ASG Sparkassen Abwicklungs- und Servicegesellschaft mbH; Graz	100,0%	0,0	0,0	X	31.12.2013	V
Schauersberg Immobilien Gesellschaft m.b.H.; Graz	100,0%	2,7	0,7		31.12.2012	A
Seniorenresidenz "Am Steinberg" GmbH; Graz	100,0%	0,3	0,1		31.12.2012	A
"SIMM" Liegenschaftsverwertungsgesellschaft m.b.H.; Graz	100,0%	0,1	(0,0)		31.12.2012	A
S-PREMIUM d.o.o. Sarajevo; Sarajevo	98,0%	0,1	0,1		31.12.2012	A
Sparkassen IT Holding AG; Wien	20,4%	4,4	0,4		31.12.2012	A
Sparkasse S d.o.o.; Ljubljana	26,0%	0,5	0,2		31.12.2012	A
SPK - Immobilien- und Vermögensverwaltungs GmbH; Graz	100,0%	16,0	0,3		31.12.2013	V
Sparkasse Nekretnine d.o.o.; Sarajevo	95,8%	0,1	0,0		31.12.2012	A
Steiermärkische Verwaltungssparkasse Immobilien & Co KG; Graz	100,0%	39,6	(0,7)		31.12.2013	V
Technologiezentrum Deutschlandsberg GmbH; Deutschlandsberg	29,0%	0,5	0,0		31.12.2012	A
Technologiezentrum Kapfenberg Vermietungs-GmbH; Kapfenberg	24,0%	1,5	0,1		31.12.2012	A
W.E.I.Z. Immobilien GmbH; Weiz	24,0%	3,1	0,0		31.12.2012	A

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

Graz, 4 March 2014

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 2013 to 31 December 2013. These consolidated financial statements comprise the balance sheet as at 31 December 2013, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended 31 December 2013, 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 2013, and of its financial performance and its cash flows for the financial year from 1 January 2013 to 31 December 2013 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 2013

Steiermärkische Bank und Sparkassen Aktiengesellschaft

Vienna, 4 March 2014

Austrian Savings Bank Auditing Association
Auditing Board
(Bank Auditor)

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

The report (in German language, or translations into another language, including shortened or amended versions) may not be made public or used by third parties, when reference is made in part or in whole to the auditors' report, without the express written consent of the auditors.

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 to which the Group is exposed.

Graz, 4 March 2014

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

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.

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.

Non-performing-Exposure (NPE)-coverage ratio
Risk provisions for the loans credit risk exposure as a percentage of total non performing credit risk exposure.

Non-performing-Exposure (NPE)-Ratio
Non-performing credit risk exposure as a percentage of total credit risk exposure.

Non-performing-Loans (NPL)-coverage ratio
Risk provisions for the loans and advances to customers as a percentage of the non-performing credit risk exposure.

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

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

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 thirteen 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.