

## Unaudited financial statements of Erste&Steiermärkische Bank d.d. for period January 1<sup>st</sup> - June 30<sup>th</sup> 2012

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## Management report for H1 2012

### Erste Bank maintained positive business trend in the first half of 2012

*The information in this release represent preliminary financial results of Erste&Steiermärkische Bank d.d. for the first six months of 2012.*

#### Key financial indicators for the Bank and for the Group:

- **Total assets of the Bank** as of June 30, 2012 reached HRK 57.7 billion, up 1.2% compared with December 31, 2011, when they had amounted to HRK 57.0 billion
- **Net profit of the Bank** in the first six months of 2012 amounted to HRK 272.0 million, which is 4.2% more than in the same period last year, when it had amounted to HRK 261.0 million
- **Key performance indicators for the Bank:** Return on Assets (**RoA**) was 0.94%, Return on Equity (**RoE**) 8.27%, while the **Cost/Income ratio** was additionally reduced from 40.0% on June 30, 2011, to 37.5% on June 30, 2012
- **Total assets of the Group** as of June 30, 2012 reached HRK 64.6 billion, up 2.5% compared with December 31, 2011, when they had amounted to HRK 63.0 billion
- **Net profit of the Group** in the first six months of 2012 amounted to HRK 319.3 million, which is 1.4% more than in the same period last year, when it had amounted to HRK 314.9 million
- **Key performance indicators of the Group:** Return on Assets (**RoA**) was 0.95%, Return on Equity (**RoE**) 9.00%, while the **Cost/Income ratio** was additionally reduced from 44.0% on June 30, 2011, to 41.7% on June 30, 2012

Zagreb/Rijeka, July 31, 2012 – In the first six months of 2012, Erste&Steiermärkische Bank d.d. maintained the trend of recording positive financial results, despite highly demanding market conditions. The Bank's total assets as of June 30th, 2012, amounted to HRK 57.7 billion, which is 1.2% more compared with year end 2011. With the H1 2012 net profit of HRK 272.0 million, the Bank maintained a stable level of profitability. Given the continuous need for adjustments to the current market conditions, Erste Bank continued with the cost rationalization in the first six months, which resulted with a further decrease in the Cost/Income Ratio, from 40.0% in H1 2011 to 37.5% in H1 2012. H1 2012 RoA reached 0.94%, while RoE stood at 8.27%.

*"We are satisfied with the results achieved in the first six months of 2012, especially bearing in mind the fact that market conditions around us are extremely challenging. We kept our operations and financial indicators highly stable by continually adjusting our operations to objective circumstances, improving internal efficiency, and managing costs adequately",* underlined the chairman of the Management Board of Erste Bank **Petar Radakovic** on this occasion. *"We will remain a reliable partner to our clients for the rest of the year. We want to support all healthy entrepreneurial initiatives aimed at real sector growth and real sector employment growth. I am confident that we will meet all our goals set for 2012",* Radakovic concluded.

As of June 30, 2012, the Bank's total lending volume amounted to HRK 38.6 billion, which is 0.8 percent less than year end 2011, when it had amounted to HRK 38.9 billion. The Bank's loan book decline is, above all, a consequence of lower demand for new loans on the market overall, especially in the segment of corporate lending, which is a result of current market conditions and the objective economic situation. Regardless of that, by attending to the needs of its clients, the Bank has continued to record rising market shares in this segment. According to the latest available data provided by the Croatian National Bank in the end of May 2012, the Bank's market share in total lending volume increased by 14.3%, compared to 14.1% recorded at the end of 2011. At the same time, the market share in lending to economy increased from 14.3% to 14.5% (from 14.4% to 14.6% in the corporate lending segment), while the market share in total retail lending witnessed a slight rise from 13.9% at the end of 2011 to 14.0% at the end of May this year.

The Bank's total deposits amounted to HRK 31.6 billion, which is 1.6 percent less than year end 2011, when they had amounted to HRK 32.1 billion. It is important to note that this was primarily driven by a decrease in corporate deposits, whereas retail deposits have been steadily and continuously growing.

According to the Group's consolidated financial report for the first six months of 2012 (including the following subsidiaries in addition to Erste Bank: Erste DMD d.o.o., Erste Nekretnine d.o.o., Erste Delta d.o.o., Erste Bank a.d. Podgorica, Erste Card Club d.d., Erste Factoring d.o.o.), total assets amounted to HRK 64.6 billion or 2.5 percent more than at the end of 2011, when they had amounted to HRK 63.0 billion. The group net profit reached HRK 319.3 million, which is 1.4 percent more than at the end of 2011, when it stood at HRK 314.9 million. Return on assets in the first six months of 2012 was 0.95%, and return on equity was 9.00%. The Cost/Income Ratio of the Group slumped from 44.0% on June 30, 2011, to 41.7% on June 30, 2012.

### **Goals for the rest of 2012**

To follow resident's financial needs, focus intensively on the SME segment and support quality projects driving development of the real economy and employment will remain the basic strategic guidelines in Erste Bank's operation. The bank still sees new lending prospects in renewable energy sources and energy efficiency, agriculture and EU fund-related infrastructure projects, and export-oriented production, and will keep them in focus in the upcoming period. The Bank's long-term business policies are always aimed at achieving above-average market growth, increasing internal and cost efficiency. The Bank wishes to close this year too with an increase in market shares, just like in previous years. A special attention will still be paid to improving the quality of service and communication with the clients, and understanding their specific needs in existing market conditions.

## Related parties transactions

	ESB GROUP			BANK		
	30.6.2012	31.12.2011	% change	30.6.2012	31.12.2011	% change
ASSET	1,036	951	8.9%	1,128	1,308	-13.8%
LIABILITIES	20,720	19,720	5.1%	16,609	16,063	3.4%
	30.6.2012	30.6.2011	% change	30.6.2012	30.6.2011	% change
REVENUES	287	121	137.2%	307	124	147.6%
EXPENSES	599	313	91.4%	550	280	96.4%

In previous period, the parent company EGB GmbH additionally financed related companies and Bank, and the liabilities towards the mother increased which impact on the items in the income statement.

### Research and Development

In the past period, the Bank has additionally developed the existing applications in order to provide clients with the best possible service in the lending business, while reducing employee workload. A considerable progress has been achieved in the code testing technology, data model optimisation, and workflow and document management solutions that are supposed to make the business processes much more flexible. The upgrade process continues.

### Risk management

Risk management is a set of procedures and methods established for identifying, measuring, assessing, controlling and monitoring of risks, including reporting of risks to which the credit institution is or might be exposed in its operations. The Bank is obliged to regularly measure and assess the risks identified in its business. Methods of measuring and assessing risk must include appropriate quantitative and/or qualitative measurement methods and risk assessment that will enable the observation of changes in Bank's risk profile, including the emergence of new risks.

The most significant risks that affect Bank's business operations are credit, market, operational and liquidity risk.

Credit risk is the risk of potential loss due to a debtor's non-payment of obligations towards the Bank, and it arises from the possibility that the Bank's credit claims and related fees and interest will not be repaid in the foreseen amount and timeframe. The Bank identifies, measures, follows up on, controls, i.e. actively manages the credit risk as one of the most important risks and determines existence of appropriate capital level for covering of such risks. Risks related to credit risk are: currency induced credit risk, residual risk, sovereign risk, dilution risk and concentration risk.

Market risks represent the risk of loss in open position stemming from the change in the movements of the market prices, including changes in interest rates, exchange currencies and prices of securities. In this sense, market risk include: (i) interest rate risk, (ii) currency risk and (iii) equity investment risk.

Operational risk is a risk of unexpected direct or indirect loss occurring due to the functioning of the human factor, inadequate procedures and controls, technological oversights, accidents and external factors. It is also a legal risk representing the possibility of outflow of the Bank's capital due to established fees or issued penalties and sanctions derived from a legislative, administrative or other proceeding on the basis of the failure to meet contractual or legal obligations, while contemporaneously excluding strategic and reputational risk.

Liquidity risk is a risk of loss stemming from an existing or expected inability of a credit institution to settle its monetary obligations upon maturity. Liquidity risk arises from maturity mismatch between assets and liabilities.

Except above mentioned risks the Bank manages and all other risk that could affect their business operations such as: systemic risk, regulatory risk, business environment risk etc.

**Addendum 3.**

Period of reporting:

1.1.2012

to

30.6.2012

**Three-month financial report for credit institutions - TFI-KI**

Identification number (MB): 03337367

Identification number of the subject (MBS): 040001037

Personal identification number (OIB): 23057039320

Name of the issuer: ERSTE &amp; STEIERMARKISCHE BANK DD

Postal code and town of residence: 51000

RIJEKA

Adress: JADRANSKI TRG 3A

E-mail address: ersteinbank@ersteinbank.hr

Internet address: www.ersteinbank.hr

Code and name of municipality/town: 373 RIJEKA

Code and name of county: 8 PRIMORSKO GORANSKA

Number of employees: 2,241

(at the end of reporting period)

Consolidated report: NO

NKD code: 6419

Names of subjects of consolidation (according to MSFI):

Headquarters:

MB:

Bookkeeping service:

Contact person: RAJIĆ ANDREJA

(only the last and first name of contact person is entered)

Phone number: 062 37 1778

Telefax: 062 37 1942

E-mail address: arajic@ersteinbank.com

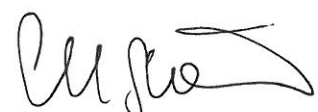
Last and first name: SCHOEFBOECK CHRISTOPH  
(person authorized for representing company)

## Reporting documentation:

1. Financial statements (statement of financial position, income statement, cash flow statement, statement of changes in equity and notes to financial statements)
2. Management report
3. Declaration of key personnel responsible for preparation of financial statements

M.P.

(signature of person authorized for representing company)



ERSTE & STEIERMARKISCHE  
BANK D.D.  
RIJEKA  
023 005



**STATEMENT OF FINANCIAL POSITION**  
as of **30.6.2012**

in HRK

Name of position 1	AOP 2	Prior period 3	Current period 4
<b>ASSETS</b>			
1. CASH AND DEPOSITS WITH Central bank (002+003)	001	7,054,134,621	7,172,359,918
1.1. Cash	002	757,854,222	812,681,122
1.2. Deposits with Central bank	003	6,296,280,399	6,359,678,796
2. DEPOSITS WITH BANKING INSTITUTIONS	004	1,216,061,832	1,044,152,570
3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK	005	1,483,160,019	1,243,863,139
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	006	5,555,854	8,569,654
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007	4,819,916,674	5,272,791,781
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008	360,014,992	190,859,762
7. SECURITIES AND OTHER FINANCIAL INSTRUMENTS NOT ACTIVELY TRADED, MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS	009		
8. DERIVATIVE FINANCIAL ASSETS	010	90,229,215	104,369,932
9. LOANS TO FINANCIAL INSTITUTIONS	011	497,702,250	1,408,376,882
10. LOANS TO OTHER CUSTOMERS	012	38,896,803,626	38,593,562,738
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	013	1,300,256,233	1,300,256,233
12. REPOSESED ASSETS	014	108,778,294	152,857,242
13. TANGIBLE ASSET (MINUS DEPRECIATION)	015	407,161,356	402,299,638
14. INTEREST, FEES AND OTHER ASSETS	016	795,308,972	853,664,600
<b>A) TOTAL ASSETS (001+004 to 016)</b>	<b>017</b>	<b>57,035,083,938</b>	<b>57,747,984,089</b>
<b>LIABILITIES</b>			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	16,593,501,891	17,204,307,717
1.1. Short-term borrowings	019	872,075,907	1,383,185,456
1.2. Long-term borrowings	020	15,721,425,984	15,821,122,261
2. DEPOSITS (AOP 022 to 024)	021	32,089,300,336	31,610,814,583
2.1. Deposits of giro and current accounts	022	4,908,174,214	4,224,017,198
2.2. Savings deposits	023	2,897,730,069	2,783,382,803
2.3. Term deposits	024	24,283,396,053	24,603,414,582
3. OTHER BORROWINGS (026+027)	025	2,562,830	236,745,528
3.1. Short-term borrowings	026		235,000,000
3.2. Long-term borrowings	027	2,562,830	1,745,528
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	133,782,976	40,851,493
5. ISSUED DEBT SECURITIES (030+031)	029	0	0
5.1. Short-term issued debt instruments	030		
5.2. Long-term issued debt instruments	031		
6. ISSUED SUBORDINATED INSTRUMENTS	032	828,346,200	826,111,000
7. ISSUED HYBRID INSTRUMENTS	033		
8. INTEREST, FEES AND OTHER LIABILITIES	034	974,442,136	1,231,348,599
<b>B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)</b>	<b>035</b>	<b>50,621,936,369</b>	<b>51,150,178,920</b>
<b>EQUITY</b>			
1. SHARE CAPITAL	036	3,500,360,782	3,500,360,782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	037	650,568,019	272,049,152
3. RETAINED PROFIT/(LOSS)	038	2,253,765,997	2,728,603,344
4. LEGAL RESERVES	039	84,920,875	84,920,875
5. STATUTORY AND OTHER CAPITAL RESERVES	040	5,327,851	-672,149
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE	041	-81,795,955	12,543,165
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS	042		
<b>C) TOTAL EQUITY (036 to 042)</b>	<b>043</b>	<b>6,413,147,569</b>	<b>6,597,805,169</b>
<b>D) TOTAL LIABILITIES AND EQUITY (035+043)</b>	<b>044</b>	<b>57,035,083,938</b>	<b>57,747,984,089</b>
<b>SUPPLEMENT TO STATEMENT OF FINANCIAL POSITION (filled out by banks that compose a consolidated financial report)</b>			
1. TOTAL EQUITY	045		
2. Attributed to equity holders of the parent	046		
3. Minority shares (045-046)	047	0	0

**INCOME STATEMENT**

for period from **1.1.2012** to **30.6.2012**

in HRK

Name of position	AOP	Prior period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
1. Interest income	048	1,524,917,147	762,378,241	1,831,386,681	887,148,588
2. Interest expense	049	680,319,771	335,257,629	986,276,798	473,127,778
<b>3. Net interest income (048-049)</b>	<b>050</b>	<b>844,597,376</b>	<b>427,120,612</b>	<b>845,109,883</b>	<b>414,020,810</b>
4. Fee and commission income	051	195,091,935	104,447,238	206,506,950	109,810,217
5. Fee and commission expense	052	54,159,031	30,230,942	60,051,900	31,937,158
<b>6. Net fee and commission income (051-052)</b>	<b>053</b>	<b>140,932,904</b>	<b>74,216,296</b>	<b>146,455,050</b>	<b>77,873,059</b>
7. Profit/loss from investments in subsidiaries, associates and joint ventures	054	0	0		0
8. Profit/loss from trading	055	18,030,421	5,107,959	11,462,950	4,306,647
9. Profit/loss from embedded derivatives	056	-45,503	-14,336	-6,726	8,230
10. Profit/loss from asset not actively traded measured at fair value through profit or loss	057	0	0		0
11. Profit/loss from asset available for sale	058	-12,892,552	-12,913,088	47,145,726	47,131,353
12. Profit/loss from asset held to maturity	059	0	0		0
13. Profit/loss from hedging	060	0	0		0
14. Income from investments in subsidiaries, associates and joint ventures	061	0	0		0
15. Income from other ownership investments	062	15,981,163	15,938,702	32,583,766	31,706,768
16. Profit/loss from foreign currency differences	063	35,811,988	15,993,751	45,911,158	22,457,497
17. Other income	064	11,488,992	-6,676,495	9,604,545	6,681,229
18. Other expenses	065	3,791,449	1,998,989	3,065,639	859,868
19. General administrative expenses and depreciation	066	418,023,740	213,017,732	424,038,407	216,099,450
<b>20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)</b>	<b>067</b>	<b>632,089,600</b>	<b>303,756,680</b>	<b>711,162,306</b>	<b>387,226,275</b>
21. Expense of value adjustment and loan loss provisions	068	307,631,139	162,981,243	378,069,174	217,270,923
<b>22. PROFIT/LOSS BEFORE TAX (067-068)</b>	<b>069</b>	<b>324,458,461</b>	<b>140,775,437</b>	<b>333,093,132</b>	<b>169,955,352</b>
<b>23. INCOME TAX EXPENSE</b>	<b>070</b>	<b>63,435,383</b>	<b>28,205,083</b>	<b>61,043,980</b>	<b>28,386,039</b>
<b>24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)</b>	<b>071</b>	<b>261,023,078</b>	<b>112,570,354</b>	<b>272,049,152</b>	<b>141,569,313</b>
25. Earnings per share	072				
<b>ANNEX TO INCOME STATEMENT (for the Banks that prepare consolidated financial statements)</b>					
1. PROFIT/LOSS OF THE CURRENT YEAR	073				
2. Assign equity holders of the Bank	074				
3. Non controlling interest (073-074)	075	0	0	0	0



### CASH FLOW STATEMENT - indirect method

for period from 1.1.2012 to 30.6.2012 in HRK

Name of the position	AOP	Prior period	Current period
1	2	3	4
<b>OPERATING ACTIVITIES</b>			
<b>1. Cash flow from operating activities before changes of operating asset (002 do 007)</b>	<b>001</b>	-208,176,725	-198,945,622
1.1. Profit/(loss) before income tax	002	324,458,461	333,093,132
1.2. Allowances and loss provisions	003	307,631,139	378,069,174
1.3. Depreciation	004	24,606,561	25,525,803
1.4. Net unrealized profit/(loss) from financial assets and liabilities through profit and loss	005		
1.5. Profit/(loss) from sale of tangible assets	006	7,059,714	52,744
1.6. Other profit/(losses)	007	-871,932,600	-935,686,475
<b>2. Net increase/(decrease) of operating assets (009 do 016)</b>	<b>008</b>	<b>-3,644,821,461</b>	<b>-327,044,693</b>
2.1. Deposits with Central bank	009	-1,562,986,489	184,435,257
2.2. Treasury bills of Ministry of Finance and CB bills	010	540,050,672	239,296,880
2.3. Deposits with banks and loans to financial institutions	011	53,678,109	-871,784,136
2.4. Loans to other customers	012	-2,120,438,284	-71,168,043
2.5. Securities and other financial instruments held for trading	013	-19,587,568	-3,007,474
2.6. Securities and other financial instruments available for sale	014	-1,372,339,205	-588,040,808
2.7. Securities and other financial instruments not traded actively, measured at fair value through profit or loss	015		
2.8. Other operating assets	016	836,801,304	783,223,631
<b>3. Net increase/(decrease) of operating liabilities (018 do 021)</b>	<b>017</b>	<b>237,417,089</b>	<b>-526,136,799</b>
3.1. Demand deposits	018	90,236,779	-684,221,795
3.2. Savings and term deposits	019	138,886,783	189,579,870
3.3. Financial derivative liabilities and other liabilities actively traded	020	-82,962,557	-107,072,200
3.4. Other liabilities	021	91,256,084	75,577,326
<b>4. Net cash flow from operating activities before income tax (001+008+017)</b>	<b>022</b>	<b>-3,615,581,097</b>	<b>-1,052,127,114</b>
5. (Income tax paid)	023	-115,875,195	-60,262,296
<b>6. Net inflow/(outflow) of cash from operating activities (022+023)</b>	<b>024</b>	<b>-3,731,456,292</b>	<b>-1,112,389,410</b>
<b>INVESTING ACTIVITIES</b>			
<b>7. Net cash flow from investing activities (026 do 030)</b>	<b>025</b>	<b>-1,103,210,515</b>	<b>226,993,905</b>
7.1. Receipt from sale/(payment for buying) tangible and intangible assets	026	-34,833,368	-20,716,829
7.2. Receipt from sale/(payment for buying) investments in subsidiaries, associates and joint ventures	027	-1,107,570,760	0
7.3. Receipt from sale/(payment for buying) securities and other financial instruments held to maturity	028	23,212,450	167,903,800
7.4. Dividend income	029	15,981,163	79,806,934
7.5. Other receipts/(payments) from investing activities	030		
<b>FINANCIAL ACTIVITIES</b>			
<b>8. Net cash flow from financial activities (032 do 037)</b>	<b>031</b>	<b>2,079,916,198</b>	<b>786,816,698</b>
8.1. Net increase/(decrease) of borrowings	032	1,858,697,818	808,379,083
8.2. Net increase/(decrease) issued debt securities	033	221,218,380	-21,562,385
8.3. Net increase/(decrease) subordinated and hybrid instruments	034		
8.4. Receipts from transmitted share capital	035		
8.5. (Dividends paid)	036		
8.6. Other receipts/(payments) from financial activities	037		
<b>9. Net increase/(decrease) of cash and cash equivalents (024+025+031)</b>	<b>038</b>	<b>-2,754,750,609</b>	<b>-98,578,807</b>
10. Effects of change in foreign exchange rates on cash and cash equivalents	039		
<b>11. Net increase/(decrease) cash and cash equivalents (038+039)</b>	<b>040</b>	<b>-2,754,750,609</b>	<b>-98,578,807</b>
<b>12. Cash and cash equivalents at the beginning of the year</b>	<b>041</b>	<b>6,636,326,336</b>	<b>4,192,877,823</b>
<b>13. Cash and cash equivalents at the end of the year (040+041)</b>	<b>042</b>	<b>3,881,575,727</b>	<b>4,094,299,016</b>

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Name of position	for period		Attributable to the equity holders of the Bank						in kunas	
	01.01.2012		to		30.06.2012					
	1	2	3	4	5	6	7	8	9	10
AOP	Share capital	Treasury shares	Legal, statutory and other reserves	Retained earnings/(loss)	Profit/(loss) for the period	Unrealised profit/(loss) from the basis of value adjustment of financial assets available for sale	Non controlling interest	Total capital and reserves		
Balance at 1 January	3,500,360,782	0	90,248,726	2,253,765,997	650,568,019	-81,795,955	0	6,413,147,569		
Changes in accounting policies and corrections of mistakes										
Corrected balance as at 1 January (1+2)	3,500,360,782	0	90,248,726	2,253,765,997	650,568,019	-81,795,955	0	6,413,147,569		
Sale of financial assets available for sale						47,145,726		47,145,726		
Change of fair value financial asset available for sale						70,778,174		70,778,174		
Tax on items directly recognised or transferred from capital and reserves						-23,584,780		-23,584,780		
Other profit/(loss) directly recognised in capital and reserves								0		
Net profit/(loss) directly recognised in capital and reserves (004+005+006+007)	0	0	0	0	0	94,339,120	0	94,339,120		
Profit/(loss) for the period					272,049,152			272,049,152		
Total recognised income and expenses for the period (008+009)	0	0	0	0	272,049,152	94,339,120	0	366,388,272		
Increase/(decrease) of share capital										
Buy/sell of treasury shares										
Other changes										
Transfer to reserves										
Dividends paid										
Distribution on income (014+015)	0	0	-6,000,000	474,837,347	-468,837,347			0		
Balance at reporting date (003+010+011+012+013+016)	3,500,360,782	0	84,248,726	2,728,603,344	272,049,152	12,543,165	0	6,597,805,169		

Banks which prepare consolidated financial statements represent changes in non controlling interest separately in appropriate capital items.

## Notes to financial statements

CASH AND DEPOSITS WITH Central bank		
	31.12.2011	30.6.2012
Cash on hand	757,854,222	812,681,122
Cash on clearing account	1,690,599,244	1,938,427,717
Obligatory reserves with the central banks	4,605,681,155	4,421,251,079
	<b>7,054,134,621</b>	<b>7,172,359,918</b>

DEPOSITS WITH BANKING INSTITUTIONS		
	31.12.2011	30.6.2012
Current accounts with other banks	12,912,752	42,244,108
Term deposits with banks	1,205,142,693	1,003,630,021
Less: Allowance for possible placement losses	(1,993,613)	(1,721,559)
	<b>1,216,061,832</b>	<b>1,044,152,570</b>

SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING		
	31.12.2011	30.6.2012
Securities	5,523,913	7,512,052
Shares in investment funds	-	-
Bonds	31,941	1,057,602
	<b>5,555,854</b>	<b>8,569,654</b>

TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK		
	31.12.2011	30.6.2012
<i>Treasury bills</i>		
Securities and other financial instruments held for trading	116,785,685	70,285,664
Securities and other financial instruments available for sale	1,366,374,334	1,173,577,475
	<b>1,483,160,019</b>	<b>1,243,863,139</b>

SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE		
	31.12.2011	30.6.2012
Equity shares and participations:	89,102,323	51,086,083
Investments in companies	69,484,668	31,894,297
Investments in financial institutions	19,617,655	19,191,786
Listed debt securities	4,603,166,049	5,106,980,047
Unlisted debt securities	98,981,391	88,125,337
Investment in open funds	28,666,911	26,570,727
Rights issue	-	29,587
	<b>4,819,916,674</b>	<b>5,272,791,781</b>

Analysis of listed debt securities:		
Debt securities available for sale allocated by the issuer comprise:		
	31.12.2011	30.6.2012
Republic of Croatia	1,710,119,698	2,582,697,658
Companies in Republic of Croatia	161,593,950	167,274,159
Foreign financial institutions	98,981,391	461,752,812
Other states	2,731,452,401	1,983,380,755
	<b>4,702,147,440</b>	<b>5,195,105,384</b>

SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY		
	31.12.2011	30.6.2012
Fixed income debt securities:	360,087,009	190,897,942
Listed debt securities – Bonds issued by the Republic of Croatia	355,247,961	186,071,951
Unlisted debt securities – Bonds issued by the Republic of Croatia	4,839,048	4,825,991
Total assets held to maturity before allowance	360,087,009	190,897,942
Less: allowance for assets held to maturity	(72,017)	(38,180)
	<b>360,014,992</b>	<b>190,859,762</b>

DERIVATIVE FINANCIAL ASSETS AND LIABILITIES	31.12.2011			30.6.2012		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
<b>Interest rate instruments:</b>						
Interest rate swaps - assets	1,388,527,272	20,059,346		1,151,476,853	19,260,050	
Interest rate swaps - liabilities	1,388,527,272		16,104,769	1,151,476,853		16,474,788
Subtotal - interest rate instruments	2,777,054,544	20,059,346	16,104,769	2,302,953,706	19,260,050	16,474,788
<b>Foreign currency instruments:</b>						
Currency swaps						
Purchase	1,003,068,274	4,686,358		1,575,819,775	2,784,266	
Sell	999,099,569		944,704	1,573,644,904		2,059,469
Forwards						
Purchase	12,664,307,125	64,974,182		13,849,708,853	81,952,364	
Sell	12,710,566,825		116,599,481	13,785,112,130		22,276,094
Call options	-	-	-	-	-	-
Put options	-	-	-	-	-	-
Subtotal - Foreign currency instruments	27,377,041,793	69,660,540	117,544,185	30,784,285,662	84,736,630	24,335,563
<b>Other instruments:</b>						
Call options for stock indeks	-	-	-	-	-	-
Put options for stock indeks	-	-	-	-	-	-
Call options for equity instruments	-	-	-	-	-	-
Put options for equity instruments	-	-	-	-	-	-
Forward bonds - purchase	29,857,989	62,516		7,423,959	-	
Forward bonds - sell	29,857,989		47,516	7,423,959		-
Embedded derivatives - assets	87,552,624	446,813		72,247,924	373,252	
Embedded derivatives - liabilities	46,706,551		86,506	37,515,736		41,142
Short position in bonds issued by Republic of Croatia	-	-	-	-	-	-
Total - other instruments	193,975,153	509,329	134,022	124,611,578	373,252	41,142
	<b>30,348,071,490</b>	<b>90,229,215</b>	<b>133,782,976</b>	<b>33,211,850,946</b>	<b>104,369,932</b>	<b>40,851,493</b>

LOANS TO FINANCIAL INSTITUTIONS	31.12.2011		30.6.2012	
	Loans	500,430,659	1,413,209,480	
Less: Allowance for loan impairment	(2,728,409)	(4,832,598)		
	<b>497,702,250</b>	<b>1,408,376,882</b>		

LOANS TO OTHER CUSTOMERS	31.12.2011		30.6.2012	
	Companies	17,927,466,260	17,248,603,721	
Individuals	17,586,213,199	17,667,420,209		
Public sector	5,473,561,424	6,033,559,793		
Other institutions	169,741,609	161,587,852		
Total loans before allowances for impairment	41,156,982,492	41,111,171,575		
Less: Allowance for loan impairment	(2,260,178,866)	(2,517,608,837)		
	<b>38,896,803,626</b>	<b>38,593,562,738</b>		

INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	Ownership Interest	Activity	Group's Share of net assets		Investment at cost	
			31.12.2011	30.6.2012	31.12.2011	30.6.2012
<b>Associates</b>			<b>31.12.2011</b>	<b>30.6.2012</b>	<b>31.12.2011</b>	<b>30.6.2012</b>
S Immorent leasing zeta d.o.o. za poslovanje nekretninama	49.00%	Real estate busine:	529,342	585,828	12,800	12,800
Erste d.o.o.	37.94%	Management comj	34,811,547	31,411,831	23,098,985	23,098,985
S IT Solutions HR d.o.o.	20.00%	IT engineering	209,873	252,929	4,000	4,000
IMMOKOR BUZIN d.o.o.	49.00%	Real estate busine:	33,716,604	34,046,970	33,975,000	33,975,000
<b>Total associates:</b>			<b>69,267,366</b>	<b>66,297,558</b>	<b>57,090,785</b>	<b>57,090,785</b>
<b>Subsidiaries</b>						
Erste nekretnine d.o.o.	100.00%	Real estate busine:	2,317,130	2,742,160	800,000	800,000
Erste DMD d.o.o.	100.00%	Management comj	14,629,508	15,592,464	15,000,000	15,000,000
Erste Factoring d.o.o.	74.996%	IT engineering and	86,651,838	132,846,901	37,658,000	37,658,000
Erste Card Club d.d.	100.000%	Other credit intern	388,485,016	423,857,870	1,089,285,069	1,089,285,069
Diners Club BH d.o.o.	100.00%	Other credit intern	(2,555,716)	(3,581,614)	-	-
Erste Delta d.o.o.	100.00%	Real estate busine:	(8,353,651)	(5,275,243)	26,000	26,000
Erste bank a.d., Podgorica	100.00%	Credit institution	208,282,501	229,256,323	100,396,379	100,396,379
<b>Total subsidiaries:</b>			<b>689,456,626</b>	<b>795,438,861</b>	<b>1,243,165,448</b>	<b>1,243,165,448</b>
<b>Total:</b>			<b>758,723,992</b>	<b>861,736,419</b>	<b>1,300,256,233</b>	<b>1,300,256,233</b>

<b>TANGIBLE ASSET (MINUS DEPRECIATION)</b>		
	<b>31.12.2011</b>	<b>30.6.2012</b>
Land and buildings	322,786,379	325,415,448
Computers	6,956,064	7,634,624
Furniture and other equipment	60,894,709	56,872,483
Motor vehicles	266,823	399,712
Ongoing investment in buildings and equipment	16,225,359	11,947,208
Investment property	32,022	30,163
	<b>407,161,356</b>	<b>402,299,638</b>

<b>INTEREST, FEES AND OTHER ASSETS</b>		
	<b>31.12.2011</b>	<b>30.6.2012</b>
Undue interests and fees	334,440,228	371,299,898
Due interests and fees	362,339,485	371,960,839
Tax assets	92,771,839	57,664,327
Receivables for overpaid taxes	19,844,329	30,935,730
Intangible assets	50,039,694	48,950,441
Inventory of office supply and other materials	42,287	-
Numismatic collection	551,900	540,700
Prepaid expenses	3,665,390	5,740,964
Receivables for dividends	-	26,225,194
Other assets	100,132,364	168,012,234
Total other assets before allowance for impairment	963,827,516	1,081,330,327
Less: Allowance for impairment of other asset	(168,518,544)	(227,665,727)
	<b>795,308,972</b>	<b>853,664,600</b>

<b>AMOUNTS DUE TO FINANCIAL INSTITUTIONS</b>		
	<b>31.12.2011</b>	<b>30.6.2012</b>
From banks	13,927,781,113	14,414,403,196
From other banking institutions	3,765,210	-
From HBOR	2,661,955,568	2,789,904,521
	<b>16,593,501,891</b>	<b>17,204,307,717</b>

<b>DEPOSITS</b>		
<b>DEPOSITS OF GIRO AND CURRENT ACCOUNTS</b>		
	<b>31.12.2011</b>	<b>30.6.2012</b>
Deposits from public sector		
<i>Republic of Croatia</i>	16,741,076	6,579,378
<i>Republic funds</i>	1,133,912	889,883
<i>Local government</i>	105,603,930	74,394,061
Deposits from financial institutions		
<i>Banks</i>	35,807,947	34,830,046
<i>Other banking institutions</i>	64,237,388	124,796,110
<i>HBOR</i>	9,983	10,050
<i>Non-banking financial institutions</i>	77,787,164	73,267,611
<i>Banks in bankruptcy</i>	2,672,832	44,248
<i>Banks in liquidation</i>	901,284	843,599
Deposits from state commercial customers	52,620,624	27,477,180
Deposits from other commercial customers	2,732,707,024	1,911,784,226
Deposits from non-profit institutions	123,137,789	110,183,634
Deposits from individuals	1,626,370,636	1,646,913,337
Deposits from non residents		
<i>Foreign financial institutions</i>	24,785,483	160,849,518
<i>Foreign states</i>	648,946	379,342
<i>Foreign commercial customers</i>	3,281,429	9,835,901
<i>Foreign individuals</i>	37,320,250	39,375,573
<i>Foreign non-profit institutions</i>	2,406,517	1,563,501
	<b>4,908,174,214</b>	<b>4,224,017,198</b>

SAVINGS DEPOSITS		
	31.12.2011	30.6.2012
Deposits from public sector		
<i>Republic of Croatia</i>	1,137,140	-
Deposits from financial institutions		
<i>Banks</i>	58,854,559	61,540,981
<i>Other banking institutions</i>	19,114,380	7,187,279
<i>Non-banking financial institutions</i>	530,232	861,513
Deposits from state commercial customers	22,591,260	30,791,410
Deposits from other commercial customers	352,207,039	332,826,366
Deposits from non-profit institutions	4,334,909	4,694,251
Deposits from individuals	2,235,815,698	2,151,387,605
Deposits from non residents		
<i>Foreign financial institutions</i>	35,282	569,245
<i>Other non residents</i>	203,109,570	193,524,153
	<b>2,897,730,069</b>	<b>2,783,382,803</b>

TERM DEPOSITS		
	31.12.2011	30.6.2012
Deposits from public sector		
<i>Republic of Croatia</i>	10,773,129	49,360,185
<i>Republic funds</i>	-	-
<i>Local government</i>	24,675,441	65,137,644
Deposits from financial institutions		
<i>Banks</i>	432,862,461	307,934,900
<i>Other banking institutions</i>	933,235,793	1,174,116,164
<i>HBOR</i>	-	35,000,000
<i>Non-banking financial institution</i>	1,565,786,251	1,857,363,732
<i>Banks in bankruptcy</i>	33,000,000	35,500,000
<i>Banks in liquidation</i>	858,769	-
Deposits from state commercial customers	137,776,239	41,091,693
Deposits from other commercial customers	3,023,263,832	2,631,061,939
Deposits from non-profit institutions	118,013,389	164,113,550
Deposits from individuals	17,030,317,888	17,278,394,058
Deposits from non residents		
<i>Foreign financial institutions</i>	40,000,000	-
<i>Foreign states</i>	-	-
<i>Foreign commercial customers</i>	44,911,405	35,350,525
<i>Foreign individuals</i>	887,702,673	928,871,692
<i>Foreign non-profit institutions</i>	218,783	118,500
	<b>24,283,396,053</b>	<b>24,603,414,582</b>

OTHER BORROWINGS		
	31.12.2011	30.6.2012
Short term borrowings in HRK	-	235,000,000
Long term borrowings in foreign currency	2,562,830	1,745,528
	<b>2,562,830</b>	<b>236,745,528</b>

INTEREST, FEES AND OTHER LIABILITIES		
	31.12.2011	30.6.2012
Undue interest and fees	488,272,330	542,219,349
Due interest and fees	5,039,101	3,861,632
Prepayments received from borrowers	170,851,537	167,085,735
Other taxes	975,910	865,070
Salaries and bonuses payable	101,057,484	82,221,744
Off balance provisions	52,169,016	49,408,417
Amounts due to suppliers	21,059,396	12,135,324
Payables to State Agency for deposit insurance	13,126,544	13,204,651
Uninvoiced liabilities	9,129,366	27,707,510
Liabilities for dividend payout	555,743	182,286,280
Subordinated instruments	17,880,253	37,207,437
Deferred income	3,781,751	3,410,726
Other	90,543,705	109,734,724
	<b>974,442,136</b>	<b>1,231,348,599</b>

INTEREST INCOME		
	30.6.2011	30.6.2012
Interest on loans and advances to customers	1,296,827,081	1,356,931,905
Interest on amounts due from other banks	11,676,792	7,597,054
Interest income on financial investments	78,682,432	138,112,114
Interest on balances due from the central bank	3,524,872	243,852
Interest on derivative financial instruments	88,615,704	268,506,515
Interest income on impaired financial assets - loans and advances to customers	40,754,299	52,005,332
Interest on reverse repurchase agreements	1,292,008	2,957,035
Other interest income	3,543,959	5,032,874
	<b>1,524,917,147</b>	<b>1,831,386,681</b>

INTEREST EXPENSES		
	30.6.2011	30.6.2012
Interest on customer deposits	418,634,571	426,066,272
Interest on other borrowed funds	193,229,737	418,350,940
Interest on amounts due to other banks	28,251,437	65,815,634
Interest on subordinated debt	180,514	24,600,576
Interest on derivative financial instruments	33,053,712	42,138,579
Interest on repurchase agreements	1,865,390	3,703,517
Other interest expense	5,104,410	5,601,280
	<b>680,319,771</b>	<b>986,276,798</b>

FEE AND COMMISSION INCOME		
	30.6.2011	30.6.2012
Payments and money transfers	102,277,879	108,550,095
Bank cards services	41,061,480	49,364,194
Custodial fees	18,629,096	14,924,085
Guarantees and letter of credit	17,209,723	18,273,493
Other fee and commission income	15,913,757	15,395,083
	<b>195,091,935</b>	<b>206,506,950</b>

FEE AND COMMISSION EXPENSES		
	30.6.2011	30.6.2012
Payments and money transfers	20,676,343	20,097,712
Bank cards services	30,913,984	35,730,949
Custodial fees	1,283,015	1,319,198
Guarantees and letter of credit	1,082,169	2,802,053
Other fee and commission expense	203,520	101,988
	<b>54,159,031</b>	<b>60,051,900</b>

PROFIT/LOSS FROM TRADING		
	30.6.2011	30.6.2012
Net foreign exchange gain loss on derivative financial instruments	3,239,553	(5,355,044)
Net gain on financial assets at fair value through profit or loss	14,790,868	16,817,994
	<b>18,030,421</b>	<b>11,462,950</b>

PROFIT/LOSS FROM EMBEDDED DERIVATES		
	30.6.2011	30.6.2012
Profit/ (loss) from embedded derivatives (except contracts with one-way currency clause)	(40,206)	-
Profit/ (loss) from embedded derivatives according to contracts with the one-way currency clause	(5,297)	(6,726)
	(45,503)	(6,726)

OTHER INCOME		
	30.6.2011	30.6.2012
Income from sale of property and equipment	7,059,714	33,776
Rental income from investment property	1,467,307	24,390
Rental income	769,462	813,692
Other	2,192,509	8,732,687
	11,488,992	9,604,545

GENERAL AND ADMINISTRATIVE EXPENSES AND DEPRECIATION		
	30.6.2011	30.6.2012
Employee related costs		
- Wages, salaries and compensations	109,894,994	103,775,820
- Payroll taxes and contributions	89,872,550	101,454,505
Pension provisions	723,915	724,895
Donations and sponsorship	3,921,055	4,610,110
Other administrative expenses	189,004,665	187,945,415
Depreciation	24,606,561	25,527,662
	418,023,740	424,038,407

OTHER EXPENSES		
	30.6.2011	30.6.2012
Other taxes and contributions	2,807,827	2,754,452
Other	983,622	311,187
	3,791,449	3,065,639

EXPENSES OF VALUE ADJUSTMENTS AND LOAN LOSS PROVISIONS		
	30.6.2011	30.6.2012
Provisions for impairment losses on loans and advances	272,496,082	320,399,305
Provision for impairment loss on other assets	26,540,810	56,423,913
Provision for impairment loss on financial investments held to maturity	(4,752)	(33,838)
Provision for impairment loss on financial investments available for sale	-	1,681,331
Provision for litigations	8,406,614	(4,107,007)
Provision for impairment of guarantees and credit commitments	192,385	3,705,470
	307,631,139	378,069,174



## DECLARATION OF KEY PERSONNEL RESPONSIBLE FOR PREPARATION OF FINANCIAL STATEMENTS

According to our best knowledge:

1. Shortened set of half year financial statements for Erste&Steiermärkische Bank d.d. prepared in accordance with appropriate standards of financial reporting of credit institutions in Republic of Croatia gives complete and true state of assets and liabilities and financial result and affairs of Erste&Steiermärkische Bank d.d.
2. Management report contains true and fair view of affairs and results of Erste & Steiermärkische Bank d.d.

Head of Accounting Division

Karmela Perišin



Member of the Management Board

Schoefboeck Christoph



Rijeka, July 31<sup>st</sup> 2012

ERSTE & STEIERMÄRKISCHE  
BANK D.D.  
RIJEKA 026 095