

## Unaudited financial statements of Erste&Steiermärkische Bank d.d. for period January 1<sup>st</sup> - June 30<sup>th</sup> 2013

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## Management report for H1 2013

### Erste Bank maintains stable business trends in first six months of 2013 despite very challenging market conditions

*The information in this release represent preliminary financial results of Erste&Steiermärkische Bank d.d. for the first six months of 2013.*

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

- **Total assets of the Bank** as of June 30, 2013 amounted to HRK 58.7 billion and were up by 0.3% compared to December 31, 2012, when they had amounted to HRK 58.5 billion.
- **Total credits of the Bank** as of June 30, 2013 amounted to HRK 38.74 billion and were up by 0.1% compared to December 31, 2012, when they had amounted to HRK 38.68 billion.
- **Total deposits of the Bank** at the end of June 2013 amounted to HRK 34.3 billion and increased by 3.5% compared to the end of 2012, when they had amounted to HRK 33.1 billion.
- **The Bank's net profit** in the first six months of 2013 amounted to HRK 126.5 million and was down by 53.5% compared to the same period last year, when it had amounted to HRK 272.0 million.
- **The Bank's key performance indicators of the Bank:** Return on Assets (RoA) amounted to 0.4%, Return on Equity (RoE) amounted to 3.6%, and **Cost/Income Ratio** as of June 30, 2013 amounted to 38.0%
- **Total assets of the Group** as of June 30, 2013 amounted to HRK 66.0 billion and were up by 0.1% compared to December 31, 2012, when they had amounted to HRK 65.9 billion.
- **Total credits of the Group** as of June 30, 2013 amounted to HRK 44.5 billion and were up by 0.8% compared to December 31, 2012, when they had amounted to HRK 44.9 billion.
- **Total deposits of the Group** at the end of June 2013 amounted to HRK 34.3 billion and increased by 3.4% compared to the end of 2012, when they had amounted to HRK 33.2 billion.
- **The Group's net profit** in the first six months of 2013 amounted to HRK 174.8 million and was down by 45.3% compared to the same period last year, when it had amounted to HRK 319.3 million.
- **The Group's key performance indicators of the Bank:** Return on Assets (RoA) amounted to 0.5%, Return on Equity (RoE) amounted to 4.5%, and **Cost/Income Ratio** as of June 30, 2013 amounted to 42.3%

Zagreb/Rijeka, July 31, 2013 – Erste&Steiermärkische Bank d.d. maintained a stable business trend in the first six months of 2013 despite highly challenging market conditions. The bank's total assets as of June 30, 2013 amounted to HRK 58.7 billion and were up by 0.3% compared to the end of 2012, when they had amounted to HRK 58.5 billion. The bank's total credits as of June 30, 2013 stood at HRK 38.74 billion and were up by 0.1% compared to the end of the last year, when they had stood at HRK 38.68 billion. Total deposits continue to report a stable growth, and they amounted to HRK 34.3 billion in late June 2013 and were up by 3.5% compared to the end of 2012, when they had amounted to HRK 33.1 billion.

The bank continues to share the burden of seriousness of the overall economic situation, considering the general conditions and the current situation in the economy, as evidenced by the financial indicators for the first six months of 2013. So, the bank's net profit was lower than in the same period of 2012 and stood at HRK 126.5 million. In the first six months of 2013, Return on Assets amounted to 0.4%, Return on Equity amounted to 3.6%, and Cost/Income Ratio as of June 30, 2013 amounted to 38.0%.

The decrease in net profit is mostly due to increased costs of value adjustments and provisioning, which are affected by pre-settlement procedures and adjustment to regulatory measures, as well as the objective economic situation and market conditions which have a generally negative influence on companies' business. The achieved financial result, however, is in line with the set goals, since such a development of events had been anticipated and incorporated in the business plans for 2013.

*"The first six months of 2013 point to a continuation of the disadvantageous economic trends that affect banking business as well. In such a highly challenging market environment, we are satisfied with the bank's financial result, even though it shows that we bear a significant burden of the current economic situation and the objective business conditions. We hope the future period will bring necessary reforms that will help the real sector to become competitive and to start employing. Without new jobs and new value in that area, a way out of the crisis can hardly be expected. Therefore, it is necessary to develop perception that entrepreneurs should be the growth generator, as well to create conditions to achieve this in an easier manner. The EU membership certainly brings additional development opportunities, and the banking sector has enough capacity and is prepared to support all healthy, sustainable and profitable projects,"* Erste Bank Management Board Chairman **Petar Radaković** said.

According to the Group's consolidated financial report for the first six months of 2013, which includes Erste Bank and its subsidiaries 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., and Erste Factoring d.o.o., total assets amounted to HRK 66.0 billion and were up by 0.1% compared to the end of 2012, when they had amounted to HRK 65.9 billion. The Group's net profit reached HRK 174.8 million and was down by 45.3% compared to 2012, when it had amounted to HRK 319.3 million. The Group's Return on Assets in the first six months of 2013 amounted to 0.5%, Return on Equity amounted to 4.5% and the Group's Cost/Income Ratio stood at 42.3%.

### **Objectives by the end of 2013**

Support of the citizens' financial needs, intensive focus on the small and medium entrepreneurship segment and support of sound projects that promote the development of the real sector and the growth of employment will remain the fundamental strategic guidelines of Erste Bank's business. The bank continues to see perspectives for new crediting in the following areas: renewable energy sources and energy efficiency, agriculture and infrastructural projects related to EU funds, and tourism and export-oriented production. The bank's long-term business policies are always focused on achieving above-average market growth, increasing internal efficiency and rationally managing the cost side. The bank wants to close 2013 with an increase in its market shares as it had the

previous years. A special emphasis will continue to be laid on improvement of client services, communication with clients and understanding of their specific needs in existing market conditions.

### Related parties transactions

In HRK mio	ESB GROUP			BANK		
	30.6.2013	31.12.2012	% change	30.6.2013	31.12.2012	% change
ASSET	1,495	951	57.20%	1,768	1,308	35.17%
LIABILITIES	16,358	19,720	-17.05%	15,313	16,063	-4.67%
	30.6.2013	31.12.2012	% change	30.6.2013	31.12.2012	% change
REVENUES	92	121	-23.97%	115	124	-7.26%
EXPENSES	348	313	11.18%	307	280	9.64%

### 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:

1.1.2013

do

30.6.2013

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

Identification number (MB): 03337367

Identification number of the 040001037

Personal identification number (OIB): 23057039320

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

Postal code and town of 51000

RIJEKA

Adress: JADRANSKI TRG 3A

E-mail adress: erstebank@erstebank.hr

Internet adress: www.erstebank.hr

Code and name of 373 RIJEKA

Code and name of county 8 PRIMORSKO GORANSKA

Broj zaposlenih: 2.248

Consolidated report: NE

(krajem izvještajnog razdoblja)

Šifra NKD-a: 6419

Names of subjects of consolidation (according to MSFI):

Headquarters:

MB:

Bookkeeping service:

Contact person: RAJIĆ ANDREJA

(unosi se samo prezime i ime osobe za kontakt)

Phone number: 062 37 1778

Telefaks: 062 37 1942

E-mail adress: arajic@erstebank.com

Last and first name: JAGAR SLADANA

(osoba ovlaštene za zastupanje)

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)



## STATEMENT OF FINANCIAL POSITION

as of 30.6.2013

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	7.458.666.012	7.228.742.766
1.1. Cash	002	786.933.470	894.933.148
1.2. Deposits with Central bank	003	6.671.732.542	6.333.809.618
2. DEPOSITS WITH BANKING INSTITUTIONS	004	1.645.067.013	1.632.945.311
3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK	005	1.125.710.201	1.488.986.646
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	006	18.354.550	9.585.117
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007	5.264.330.151	5.345.828.704
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008	191.772.469	189.488.240
7. SECURITIES AND OTHER FINANCIAL INSTRUMENTS NOT ACTIVELY TRADED, MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS	009	0	0
8. DERIVATIVE FINANCIAL ASSETS	010	106.392.156	348.443.117
9. LOANS TO FINANCIAL INSTITUTIONS	011	1.520.147.642	1.056.286.815
10. LOANS TO OTHER CUSTOMERS	012	38.681.054.245	38.736.323.880
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	013	1.300.256.233	1.300.256.233
12. REPOSESSED ASSETS	014	177.868.631	203.847.797
13. TANGIBLE ASSET (MINUS DEPRECIATION)	015	385.948.215	376.839.855
14. INTEREST, FEES AND OTHER ASSETS	016	643.242.669	752.090.584
<b>A) TOTAL ASSETS (001+004 to 016)</b>	<b>017</b>	<b>58.518.810.187</b>	<b>58.669.665.065</b>
<b>LIABILITIES</b>			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	15.615.941.865	15.159.967.282
1.1. Short-term borrowings	019	1.135.973.253	600.240.070
1.2. Long-term borrowings	020	14.479.968.612	14.559.727.212
2. DEPOSITS (AOP 022 to 024)	021	33.110.552.841	34.261.957.073
2.1. Deposits of giro and current accounts	022	4.946.503.124	6.214.774.470
2.2. Savings deposits	023	2.798.781.010	2.891.790.313
2.3. Term deposits	024	25.365.268.707	25.155.392.290
3. OTHER BORROWINGS (026+027)	025	565.669.190	577.290
3.1. Short-term borrowings	026	564.500.000	0
3.2. Long-term borrowings	027	1.169.190	577.290
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	140.329.216	100.846.364
5. ISSUED DEBT SECURITIES (030+031)	029	300.000.000	300.000.000
5.1. Short-term issued debt instruments	030	0	0
5.2. Long-term issued debt instruments	031	300.000.000	300.000.000
6. ISSUED SUBORDINATED INSTRUMENTS	032	830.018.640	819.647.840
7. ISSUED HYBRID INSTRUMENTS	033	0	0
8. INTEREST, FEES AND OTHER LIABILITIES	034	993.491.151	1.151.688.794
<b>B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)</b>	<b>035</b>	<b>51.556.002.903</b>	<b>51.794.684.643</b>
<b>EQUITY</b>			
1. SHARE CAPITAL	036	3.500.360.782	3.500.360.782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	037	482.709.424	126.505.818
3. RETAINED PROFIT/(LOSS)	038	2.728.603.344	3.065.079.021
4. LEGAL RESERVES	039	84.920.875	84.920.875
5. STATUTORY AND OTHER CAPITAL RESERVES	040	-641.749	-641.749
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE	041	166.854.608	98.755.675
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS	042		
<b>C) TOTAL EQUITY (036 to 042)</b>	<b>043</b>	<b>6.962.807.284</b>	<b>6.874.980.422</b>
<b>D) TOTAL LIABILITIES AND EQUITY (035+043)</b>	<b>044</b>	<b>58.518.810.187</b>	<b>58.669.665.065</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 **1.1.2013** to **30.6.2013**

in HRK

Name of position	AOP	Prior period		Current period	
		Kumulativ	Tromjesečje	Kumulativ	Tromjesečje
1	2	3	4	5	6
1. Interest income	048	1.831.386.681	887.148.588	1.494.257.514	735.252.846
2. Interest expense	049	986.276.798	473.127.778	708.119.064	342.840.225
<b>3. Net interest income (048-049)</b>	<b>050</b>	<b>845.109.883</b>	<b>414.020.810</b>	<b>786.138.450</b>	<b>392.412.621</b>
4. Fee and commission income	051	206.506.950	109.810.217	211.788.821	114.557.008
5. Fee and commission expense	052	60.051.900	31.937.158	60.312.899	33.330.872
<b>6. Net fee and commission income (051-052)</b>	<b>053</b>	<b>146.455.050</b>	<b>77.873.059</b>	<b>151.475.922</b>	<b>81.226.136</b>
7. Profit/loss from investments in subsidiaries, associates and joint ventures	054				
8. Profit/loss from trading	055	11.462.950	4.306.647	16.512.050	6.533.617
9. Profit/loss from embedded derivatives	056	-6.726	8.230	-104.508	-142.367
10. Profit/loss from asset not actively traded measured at fair value through profit or loss	057				
11. Profit/loss from asset available for sale	058	47.145.726	47.131.353	884.330	4
12. Profit/loss from asset held to maturity	059				
13. Profit/loss from hedging	060				
14. Income from investments in subsidiaries, associates and joint ventures	061				
15. Income from other ownership investments	062	32.583.766	31.706.768	45.674.234	45.267.484
16. Profit/loss from foreign currency differences	063	45.911.158	22.457.497	49.609.486	26.611.959
17. Other income	064	9.604.545	6.681.229	17.549.884	13.483.475
18. Other expenses	065	3.065.639	859.868	2.769.464	1.554.766
19. General administrative expenses and depreciation	066	424.038.407	216.099.450	406.539.840	210.088.772
<b>20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)</b>	<b>067</b>	<b>711.162.306</b>	<b>387.226.275</b>	<b>658.430.544</b>	<b>353.749.391</b>
21. Expense of value adjustment and loan loss provisions	068	378.069.174	217.270.923	505.563.005	296.864.006
<b>22. PROFIT/LOSS BEFORE TAX (067-068)</b>	<b>069</b>	<b>333.093.132</b>	<b>169.955.352</b>	<b>152.867.539</b>	<b>56.885.385</b>
<b>23. INCOME TAX EXPENSE</b>	<b>070</b>	<b>61.043.980</b>	<b>28.386.039</b>	<b>26.361.721</b>	<b>7.096.220</b>
<b>24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)</b>	<b>071</b>	<b>272.049.152</b>	<b>141.569.313</b>	<b>126.505.818</b>	<b>49.789.165</b>
25. Earnings per share	072				
<b>ANNEX TO INCOME STATEMENT (for the Banks that prepare consolidated financial statements)</b>					
<b>1. PROFIT/LOSS OF THE CURRENT YEAR</b>	<b>073</b>				
<b>2. Assign equity holders of the Bank</b>	<b>074</b>				
<b>3. Non controlling interest (073-074)</b>	<b>075</b>	0	0	0	0

**CASH FLOW STATEMENT - indirect method**

for period from **1.1.2013** to **30.6.2013** 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>	-198.945.622	-147.832.437
1.1. Profit/(loss) before income tax	002	333.093.132	152.867.539
1.2. Allowances and loss provisions	003	378.069.174	505.563.005
1.3. Depreciation	004	25.525.803	23.469.558
1.4. Net unrealized profit/(loss) from financial assets and liabilities through profit and loss	005		-513.609
1.5. Profit/(loss) from sale of tangible assets	006	52.744	2.636.952
1.6. Other profit/(losses)	007	-935.686.475	-831.855.862
<b>2. Net increase/(decrease) of operating assets (009 do 016)</b>	<b>008</b>	-327.044.693	81.870.712
2.1. Deposits with Central bank	009	184.435.257	-21.059.905
2.2. Treasury bills of Ministry of Finance and CB bills	010	239.296.880	443.891.654
2.3. Deposits with banks and loans to financial institutions	011	-871.784.136	476.274.795
2.4. Loans to other customers	012	-71.168.043	-554.403.260
2.5. Securities and other financial instruments held for trading	013	-3.007.474	9.283.042
2.6. Securities and other financial instruments available for sale	014	-588.040.808	-166.613.172
2.7. Securities and other financial instruments not traded actively, measured at fair value through profit or loss	015		0
2.8. Other operating assets	016	783.223.631	-105.502.442
<b>3. Net increase/(decrease) of operating liabilities (018 do 021)</b>	<b>017</b>	-526.136.799	514.556.962
3.1. Demand deposits	018	-684.221.795	1.268.271.346
3.2. Savings and term deposits	019	189.579.870	-116.867.114
3.3. Financial derivative liabilities and other liabilities actively traded	020	-107.072.200	-280.471.808
3.4. Other liabilities	021	75.577.326	-356.375.462
<b>4. Net cash flow from operating activities before income tax (001+008+017)</b>	<b>022</b>	-1.052.127.114	448.595.237
5. (Income tax paid)	023	-60.262.296	-42.873.683
<b>6. Net inflow/(outflow) of cash from operating activities (022+023)</b>	<b>024</b>	-1.112.389.410	405.721.554
<b>INVESTING ACTIVITIES</b>			
<b>7. Net cash flow from investing activities (026 do 030)</b>	<b>025</b>	226.993.905	30.960.312
7.1. Receipt from sale/(payment for buying) tangible and intangible assets	026	-20.716.829	-16.998.151
7.2. Receipt from sale/(payment for buying) investments in subsidiaries, associates and joint ventures	027		
7.3. Receipt from sale/(payment for buying) securities and other financial instruments held to maturity	028	167.903.800	2.284.229
7.4. Dividend income	029	79.806.934	45.674.234
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>	786.816.698	118.497.029
8.1. Net increase/(decrease) of borrowings	032	808.379.083	128.867.829
8.2. Net increase/(decrease) issued debt securities	033	-21.562.385	-10.370.800
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>	-98.578.807	555.178.895
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>	-98.578.807	555.178.895
<b>12. Cash and cash equivalents at the beginning of the year</b>	<b>041</b>	4.192.877.823	4.916.384.451
<b>13. Cash and cash equivalents at the end of the year (040+041)</b>	<b>042</b>	4.094.299.016	5.471.563.346



**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Name of position	for period		Attributable to the equity holders of the Bank						in HRK	
	1	2	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
	1.1.2013	30.6.2013								
	1	2	3	4	5	6	7	8	9	10
Balance at 1 January		001	3.500.360.782		84.279.126	2.728.603.344	482.709.424	166.854.608		6.962.807.284
Changes in accounting policies and corrections of mistakes		002								
Corrected balance as at 1 January (1+2)		003	3.500.360.782	0	84.279.126	2.728.603.344	482.709.424	166.854.608	0	6.962.807.284
Sale of financial assets available for sale		004						60.662.737		60.662.737
Change of fair value financial asset available for sale		005						-145.786.403		-145.786.403
Tax on items directly recognised or transferred from capital and reserves		006						17.024.733		17.024.733
Other profit/(loss) directly recognised in capital and reserves		007								
Net profit/(loss) directly recognised in capital and reserves (004+005+006+007)		008	0	0	0	0	0	-68.098.933	0	-68.098.933
Profit/(loss) for the period		009					126.505.818			126.505.818
Total recognised income and expenses for the period (008+009)		010	0	0	0	0	126.505.818	-68.098.933	0	58.406.885
Increase/(decrease) of share capital		011								
Buy/sell of treasury shares		012								
Other changes		013								
Transfer to reserves		014								
Dividends paid		015								
Distribution on income (014+015)		016	0	0	0	336.475.677	-336.475.677	0	0	-146.233.747
Balance at reporting date (003+010+011+012+013+016)		017	3.500.360.782	0	84.279.126	3.065.079.021	126.505.818	98.755.675	0	6.874.980.422

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

## Notes to financial statements

A 1. CASH AND DEPOSITS WITH Central bank		
	31.12.2012	30.6.2013
Cash on hand	786.933.470	894.933.148
Cash on clearing account	2.275.273.382	1.916.290.554
Obligatory reserves with the central banks	4.396.459.160	4.417.519.064
	<b>7.458.666.012</b>	<b>7.228.742.766</b>

A 2. DEPOSITS WITH BANKING INSTITUTIONS		
	31.12.2012	30.6.2013
Current accounts with other banks	1.134.184.258	1.050.519.207
Term deposits with banks	512.958.850	584.849.009
Less: Allowance for possible placement losses	(2.076.095)	(2.422.905)
	<b>1.645.067.013</b>	<b>1.632.945.311</b>

A 3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK		
	31.12.2012	30.6.2013
Treasury bills		
Securities and other financial instruments held for trading	37.308.078	8.207.472
Securities and other financial instruments available for sale	599.888.656	1.035.209.593
Securities and other financial instruments held to maturity	488.513.467	445.569.581
	<b>1.125.710.201</b>	<b>1.488.986.646</b>

TRADING		
	31.12.2012	30.6.2013
Shares	17.119.696	9.585.117
Bonds	1.234.854	-
	<b>18.354.550</b>	<b>9.585.117</b>

A 5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE		
	31.12.2012	30.6.2013
Equity shares and participations:	52.892.069	55.369.785
Investments in companies	33.504.254	36.182.222
Investments in financial institutions	19.387.815	19.187.563
Listed debt securities	5.069.885.867	5.150.001.048
Unlisted debt securities	113.184.360	111.770.160
Investment in open funds	28.341.842	28.687.711
Rights issue	26.013	-
	<b>5.264.330.151</b>	<b>5.345.828.704</b>

Analysis of debt securities:		
Debt securities available for sale allocated by the issuer comprise:		
	31.12.2012	30.6.2013
Republic of Croatia	2.672.943.756	2.606.198.925
Companies in Republic of Croatia	137.172.463	134.708.153
Foreign financial institutions	471.201.696	464.501.480
Foreign states	1.901.752.312	2.056.362.650
	<b>5.183.070.227</b>	<b>5.261.771.208</b>

A 6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	31.12.2012	30.6.2013
	Fixed income debt securities:	191.908.553
Listed debt securities – Bonds issued by the Republic of Croatia	187.059.735	184.827.042
Unlisted debt securities – Bonds issued by the Republic of Croatia	4.848.818	4.788.234
Bonds of Republic of Montenegro	-	-
Factoring	-	-
<i>Total assets held to maturity before allowance</i>	<i>191.908.553</i>	<i>189.615.276</i>
Less: allowance for assets held to maturity	(136.084)	(127.036)
	<b>191.772.469</b>	<b>189.488.240</b>

A8, B4) DERIVATNA FINACIJSKA IMOVINA I OBVEZE	31.12.2012		30.6.2013		
	Notional amount	Assets	Liabilities	Assets	Liabilities
<b>Interest rate instruments:</b>					
Interest rate swaps - assets	1.149.112.588	19.581.204		17.399.608	
Interest rate swaps - liabilities	1.149.112.588		18.565.679		14.549.699
Subtotal - interest rate instruments	<b>2.298.225.176</b>	<b>19.581.204</b>	<b>18.565.679</b>	<b>17.399.608</b>	<b>14.549.699</b>
<b>Foreign currency instruments:</b>					
Currency swaps					
Purchase	1.676.676.541	23.908.311		26.543.827	
Sell	1.675.181.905		18.818.471		24.130.376
Forwards					
Purchase	11.975.071.746	62.307.530		304.242.440	
Sell	12.007.008.557		102.686.109		62.163.072
Call options		173.903			
Put options	0				
Subtotal – Foreign currency instruments	<b>27.333.938.749</b>	<b>86.389.744</b>	<b>121.504.580</b>	<b>330.786.267</b>	<b>86.293.448</b>
<b>Other instruments:</b>					
Call options for stock indeks	6.036.499			2.980.538	
Put options for stock indeks	6.036.493		173.850	-5.961.069	
Call options for equity instruments					
Put options for equity instruments	10.070.040	52.500			
Forward bonds - purchase	10.070.040		51.000		
Forward bonds - sell	61.986.507	368.708			
Embedded derivatives - assets	28.412.556		34.107		
Embedded derivatives – liabilities					257.242
Short position in bonds issued by Republic of Croatia		421.208			
Total – other instruments	122.612.135	106.392.156	258.957	257.242	3.217
	29.754.776.060	140.329.216	3.385.118.001	348.443.117	100.846.364

A 9. LOANS TO FINANCIAL INSTITUTIONS		31.12.2012	30.6.2013
Loans		1.522.091.555	1.057.988.839
Less: Allowance for loan impairment		(1.943.913)	(1.702.024)
		<b>1.520.147.642</b>	<b>1.056.286.815</b>

A 10. LOANS TO OTHER CUSTOMERS		31.12.2012	30.6.2013
Companies		17.197.986.105	16.522.750.642
Individuals		17.520.776.407	17.229.208.281
Public sector		6.643.303.048	7.962.735.107
Other institutions		103.551.407	125.637.119
Total loans before allowances for impairment		41.465.616.967	41.840.331.149
Less: Allowance for loan impairment		(2.784.562.722)	(3.104.007.269)
		<b>38.681.054.245</b>	<b>38.736.323.880</b>

A 11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES							
	Ownership Interest 2012	Ownership Interest 2013	Activity	Group's Share of net assets		Investment at cost	
				31.12.2012	30.6.2013		
<b>Associates</b>				<b>31.12.2012</b>	<b>30.6.2013</b>	<b>31.12.2012</b>	<b>30.6.2013</b>
S Immorent leasing zeta d.o.o. za poslovanje nekretninama	49,00%	49,00%	Real estate business			12.800	12.800
Erste d.o.o	37,94%	37,94%	Management com	34.462.586	33.717.781	23.098.985	23.098.985
S IT Solutions HR d.o.o.	20,00%	20,00%	IT engineering	336.357	586.840	4.000	4.000
IMMOKOR BUZIN d.o.o.	49,00%	49,00%	Real estate busine	33.672.997	34.268.509	33.975.000	33.975.000
<b>Total associates:</b>				<b>68.471.940</b>	<b>68.573.130</b>	<b>57.090.785</b>	<b>57.090.785</b>
<b>Subsidiaries</b>							
Erste nekretnine d.o.o.	100,00%	100,00%	Real estate busine	3.008.952	3.075.254	800.000	800.000
Erste DMD d.o.o.	100,00%	100,00%	Management com	17.100.551	16.211.182	15.000.000	15.000.000
Erste Factoring d.o.o.	74,996%	74,996%	Accounts Receival	115.265.870	126.125.339	37.658.000	37.658.000
Erste Card Club d.d.	100,00%	100,00%	Financial intermec	470.773.080	492.463.754	1.089.285.069	1.089.285.069
Diners Club BH d.o.o.	100,00%	100,00%	Other financial int	1.395.775	1.709.449	-	-
Erste Delta d.o.o.	100,00%	100,00%	Real estate busine	-2.883.758	2.666.740	26.000	26.000
Erste bank a.d., Podgorica	100,00%	100,00%	Credit institution	253.889.245	260.127.378	100.396.379	100.396.379
<b>Total subsidiaries:</b>				<b>858.549.715</b>	<b>902.379.096</b>	<b>1.243.165.448</b>	<b>1.243.165.448</b>
<b>Total:</b>				<b>927.021.655</b>	<b>970.952.226</b>	<b>1.300.256.233</b>	<b>1.300.256.233</b>

## A 12. REPOSSESSED ASSETS

Reposessed assets are tangible assets reposessed due to uncollected receivables, majority of which are real estates.

A 13. TANGIBLE ASSET (MINUS DEPRECIATION)		
	31.12.2012	30.6.2013
Land and buildings	322.041.262	299.023.129
Computers	6.977.572	6.657.057
Furniture and other equipment	52.707.159	46.795.317
Motor vehicles	351.794	442.640
Ongoing investment in buildings and equipment	3.842.124	3.947.194
Investment property	28.304	19.974.518
	<b>385.948.215</b>	<b>376.839.855</b>

A 14. INTEREST, FEES AND OTHER ASSETS		
	31.12.2012	30.6.2013
Undue interests and fees	278.638.853	321.407.727
Due interests and fees	376.312.511	369.965.095
Tax assets	38.456.894	49.430.012
Receivables for overpaid taxes	9.270.778	32.426.059
Intangible assets	46.853.927	39.986.464
Inventory of office supply and other materials	1.971	24.755
Numismatic collection	780.365	773.709
Prepaid expenses	3.290.116	7.056.707
Other assets	141.831.689	231.992.293
Total other assets before allowance for impairment	895.437.104	1.053.062.821
Less: Allowance for impairment of other asset	(252.194.435)	(300.972.237)
	<b>643.242.669</b>	<b>752.090.584</b>

B 1. AMOUNTS DUE TO FINANCIAL INSTITUTIONS		
	31.12.2012	30.6.2013
From banks	12.951.135.879	12.638.170.264
From HBOR	2.664.805.986	2.521.797.018
	<b>15.615.941.865</b>	<b>15.159.967.282</b>

B 2. DEPOSITS		
	31.12.2012	30.6.2013
<b>B 2.1. Deposits of gyro and current accounts</b>		
Deposits from public sector		
<i>Republic of Croatia</i>	49.831.452	42.518.809
<i>Republic funds</i>	79.005.491	170.922.987
<i>Local government</i>	110.108.392	58.882.823
Deposits from financial institutions		
<i>Banks</i>	119.132.128	99.552.404
<i>Other banking institutions</i>	121.711.642	439.378.881
<i>HBOR</i>	9.907	9.819
<i>Non-banking financial institutions</i>	245.005.357	186.870.051
<i>Banks in bankruptcy</i>	6.285.090	1.091.076
<i>Banks in liquidation</i>	322.252	29.175
Deposits from state commercial customers	39.224.948	25.823.111
Deposits from other commercial customers	2.233.221.623	3.212.939.078
Deposits from non-profit institutions	133.748.208	106.226.451
Deposits from individuals	1.708.661.890	1.765.972.691
Deposits from non residents		
<i>Foreign financial institutions</i>	48.709.930	52.160.369
<i>Foreign states</i>	723.718	557.121
<i>Foreign commercial customers</i>	10.132.501	4.748.796
<i>Foreign individuals</i>	39.073.126	46.428.503
<i>Foreign non-profit institutions</i>	1.595.469	662.325
	<b>4.946.503.124</b>	<b>6.214.774.470</b>

<b>B 2.2. Savings deposits</b>	<b>31.12.2012</b>	<b>30.6.2013</b>
Deposits from public sector		
<i>Republic of Croatia</i>	268.808	140.897
Deposits from financial institutions		
<i>Banks</i>	59.546.274	57.134.688
<i>Other banking institutions</i>	29.662.127	87.139.469
<i>Non-banking financial institutions</i>	2.103.000	16.082.428
Deposits from state commercial customers	-	-
Deposits from other commercial customers	361.080.163	438.161.637
Deposits from non-profit institutions	2.556.829	1.010.251
Deposits from individuals	2.157.663.136	2.092.352.141
Deposits from non residents	-	0
<i>Foreign financial institutions</i>	50.507	9.904
<i>Other non residents</i>	185.850.166	199.758.898
	<b>2.798.781.010</b>	<b>2.891.790.313</b>

<b>B 2.3. Term deposits</b>	<b>31.12.2012</b>	<b>30.6.2013</b>
Deposits from public sector		
<i>Republic of Croatia</i>	12.780.635	39.000.500
<i>Republic funds</i>	99.942.040	-
<i>Local government</i>	19.309.076	63.564.339
Deposits from financial institutions		
<i>Banks</i>	398.804.227	264.306.053
<i>Other banking institutions</i>	902.447.502	1.035.964.771
<i>CBRD</i>	-	40.000.000
<i>Non-banking financial institution</i>	1.174.369.048	1.234.999.599
<i>Banks in bankruptcy</i>	25.500.000	30.000.000
Deposits from state commercial customers	148.356.300	48.757.144
Deposits from other commercial customers	2.498.301.205	2.033.741.645
Deposits from non-profit institutions	93.720.311	89.394.671
Deposits from individuals	17.782.290.536	18.095.451.962
Deposits from non residents		
<i>Foreign financial institutions</i>	1.185.835.294	1.167.046.773
<i>Foreign states</i>	-	-
<i>Foreign commercial customers</i>	38.389.883	30.291.112
<i>Foreign individuals</i>	985.103.549	982.873.721
<i>Foreign non-profit institutions</i>	119.101	-
<b>Oročeni depoziti</b>	<b>25.365.268.707</b>	<b>25.155.392.290</b>

<b>B 3. OTHER BORROWINGS</b>	<b>31.12.2012</b>	<b>30.6.2013</b>
Short term borrowings in foreign currency	-	-
Short term borrowings in HRK	564.500.000	-
Long term borrowings in foreign currency	-	-
Long term borrowings in HRK	1.169.190	577.290
	<b>565.669.190</b>	<b>577.290</b>

#### **B 5. ISSUED DEBT SECURITIES**

On 23rd November 2012, the Bank issued its own bonds in amount of HRK 300 million with a 5.875% coupon paid semi-annual and with maturity of 5 years.

#### **B 6. ISSUED SUBORDINATED INSTRUMENTS**

In June 2011 the Bank received subordinated debt from Erste Group Bank in the amount of HRK 226 million (original amount EUR 30 million). Maturity of the debt is until 2017, with interest rate 3 month EURIBOR plus 3.37% p.a.

In July 2011 the Bank issued its own subordinated bonds. Original amount of the issue is EUR 80 million. Maturity of the bonds is 6 years with interest to maturity 6.5%. Coupon will be settled annually.

Erste Bank a.d., Podgorica received subordinated debt in 2008 from Oikocredit, Ecumenical Development Cooperative Society U.A., the Netherlands in the original amount EUR 4 million (2012: HRK 31 million, 2011: HRK 31 million). Maturity of the debt is from 2013 till 2016, with interest rate 6 month EURIBOR plus 2.9% p.a.

<b>B 8. INTEREST, FEES AND OTHER LIABILITIES</b>		
	<b>31.12.2012</b>	<b>30.6.2013</b>
Undue interest and fees	508.520.125	469.294.166
Due interest and fees	4.577.904	5.920.889
Prepayments received from borrowers	155.276.542	145.504.150
Income tax liabilities	742.039	-
Other taxes	103.479.838	424.473
Salaries and bonuses payable	63.770.339	80.769.995
Off balance provisions	21.429.918	57.309.925
Amounts due to suppliers	13.678.735	16.396.512
Payables to State Agency for deposit insurance	13.442.977	13.864.054
Uninvoiced liabilities	555.607	27.055.026
Liabilities for dividend payout	17.928.126	146.788.944
Subordinated instruments	-	36.903.149
Deffered income	3.353.261	2.928.263
Other	86.735.740	148.529.248
	<b>993.491.151</b>	<b>1.151.688.794</b>

<b>1. INTEREST INCOME</b>		
	<b>30.6.2012</b>	<b>30.6.2013</b>
Interest on loans and advances to customers	1.356.931.905	1.191.084.517
Interest on amounts due from other banks	7.597.054	6.252.630
Interest income on financial investments	138.112.114	130.517.400
Interest on balances due from the central bank	243.852	608.423
Interest on derivative financial instruments	268.506.515	77.671.007
Interest income on impaired financial assets - loans and advances to	52.005.332	82.647.333
Interest on reverse repurchase agreements	2.957.035	2.432.861
Other interest income	5.032.874	3.043.343
	<b>1.831.386.681</b>	<b>1.494.257.514</b>

<b>2. INTEREST EXPENSES</b>		
	<b>30.6.2012</b>	<b>30.6.2013</b>
Interest on customer deposits	426.066.272	397.784.261
Interest on other borrowed funds	418.350.940	242.879.219
Interest on amounts due to other banks	65.815.634	25.182.939
Interest on subordinated debt	24.600.576	23.591.880
Interest on issued bonds	-	8.791.418
Interest on derivative financial instruments	42.138.579	7.710.691
Interest on repurchase agreements	3.703.517	653.004
Other interest expense	5.601.280	1.525.652
	<b>986.276.798</b>	<b>708.119.064</b>

<b>4. FEE AND COMMISSION INCOME</b>		
	<b>30.6.2012</b>	<b>30.6.2013</b>
Payments and money transfers	108.550.095	114.858.040
Bank cards services	49.364.194	51.277.180
Custodial fees	14.924.085	15.884.587
Guarantees and letter of credit	18.273.493	18.851.209
Other fee and commission income	15.395.083	10.917.805
	<b>206.506.950</b>	<b>211.788.821</b>

<b>5. FEE AND COMMISSION EXPENSES</b>		
	<b>30.6.2012</b>	<b>30.6.2013</b>
Payments and money transfers	20.097.712	19.930.735
Bank cards services	35.730.949	37.396.545
Custodial fees	1.319.198	1.667.814
Guarantees and letter of credit	2.802.053	1.203.436
Other fee and commission expense	101.988	114.369
	<b>60.051.900</b>	<b>60.312.899</b>

8. PROFIT/LOSS FROM TRADING		
	30.6.2012	30.6.2013
Net foreign exchange gain/(loss) on derivative financial instruments	-5.355.044,00	-7.508.436,00
Net gain on financial assets at fair value through profit or loss	16.817.994,00	24.020.486,00
	11.462.950,00	16.512.050,00

9. PROFIT/LOSS FROM EMBEDDED DERIVATES		
	30.6.2012	30.6.2013
Profit/ (loss) from embedded derivatives (except contracts with one-way currency clause)	-	-30.085
Profit/ (loss) from embedded derivatives according to contracts with the one-way currency clause	-6.726	-74.423
	-6.726	-104.508

17. OTHER INCOME		
	30.6.2012	30.6.2013
Income from sale of property and equipment	33.776	2.636.952
Rental income from investment property	24.390	507.238
Rental income	813.692	1.259.909
Other	8.732.687	13.145.785
	9.604.545	17.549.884

18. OTHER EXPENSES		
	30.6.2012	30.6.2013
Other taxes and contributions	2.754.452	2.734.634
Other	311.187	34.830
	3.065.639	2.769.464

19. GENERAL AND ADMINISTRATIVE EXPENSES AND DEPRECIATION		
	30.6.2012	30.6.2013
Employee related costs		
- Wages, salaries and compensations	103.775.820	97.183.397
- Payroll taxes and contributions	101.454.505	90.294.066
Pension provisions	724.895	327.616
Donations and sponsorship	4.610.110	3.836.238
Other administrative expenses	187.945.415	191.168.861
Depreciation	25.527.662	23.729.662
	424.038.407	406.539.840

21. EXPENSES OF VALUE ADJUSTMENTS AND LOAN LOSS PROVISION		
	30.6.2012	30.6.2013
Provisions for impairment losses on loans and advances	320.399.305	456.447.073
Provision for impairment loss on other assets	56.423.913	42.686.552
maturity	-33.838	-9.047
Provision for impairment loss on financial investments available for sale	1.681.331 -	
Provision for litigations	-4.107.007	12.838.620
Provision for impairment of guarantees and credit commitments	3.705.470	-6.400.193
	378.069.174	505.563.005



## 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 banks 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 and Controlling Division

Krešimir Barić



Rijeka, July 31<sup>st</sup> 2013

Management Board member



Slađana Jagar