

## Unaudited financial statements of Erste&Steiermärkische Bank d.d. for period January 1<sup>st</sup> - June 30<sup>th</sup> 2014

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## Management report for H1 2014

### Erste Bank achieved upward trend of its operating result in H1 2014

*The information in this press release reports unaudited financial results of Erste&Steiermärkische Bank d.d. for H1 2014.*

#### The Bank and the Group's most important financial indicators:

- **Total assets of the Bank** on June 30, 2014 amounted to HRK 58.3 billion and were down by 3.1% compared to December 31, 2013, when they had amounted to HRK 60.1 billion
- **Total loans of the Bank** on June 30, 2014 amounted to HRK 38.3 billion and were down by 3.7% compared to the end of 2013, when they had amounted to HRK 39.8 billion
- **Total deposits of the Bank** at the end of June 2014 amounted to HRK 36.5 billion and were down by 2.3% compared to the end of 2013, when they had amounted to HRK 37.4 billion
- **Operating result of the Bank** in the first six months of 2014 amounted to HRK 988.6 million and increased by 5.4% compared to the same period last year, when it had amounted to HRK 937.6 million
- **Bank's Net profit** in the first six months of 2014 amounted to HRK 114.6 million and was down by 9.4% compared to HRK 126.5 million in the first six months of 2013
- **Bank's Performance indicators:** Return on Assets (RoA) amounted to 0.4%, Return on Equity (RoE) amounted to 3.3%, and **Cost/Income Ratio** on June 30, 2014 amounted to 36.6%

- **Total assets of the Group** on June 30, 2014 amounted to HRK 67.3 billion and were down by 0.8% compared to December 31, 2013, when they had amounted to HRK 67.9 billion.
- **Total credits of the Group** on June 30, 2014 amounted to HRK 45.1 billion and were down by 2.1% compared to December 31, 2013, when they had amounted to HRK 46.1 billion.
- **Total deposits of the Group** at the end of June 2014 amounted to HRK 36.9 billion and decreased by 1.5% compared to the end of 2013, when they had amounted to HRK 37.5 billion.
- **The Group's net profit** in the first six months of 2014 amounted to HRK 196.7 million and was up by 12.5% compared to the same period last year, when it had amounted to HRK 174.8 million.

- **The Group's key performance indicators:** Return on Assets (RoA) amounted to 0.5%, Return on Equity (RoE) amounted to 4.7%, and **Cost/Income Ratio** as of June 30, 2014 amounted to 44.5%

Zagreb/Rijeka, July 31, 2014 – By implementing an adequate business policy and adjusting its operations to the general market conditions, Erste&Steiermärkische Bank d.d. achieved upward trend of its operating result in the first six months of 2014. The bank continues to share the burden of the overall economic situation, as evidenced by its financial indicators.

The bank's total assets on June 30, 2014 amounted to HRK 58.3 billion and were down by 3.1% compared to the end of 2013, when they amounted to HRK 60.1 billion. The bank's total loans on June 30, 2014 amounted to HRK 38.3 billion and were down by 3.7% compared to the end of the last year, when they amounted to HRK 39.8 billion. Total deposits at the end of June 2014 amounted to HRK 36.5 billion and were down by 2.3% compared to the end of 2013, when they amounted to HRK 37.4 billion.

The bank's stable position is confirmed by its operating result in the first six months of 2014, when it amounted to HRK 988.6 million and increased by 5.4% compared to HRK 937.6 million in the same period last year. The bank's net profit in the first six months of 2014 amounted to HRK 114.6 million and was down by 9.4% compared to the same period last year, when it had amounted to HRK 126.5 million. Net profit continues to be affected by increased provision costs expected and planned for the first half of 2014, which is the result of the current situation in the economy, enforcement of prebankruptcy settlements, and regulatory requirements. Accordingly, the bank's financial result had already been incorporated into the bank's business plans for H1 2014.

*"The first half of 2014 continues to be characterised by challenging market conditions reflecting on the banking sector's performance. We are pleased to record a stable mild upward business trend in spite of such conditions, which confirms the correctness of our business model and its long-term sustainability", Erste Bank Management Board Chairman Petar Radakovic said. "Continued efforts to establish conditions that will allow the real economy to strengthen and its competitiveness, opening new jobs and generating new value, remain the priority. The banking sector can and wants to support all healthy, sustainable and profitable projects", Radakovic concluded.*

According to Erste Group's consolidated financial statement for the first six months of 2014, which, in addition to the Bank, includes the following subsidiaries: Erste DMD d.o.o., Erste Nekretnine d.o.o., Erste & Steiermärkische S-Leasing d.o.o, Erste Delta d.o.o., Erste Bank a.d., Podgorica, Erste Card Club Group and Erste Factoring d.o.o., its total assets amounted to HRK 67.3 billion and were down by 0.8% compared to the end of 2013, when they amounted to HRK 67.9 billion. The Group's operating result amounted to HRK 1.3 billion and was up by 7.7% compared to the year before, when it amounted to HRK 1.2 billion. The Group's net profit in the first six months of 2014 reached HRK 196.7 million compared to HRK 174.8 million in the same period last year. The Group's Return on Assets amounted to 0.5%, Return on Equity to 4.7%, and Cost/Income Ratio to 44.5%.

### **Quality projects driving the development of the real economy remain in focus**

Erste Bank will continue to adhere to its basic strategic guidelines in its activities, which include following the financial needs of Croatian citizens, focusing intensively on the SME segment, and supporting quality projects driving the development of the real economy and employment. The bank continues to see new lending perspectives in renewable energy sources and energy efficiency, agriculture and EU fund-related infrastructure projects, tourism and export-oriented production. The Bank's long-term business policies are focused on growth above the market average, increased internal efficiency, and rational cost management. Erste Bank's ambition is to close this year with another increase in its market shares, and it will continue to lay a special emphasis on improving the quality of its services and its communication with its clients and on understanding their specific needs in current market conditions.

## Related parties transactions

In HRK mio	ESB GROUP			BANK		
	30.6.2014.	31.12.2013.	% change	30.6.2014.	31.12.2013.	% change
ASSET	1,312	1,021	28.5%	1,682	1,236	36.1%
LIABILITIES	19,729	19,578	0.8%	14,417	15,176	-5.0%
	30.6.2014.	30.6.2013.	% change	30.6.2014.	30.6.2013.	% change
REVENUES	180	92	95.7%	211	115	83.5%
EXPENSES	314	348	-9.8%	260	307	-15.3%

## 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:

1.1.2014

do

30.6.2014

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

Identification number (MB): 03337367

Identification number of the 040001037

Personal identification number (OIB): 23057038320

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

Postal code and town of 51000

RIJEKA

Address: JADRANSKI TRG 3A

E-mail address: erstebank@erstebank.hr

Internet address: www.erstebank.hr

Code and name of 373 RIJEKA

Code and name of county 8 PRIMORSKO GORANSKA

Broj zaposlenih: 2.254

(krajem izvještajnog razdoblja)

Consolidated report: NO

Šifra NKD-a: 6419

Names of subjects of consolidation (according to MSFI):

Headquarters:

MB:

Bookkeeping service:

Contact person: RAJIĆ ANDREJA

Phone number: 062 37 1778

Telefaks: 062 37 1942

E-mail address: arajic@erstebank.com

Last and first name: CHRISTOPH SCHOEFBUECK  
(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

ERSTE & STEIERMARKISCHE  
BANK D.D.  
RIJEKA

028

(signature of person authorized for representing company)

**STATEMENT OF FINANCIAL POSITION**

as of

30.6.2014

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	8.272.647.119	7.215.691.494
1.1. Cash	002	821.730.992	1.045.141.568
1.2. Deposits with Central bank	003	7.450.916.127	6.170.549.926
2. DEPOSITS WITH BANKING INSTITUTIONS	004	1.261.518.611	1.665.044.251
3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK	005	1.067.369.088	1.034.116.762
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	006	124.868.451	126.878.174
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007	5.283.774.199	5.671.586.245
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008	194.366.106	154.919.279
7. SECURITIES AND OTHER FINANCIAL INSTRUMENTS NOT ACTIVELY TRADED, MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS	009		
8. DERIVATIVE FINANCIAL ASSETS	010	81.551.221	165.507.779
9. LOANS TO FINANCIAL INSTITUTIONS	011	1.400.684.198	1.098.787.442
10. LOANS TO OTHER CUSTOMERS	012	39.798.986.876	38.328.076.207
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	013	1.272.006.413	1.362.367.072
12. REPOSSESSED ASSETS	014	290.211.327	353.494.689
13. TANGIBLE ASSET (MINUS DEPRECIATION)	015	366.997.544	365.385.900
14. INTEREST, FEES AND OTHER ASSETS	016	710.005.233	745.158.618
<b>A) TOTAL ASSETS (001+004 to 016)</b>	<b>017</b>	<b>60.124.986.386</b>	<b>58.287.013.912</b>
<b>LIABILITIES</b>			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	13.348.436.566	12.462.813.328
1.1. Short-term borrowings	019	1.137.453.468	442.789.236
1.2. Long-term borrowings	020	12.210.983.098	12.020.024.092
2. DEPOSITS (AOP 022 to 024)	021	37.381.870.690	36.509.566.818
2.1. Deposits of giro and current accounts	022	6.684.730.981	6.295.534.322
2.2. Savings deposits	023	3.271.537.342	3.216.141.461
2.3. Term deposits	024	27.425.402.367	26.997.891.035
3. OTHER BORROWINGS (026+027)	025	244.000.000	0
3.1. Short-term borrowings	026	244.000.000	
3.2. Long-term borrowings	027		
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	83.671.318	95.395.834
5. ISSUED DEBT SECURITIES (030+031)	029	300.000.000	300.000.000
5.1. Short-term issued debt instruments	030		
5.2. Long-term issued debt instruments	031	300.000.000	300.000.000
6. ISSUED SUBORDINATED INSTRUMENTS	032	840.140.730	832.850.810
7. ISSUED HYBRID INSTRUMENTS	033		
8. INTEREST, FEES AND OTHER LIABILITIES	034	1.039.979.322	1.034.494.882
<b>B) TOTAL LIABILITIES (018+021+025+026+029+032+033+034)</b>	<b>035</b>	<b>53.237.898.626</b>	<b>51.235.121.672</b>
<b>EQUITY</b>			
1. SHARE CAPITAL	036	3.500.360.782	3.500.360.782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	037	68.419.493	114.556.038
3. RETAINED PROFIT/(LOSS)	038	3.085.079.021	3.133.498.514
4. LEGAL RESERVES	039	84.920.875	84.920.875
5. STATUTORY AND OTHER CAPITAL RESERVES	040	536.652	536.652
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE	041	167.770.937	218.019.379
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS	042		
<b>C) TOTAL EQUITY (036 to 042)</b>	<b>043</b>	<b>6.887.087.760</b>	<b>7.051.892.240</b>
<b>D) TOTAL LIABILITIES AND EQUITY (035+043)</b>	<b>044</b>	<b>60.124.986.386</b>	<b>58.287.013.912</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 1.1.2014 to 30.6.2014

in HRK

Name of position	AOP	Prior period		Current period	
		Kumulativ	Tromjesetlje	Kumulativ	Tromjesetlje
1	2	3	4	5	6
1. Interest income	048	1.494.257.514	735.252.848	1.392.424.883	691.524.875
2. Interest expense	049	708.119.064	342.840.225	588.784.921	279.541.770
<b>3. Net interest income (048-049)</b>	<b>050</b>	<b>786.138.450</b>	<b>392.412.621</b>	<b>803.639.962</b>	<b>411.983.105</b>
4. Fee and commission income	051	211.788.821	114.557.008	247.480.960	125.430.059
5. Fee and commission expense	052	60.312.899	33.330.872	62.492.378	33.946.285
<b>6. Net fee and commission income (051-052)</b>	<b>053</b>	<b>151.475.922</b>	<b>81.226.136</b>	<b>184.988.582</b>	<b>91.483.774</b>
7. Profit/loss from investments in subsidiaries, associates and joint ventures	054				
8. Profit/loss from trading	055	16.512.050	6.533.617	19.675.880	14.655.194
9. Profit/loss from embedded derivatives	056	-104.508	-142.387		
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	884.330	4	5.381.568	5.352.587
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	45.674.234	45.267.484	62.184.702	62.153.444
16. Profit/loss from foreign currency differences	063	49.609.486	26.611.959	63.503.451	40.206.881
17. Other income	064	17.549.884	13.483.475	43.333.867	20.034.192
18. Other expenses	065	2.769.464	1.554.766	39.194.049	36.516.904
19. General administrative expenses and depreciation	066	406.539.840	210.088.772	422.164.286	208.218.119
<b>20. Net Income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)</b>	<b>067</b>	<b>658.430.544</b>	<b>353.749.391</b>	<b>721.349.667</b>	<b>401.134.154</b>
21. Expense of value adjustment and loan loss provisions	068	505.563.005	296.864.006	601.297.436	296.464.556
<b>22. PROFIT/LOSS BEFORE TAX (067-068)</b>	<b>069</b>	<b>152.867.539</b>	<b>56.885.385</b>	<b>120.052.231</b>	<b>104.669.598</b>
<b>23. INCOME TAX EXPENSE</b>	<b>070</b>	<b>26.361.721</b>	<b>7.096.220</b>	<b>5.496.193</b>	<b>2.581.659</b>
<b>24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)</b>	<b>071</b>	<b>126.505.818</b>	<b>49.789.165</b>	<b>114.556.038</b>	<b>102.087.939</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>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**CASH FLOW STATEMENT - indirect method**

for period from 1.1.2014 to 30.6.2014 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>	<b>-147.832.437</b>	<b>-93.498.610</b>
1.1. Profit/(loss) before income tax	002	152.867.539	120.052.231
1.2. Allowances and loss provisions	003	505.563.005	601.297.436
1.3. Depreciation	004	23.469.558	22.332.660
1.4. Net unrealized profit/(loss) from financial assets and liabilities through profit and loss	005	-513.609	1.589.969
1.5. Profit/(loss) from sale of tangible assets	006	2.636.952	32.161.283
1.6. Other profit/(losses)	007	-831.855.882	-870.932.189
<b>2. Net increase/(decrease) of operating assets (009 do 016)</b>	<b>008</b>	<b>84.150.457</b>	<b>1.130.800.742</b>
2.1. Deposits with Central bank	009	-22.358.224	112.904.630
2.2. Treasury bills of Ministry of Finance and CB bills	010	443.891.654	-70.028.507
2.3. Deposits with banks and loans to financial institutions	011	476.274.795	363.830.636
2.4. Loans to other customers	012	-554.403.260	869.613.233
2.5. Securities and other financial instruments held for trading	013	9.283.042	-3.599.692
2.6. Securities and other financial instruments available for sale	014	-166.613.172	-325.001.494
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	-101.924.378	183.081.936
<b>3. Net increase/(decrease) of operating liabilities (018 do 021)</b>	<b>017</b>	<b>512.277.217</b>	<b>-415.935.770</b>
3.1. Demand deposits	018	1.268.271.346	-389.196.659
3.2. Savings and term deposits	019	-116.867.114	-482.907.213
3.3. Financial derivative liabilities and other liabilities actively traded	020	-281.533.813	-72.232.042
3.4. Other liabilities	021	-357.593.202	528.400.144
<b>4. Net cash flow from operating activities before income tax (001+008+017)</b>	<b>022</b>	<b>448.595.237</b>	<b>621.366.362</b>
5. (Income tax paid)	023	-42.873.683	-29.821.607
<b>6. Net inflow/(outflow) of cash from operating activities (022+023)</b>	<b>024</b>	<b>405.721.554</b>	<b>591.544.755</b>
<b>INVESTING ACTIVITIES</b>			
<b>7. Net cash flow from investing activities (026 do 030)</b>	<b>025</b>	<b>30.960.312</b>	<b>-36.503.904</b>
7.1. Receipt from sale/(payment for buying) tangible and intangible assets	026	-16.998.151	-52.882.299
7.2. Receipt from sale/(payment for buying) investments in subsidiaries, associates and joint ventures	027		-90.360.659
7.3. Receipt from sale/(payment for buying) securities and other financial instruments held to maturity	028	2.284.229	39.446.827
7.4. Dividend income	029	45.674.234	67.292.227
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>118.497.029</b>	<b>-1.136.913.158</b>
8.1. Net increase/(decrease) of borrowings	032	128.867.829	-1.129.623.238
8.2. Net increase/(decrease) issued debt securities	033	-10.370.800	
8.3. Net increase/(decrease) subordinated and hybrid instruments	034		-7.289.920
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>555.178.895</b>	<b>-581.872.307</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>555.178.895</b>	<b>-581.872.307</b>
<b>12. Cash and cash equivalents at the beginning of the year</b>	<b>041</b>	<b>4.916.384.451</b>	<b>5.218.083.304</b>
<b>13. Cash and cash equivalents at the end of the year (040+041)</b>	<b>042</b>	<b>5.471.563.346</b>	<b>4.636.210.997</b>



**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Name of position	AOP	Attributable to the equity holders of the Bank						Unrealised profit/(loss) from the basis of value adjustment of financial assets available for sale	Non controlling interest	Total capital and reserves	
		Share capital	Treasury shares	Legal, statutory and other reserves	Retained earnings/(loss)	Profit/(loss) for the period					
		1.1.2014	to	30.6.2014	in HRK						
		1	2	3	4	5	6	7	8	9	10
Balance at 1 January	001			3.500.360.782		85.457.527	3.065.079.021	68.419.493	167.770.937		6.887.087.760
Changes in accounting policies and corrections of mistakes	002										
Corrected balance as at 1 January (1+2)	003			3.500.360.782	0	85.457.527	3.065.079.021	68.419.493	167.770.937	0	6.887.087.760
Sale of financial assets available for sale	004								-5.381.568		-5.381.568
Change of fair value financial asset available for sale	005								68.192.120		68.192.120
Tax on items directly recognised or transferred from capital and reserves	006								-12.562.110		-12.562.110
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	50.248.442	0	50.248.442
Profit/(loss) for the period	009							114.556.038			114.556.038
Total recognised income and expenses for the period (008+009)	010			0	0	0	0	114.556.038	50.248.442	0	164.804.480
Increase/(decrease) of share capital	011										
Buy/sell of treasury shares	012										
Other changes	013										
Transfer to reserves	014								68.419.493		68.419.493
Dividends paid	015								0		0
Distribution on income (014+015)	016			0	0	0	68.419.493	-68.419.493	0	0	0
Balance at reporting date (003+010+011+012+013+016)	017			3.500.360.782	0	85.457.527	3.133.498.514	114.556.038	218.019.379	0	7.051.892.240

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

## Notes to financial statements

A 9. LOANS TO FINANCIAL INSTITUTIONS		
	31.12.2013	30.6.2014
Loans	1.404.917.347	1.104.515.436
Less: Allowance for loan impairment	(4.233.149)	(5.727.994)
	<b>1.400.684.198</b>	<b>1.098.787.442</b>

A 10. LOANS TO OTHER CUSTOMERS		
	31.12.2013	30.6.2014
Companies	17.333.831.872	16.518.990.457
Individuals	17.482.866.962	17.478.342.063
Public sector	8.511.981.654	8.248.413.713
Other institutions	112.930.666	198.525.724
Total loans before allowances for impairment	43.441.611.154	42.444.271.957
Less: Allowance for loan impairment	(3.642.624.278)	(4.116.195.750)
	<b>39.798.986.876</b>	<b>38.328.076.207</b>

A 11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES						
Associates	Ownership Interest 2013	Ownership Interest 2014	Activity	Group's Share of net assets		Investment at cost
				31.12.2013	30.6.2014	31.12.2013
S Immorent leasing zeta d.o.o. za poslovanje nekretninama	49,00%	49,00%	Real estate business	31.12.2013	30.6.2014	30.6.2014
Erste d.o.o						12.800
S IT Solutions HR d.o.o.	37,94%	37,94%	Management company for obligatory pension fund	35.697.581	38.565.383	23.098.985
IMMOKOR BUZIN d.o.o.	20,00%	20,00%	IT engineering	458.316	494.751	4.000
<b>Total associates:</b>	49,00%	49,00%	Real estate business	2.592.608	5.308.635	5.725.000
<b>Subsidiaries not consolidated</b>				38.748.505	44.368.769	28.840.785
Erste Euro savjetovanje d.o.o.	-	100,00%	For services	-	1.500.000	1.500.000
DC Travel d.o.o.	-	100,00%	Travel Agency	-	10.000	-
<b>Total subsidiaries not consolidated:</b>				0	1.510.000	0
<b>Subsidiaries</b>				38.748.505	45.878.769	28.840.785
Erste nekretnine d.o.o.	100,00%	100,00%	Real estate business	3.180.042	3.321.112	800.180
Erste DMD d.o.o.	100,00%	100,00%	Management company for voluntary pension fund	17.118.405	16.423.141	15.000.000
Erste Factoring d.o.o.	74,996%	74,996%	Accounts Receivables repurchase	151.593.915	208.715.952	37.658.000
Erste Card Club d.d.	100,00%	100,00%	Financial intermediation and services	543.091.761	583.890.271	1.089.285.069
Erste Card d.o.o. Slovenia	-	100,00%	Financial intermediation and services	9.939.468	798.547	-
Diners Club BH d.o.o.	100,00%	100,00%	Other financial intermediation	760.448	586.785	-
Erste Delta d.o.o.	100,00%	100,00%	Real estate business	1.483.081	6.401.453	26.000
Erste & Steiermärkische S-Leasing, d.o.o.	10,00%	50,00%	Financial and operative leasing	-	108.618.149	-
Erste bank a.d., Podgorica	100,00%	100,00%	Credit institution	296.776.975	321.037.379	100.396.379
<b>Total subsidiaries:</b>				1.023.944.095	1.249.792.789	1.332.026.287
<b>Total:</b>				1.062.692.600	1.294.161.558	1.362.367.072

## A 12. REPOSSESSED ASSETS

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

<b>B 1. AMOUNTS DUE TO FINANCIAL INSTITUTIONS</b>		
	<b>31.12.2013</b>	<b>30.6.2014</b>
From banks	10.750.114.728	10.147.524.214
From HBOR	2.598.321.838	2.315.289.114
	<b>13.348.436.566</b>	<b>12.462.813.328</b>

<b>B 2. DEPOSITS</b>		
	<b>31.12.2013</b>	<b>30.6.2014</b>
<b>B 2.1. Deposits of gyro and current accounts</b>		
Deposits from public sector		
<i>Republic of Croatia</i>	22.752.354	84.058.488
<i>Republic funds</i>	42.584.998	77.353.922
<i>Local government</i>	93.884.685	86.713.751
Deposits from financial institutions		
<i>Banks</i>	139.028.793	117.593.653
<i>Other banking institutions</i>	282.945.989	200.704.152
<i>Non-banking financial institutions</i>	216.612.460	197.186.220
<i>Banks in bankruptcy</i>	722.671	520.321
<i>Banks in liquidation</i>	10.472	39.459
Deposits from state commercial customers	18.785.611	28.539.672
Deposits from other commercial customers	3.657.497.269	3.153.319.312
Deposits from non-profit institutions	166.378.588	148.628.916
Deposits from individuals	1.921.501.803	2.046.337.001
Deposits from non residents		
<i>Foreign financial institutions</i>	65.783.491	85.003.929
<i>Foreign states</i>	426.765	327.241
<i>Foreign commercial customers</i>	6.416.933	3.836.563
<i>Foreign individuals</i>	48.228.382	65.135.806
<i>Foreign non-profit institutions</i>	1.169.717	235.916
	<b>6.684.730.981</b>	<b>6.295.534.322</b>

<b>B 2.2. Savings deposits</b>		
	<b>31.12.2013</b>	<b>30.6.2014</b>
Deposits from public sector		
<i>Republic of Croatia</i>	442.886	468.629
<i>Local government</i>	25.324	22.275
Deposits from financial institutions		
<i>Banks</i>	43.360.269	36.374.371
<i>Other banking institutions</i>	42.689.067	137.026.693
<i>Non-banking financial institutions</i>	5.418.847	3.804.889
Deposits from other commercial customers	696.526.675	465.210.163
Deposits from non-profit institutions	3.136.158	174.951
Deposits from individuals	2.258.412.952	2.295.320.983
Deposits from non residents		
<i>Foreign financial institutions</i>	37.981	71.110
<i>Other non residents</i>	221.487.183	277.667.397
	<b>3.271.537.342</b>	<b>3.216.141.461</b>

<b>B 2.3. Term deposits</b>		
	<b>31.12.2013</b>	<b>30.6.2014</b>
Deposits from public sector		
<i>Republic of Croatia</i>	39.000.500	4.668.078
<i>Local government</i>	15.111.200	45.233.451
Deposits from financial institutions		
<i>Banks</i>	77.564.384	473.095.765
<i>Other banking institutions</i>	741.509.920	493.910.636
<i>CBRD</i>	2.500.000	70.000.000
<i>Non-banking financial institution</i>	1.097.709.631	911.427.510
<i>Banks in bankruptcy</i>	25.000.000	-
Deposits from state commercial customers	44.234.241	169.669.804
Deposits from other commercial customers	2.142.786.995	2.192.567.960
Deposits from non-profit institutions	72.486.920	91.730.728
Deposits from individuals	18.825.393.285	18.198.647.633
Deposits from non residents		
<i>Foreign financial institutions</i>	3.195.366.971	3.256.680.134
<i>Foreign commercial customers</i>	10.490.041	3.167.632
<i>Foreign individuals</i>	1.136.248.279	1.087.091.704
<b>Term deposits</b>	<b>27.425.402.367</b>	<b>26.997.891.035</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 227 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.

1. INTEREST INCOME		
	30.6.2013	30.6.2014
Interest on loans and advances to customers	1.191.084.517	1.127.653.267
Interest on amounts due from other banks	6.252.630	3.184.357
Interest income on financial investments	130.517.400	118.173.254
Interest on balances due from the central bank	608.423	-
Interest on derivative financial instruments	77.671.007	42.751.958
Interest income on impaired financial assets - loans and advances to	82.647.333	94.289.564
Interest on reverse repurchase agreements	2.432.861	2.818.531
Other interest income	3.043.343	3.553.952
	<b>1.494.257.514</b>	<b>1.392.424.883</b>

2. INTEREST EXPENSES		
	30.6.2013	30.6.2014
Interest on customer deposits	397.784.261	334.440.813
Interest on other borrowed funds	242.879.219	171.799.861
Interest on amounts due to other banks	25.182.939	36.088.987
Interest on subordinated debt	23.591.880	23.881.050
Interest on issued bonds	8.791.418	8.787.241
Interest on derivative financial instruments	7.710.691	11.368.692
Interest on repurchase agreements	653.004	169.084
Other interest expense	1.525.652	2.249.193
	<b>708.119.064</b>	<b>588.784.921</b>

4. FEE AND COMMISSION INCOME		
	30.6.2013	30.6.2014
Payments and money transfers	114.858.040	119.809.572
Bank cards services	51.277.180	59.908.904
Custodial fees	15.884.587	36.049.457
Guarantees and letter of credit	18.851.209	18.856.386
Other fee and commission income	10.917.805	12.856.641
	<b>211.788.821</b>	<b>247.480.960</b>

5. FEE AND COMMISSION EXPENSES		
	30.6.2013	30.6.2014
Payments and money transfers	19.930.735	17.947.171
Bank cards services	37.396.545	40.510.850
Custodial fees	1.667.814	1.940.224
Guarantees and letter of credit	1.203.436	558.879
Other fee and commission expense	114.369	1.535.254
	<b>60.312.899</b>	<b>62.492.378</b>

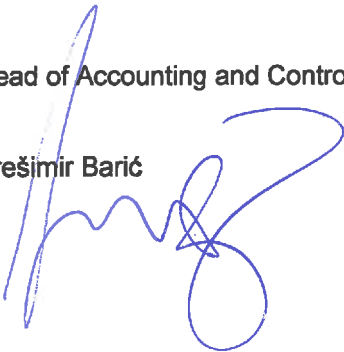
## DECLARATION OF KEY PERSONNEL RESPONSIBLE FOR PREPARATION OF FINANCIAL STATEMENTS

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



Management Board member

Christoph Schoefboeck



ERSTE & STEIERMÄRKISCHE  
BANK D.D.  
RIJEKA  
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Rijeka, July 31<sup>st</sup> 2014