

Unaudited financial statements of the Erste&Steiermärkische Bank d.d. and subsidiaries (the Group) for period January 1st - June 30th 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 & STEIERMARKISCHE BANK DD

Postal code and town of: 51000 RIJEKA

Address: JADRANSKI TRG 3A

E-mail address: ersteinbank@ersteinbank.hr

Internet address: www.ersteinbank.hr

Code and name of: 373 RIJEKA

Code and name of county: 8 PRIMORSKO GORANSKA Broj zaposlenih: 2.813

(krajem izvještajnog razdoblja)

Consolidated report: YES Šifra NKD-a: 6419

Names of subjects of consolidation (according to MSFI):

Headquarters:

MB:

Erste DMD d.o.o. za upravljanje dobrovoljnim mirovinskim Zagreb, Ivana Lučića 2a 01893670

Erste Nekretnine d.o.o. Zagreb, Ivana Lučića 2 02068249

Erste Delta d.o.o. za poslovanje nekretninama Zagreb, Ivana Lučića 2 01541919

Erste Bank a.d., Podgorica Crna Gora, Podgorica, Marka Miljanova 46 08499002

Diners BIH d.o.o. Sarajevo Bosna i Hercegovina, Sarajevo, Fra Andela 08070062

Erste Card Club d.d. Zagreb, Praška 5 3289737

Erste Factoring d.o.o. Zagreb, Ivana Lučića 2 2058049

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 address: arajic@ersteinbank.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
ASSETS			
1. CASH AND DEPOSITS WITH Central bank (002+003)	001	7.757.321.826	7.550.631.531
1.1. Cash	002	868.380.848	1.001.596.932
1.2. Deposits with Central bank	003	6.888.940.978	6.549.034.599
2. DEPOSITS WITH BANKING INSTITUTIONS	004	2.000.444.481	2.153.441.954
3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK	005	1.244.759.813	1.674.682.963
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	006	212.315.856	224.909.418
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007	5.433.116.789	5.549.187.974
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008	203.104.252	201.288.380
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	106.769.625	348.404.341
9. LOANS TO FINANCIAL INSTITUTIONS	011	1.520.260.043	1.056.286.815
10. LOANS TO OTHER CUSTOMERS	012	44.895.946.273	44.537.845.758
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	013	68.471.940	68.573.130
12. REPOSESED ASSETS	014	181.373.084	204.688.133
13. TANGIBLE ASSET (MINUS DEPRECIATION)	015	704.817.606	694.503.539
14. INTEREST, FEES AND OTHER ASSETS	016	1.562.630.711	1.704.024.799
A) TOTAL ASSETS (001+004 to 016)	017	65.891.332.299	65.968.468.735
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	21.901.352.881	21.345.372.031
1.1. Short-term borrowings	019	5.660.985.871	5.102.789.788
1.2. Long-term borrowings	020	16.240.367.010	16.242.582.243
2. DEPOSITS (AOP 022 to 024)	021	33.193.279.890	34.318.207.190
2.1. Deposits of giro and current accounts	022	5.311.339.503	6.867.999.874
2.2. Savings deposits	023	2.797.906.120	2.895.798.626
2.3. Term deposits	024	25.084.034.267	24.554.408.690
3. OTHER BORROWINGS (026+027)	025	566.461.477	34.465.431
3.1. Short-term borrowings	026	565.292.287	-239.015
3.2. Long-term borrowings	027	1.169.190	34.704.446
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	141.265.448	100.997.378
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	860.201.136	842.199.534
7. ISSUED HYBRID INSTRUMENTS	033	0	0
8. INTEREST, FEES AND OTHER LIABILITIES	034	1.620.055.900	1.773.075.486
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	58.582.616.732	58.714.317.050
EQUITY			
1. SHARE CAPITAL	036	3.500.360.782	3.500.360.782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	037	585.084.113	165.722.120
3. RETAINED PROFIT/(LOSS)	038	2.944.573.711	3.387.533.776
4. LEGAL RESERVES	039	84.920.875	84.920.875
5. STATUTORY AND OTHER CAPITAL RESERVES	040	-1.442.847	-4.316.074
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAIABLE FOR SALE	041	195.218.933	119.930.206
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS	042		
C) TOTAL EQUITY (036 to 042)	043	7.308.715.567	7.254.151.685
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	65.891.332.299	65.968.468.735
SUPPLEMENT TO STATEMENT OF FINANCIAL POSITION (filled out by banks that compose a consolidated financial report)			
1. TOTAL EQUITY	045	7.308.715.567	7.254.151.685
2. Attributed to equity holders of the parent	046	7.270.285.414	7.212.100.936
3. Minority shares (045-046)	047	38.430.153	42.050.749

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	2.126.411.080	1.041.306.116	1.803.148.527	891.702.126
2. Interest expense	049	1.070.354.330	514.378.735	791.137.192	383.271.827
3. Net interest income (048-049)	050	1.056.056.750	526.927.381	1.012.011.335	508.430.299
4. Fee and commission income	051	332.700.625	176.807.873	312.648.776	169.162.424
5. Fee and commission expense	052	75.742.207	40.141.837	76.471.388	41.216.973
6. Net fee and commission income (051-052)	053	256.958.418	136.666.036	236.177.388	127.945.451
7. Profit/loss from investments in subsidiaries, associates and joint ventures	054	-2.969.808	-4.441.659	638.666	-718.048
8. Profit/loss from trading	055	14.093.433	5.866.887	18.495.215	7.205.148
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	0	0	0	0
11. Profit/loss from asset available for sale	058	47.145.726	47.131.353	1.361.788	212.725
12. Profit/loss from asset held to maturity	059	0	0	0	0
13. Profit/loss from hedging	060	0	0	0	0
14. Income from investments in subsidiaries, associates and joint ventures	061	0	0	0	0
15. Income from other ownership investments	062	7.566.156	6.689.158	4.300.949	3.892.607
16. Profit/loss from foreign currency differences	063	51.544.442	24.410.523	57.897.016	35.082.112
17. Other income	064	11.091.178	6.613.486	14.620.651	7.832.094
18. Other expenses	065	4.483.481	1.234.067	5.022.131	2.382.731
19. General administrative expenses and depreciation	066	596.131.123	305.419.647	562.463.980	289.930.305
20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)	067	840.864.965	443.217.681	777.912.389	397.426.985
21. Expense of value adjustment and loan loss provisions	068	443.426.081	247.863.205	555.558.024	323.299.328
22. PROFIT/LOSS BEFORE TAX (067-068)	069	397.438.884	195.354.476	222.354.365	74.127.657
23. INCOME TAX EXPENSE	070	78.103.861	38.650.735	47.540.191	18.229.504
24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)	071	319.335.023	156.703.741	174.814.174	55.898.153
25. Earnings per share	072	18		10	
ANNEX TO INCOME STATEMENT (for the Banks that prepare consolidated financial statements)					
1. PROFIT/LOSS OF THE CURRENT YEAR	073	319.335.023	156.703.741	174.814.174	55.898.153
2. Assign equity holders of the Bank	074	313.605.221	152.952.959	9.092.054	-104.935.048
3. Non controlling interest (073-074)	075	5.729.802	3.750.782	165.722.120	160.833.201

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
OPERATING ACTIVITIES			
1. Cash flow from operating activities before changes of operating asset (002 do 007)	001	-250.344.278	-178.655.365
1.1. Profit/(loss) before income tax	002	397.438.884	222.354.365
1.2. Allowances and loss provisions	003	443.426.082	555.558.024
1.3. Depreciation	004	61.454.279	53.725.749
1.4. Net unrealized profit/(loss) from financial assets and liabilities through profit and loss	005	0	-513.609
1.5. Profit/(loss) from sale of tangible assets	006	52.744	2.758.748
1.6. Other profit/(losses)	007	-1.152.716.267	-1.012.538.642
2. Net increase/(decrease) of operating assets (009 do 016)	008	-918.821.846	312.749.641
2.1. Deposits with Central bank	009	190.521.602	-14.270.788
2.2. Treasury bills of Ministry of Finance and CB bills	010	159.312.037	600.730.069
2.3. Deposits with banks and loans to financial institutions	011	-985.522.433	337.794.958
2.4. Loans to other customers	012	-846.430.664	-191.715.734
2.5. Securities and other financial instruments held for trading	013	137.773.710	-12.079.953
2.6. Securities and other financial instruments available for sale	014	-582.430.828	-208.698.447
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	1.007.954.730	-199.010.464
3. Net increase/(decrease) of operating liabilities (018 do 021)	017	-665.565.915	913.059.316
3.1. Demand deposits	018	-500.602.148	1.557.108.196
3.2. Savings and term deposits	019	-141.237.256	-398.290.791
3.3. Financial derivative liabilities and other liabilities actively traded	020	-105.949.802	-280.840.779
3.4. Other liabilities	021	82.223.291	35.082.690
4. Net cash flow from operating activities before income tax (001+008+017)	022	-1.834.732.039	1.047.153.592
5. (Income tax paid)	023	-84.864.363	-81.982.736
6. Net inflow/(outflow) of cash from operating activities (022+023)	024	-1.919.596.402	965.170.856
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 do 030)	025	209.162.737	-44.020.737
7.1. Receipt from sale/(payment for buying) tangible and intangible assets	026	-51.955.354	-46.170.430
7.2. Receipt from sale/(payment for buying) investments in subsidiaries, associates and joint ventures	027	5.372.937	-101.190
7.3. Receipt from sale/(payment for buying) securities and other financial instruments held to maturity	028	175.938.220	1.815.872
7.4. Dividend income	029	79.806.934	435.011
7.5. Other receipts/(payments) from investing activities	030		
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 do 037)	031	1.691.447.024	-85.924.073
8.1. Net increase/(decrease) of borrowings	032	1.713.100.637	-67.922.471
8.2. Net increase/(decrease) issued debt securities	033	-21.653.613	-18.001.602
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		
9. Net increase/(decrease) of cash and cash equivalents (024+025+031)	038	-18.986.641	835.226.046
10. Effects of change in foreign exchange rates on cash and cash equivalents	039		
11. Net increase/(decrease) cash and cash equivalents (038+039)	040	-18.986.641	835.226.046
12. Cash and cash equivalents at the beginning of the year	041	4.300.790.112	5.356.920.482
13. Cash and cash equivalents at the end of the year (040+041)	042	4.281.803.471	6.192.146.528

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Name of position	AOP	Attributable to the equity holders of the Bank										Total capital and reserves
		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	in HRK			
		3	4	5	6	7	8	9	10			
Balance at 1 January	2	3.500.360.782	0	83.478.028	2.906.143.558	585.084.113	195.218.933	38.430.153	7.308.715.567			
Changes in accounting policies and corrections of mistakes	001											
Corrected balance as at 1 January (1+2)	002	3.500.360.782	0	83.478.028	2.906.143.558	585.084.113	195.218.933	38.430.153	7.308.715.567			
Sale of financial assets available for sale	003						60.662.737		60.662.737			
Change of fair value financial asset available for sale	004						-153.138.497		-153.138.497			
Tax on items directly recognised or transferred from capital and reserves	005						17.187.033		17.187.033			
Other profit/(loss) directly recognised in capital and reserves	006			952.675					952.675			
Net profit/(loss) directly recognised in capital and reserves (004+005+006+007)	007	0	0	952.675	0	0	-75.288.727	0	-74.336.052			
Profit/(loss) for the period	008											
Total recognised income and expenses for the period (008+009)	009	0	0	952.675	0	185.722.120	-75.288.727	0	165.722.120			
Increase/(decrease) of share capital	010											
Buy/sell of treasury shares	011											
Other changes	012			-3.825.902		489.103		3.620.596	283.797			
Transfer to reserves	013				439.339.469	-439.339.469						
Dividends paid	014					-146.233.747			-146.233.747			
Distribution on income (014+015)	015	0	0	0	439.339.469	-585.573.216	0	0	-146.233.747			
Balance at reporting date (003+010+011+012+013+016)	016	3.500.360.782	0	80.604.801	3.345.483.027	165.722.120	119.930.206	42.050.749	7.254.151.685			

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	868.380.848	1.001.596.932
Cash on clearing account	2.389.357.831	2.035.180.664
Obligatory reserves with the central banks	4.499.583.147	4.513.853.935
	7.757.321.826	7.550.631.531

A 2. DEPOSITS WITH BANKING INSTITUTIONS		
	31.12.2012	30.6.2013
Current accounts with other banks	1.489.676.498	1.189.299.928
Term deposits with banks	512.958.850	966.600.957
Less: Allowance for possible placement losses	(2.190.867)	(2.458.931)
	2.000.444.481	2.153.441.954

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	602.413.875	1.035.284.252
Securities and other financial instruments held to maturity	605.037.860	631.191.239
	1.244.759.813	1.674.682.963

A 4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING		
	31.12.2012	30.6.2013
Shares	17.119.696	9.585.117
Shares in open investment funds	193.961.306	215.324.301
Bonds	1.234.854	-
	212.315.856	224.909.418

A 5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE		
	31.12.2012	30.6.2013
Equity shares and participations:		
Investments in companies	53.540.698	56.992.337
Investments in financial institutions	33.600.279	37.473.662
Listed debt securities	19.940.419	19.518.675
Investment in open funds	5.351.082.571	5.463.381.319
Rights issue	28.467.507	28.814.318
	26.013	-
	5.433.116.789	5.549.187.974

Analysis of debt securities:		
Debt securities available for sale allocated by the issuer comprise:		
	31.12.2012	30.6.2013
Republic of Croatia	2.804.435.394	2.765.352.973
Companies in Republic of Croatia	137.172.463	134.708.153
Foreign financial institutions	379.446.794	374.728.090
Foreign states	2.030.027.920	2.188.592.103
	5.351.082.571	5.463.381.319

A 6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY			
	31.12.2012	30.6.2013	
Fixed income debt securities:	191.908.553	201.415.416	
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	11.331.783	11.800.140	
Factoring	-	-	
<i>Total assets held to maturity before allowance</i>	<i>203.240.336</i>	<i>201.415.416</i>	
Less: allowance for assets held to maturity	(136.084)	(127.036)	
	203.104.252	201.288.380	

	31.12.2012		30.6.2013	
	Notional amount	Assets	Notional amount	Assets
A 8, B 4. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES				
Interest rate instruments:				
Interest rate swaps - assets	1.149.112.588	19.581.204	1.529.199.611	17.399.608
Interest rate swaps - liabilities	1.149.112.588		1.529.199.611	14.549.699
Subtotal - interest rate instruments	2.298.225.176	19.581.204	3.058.399.222	17.399.608
Foreign currency instruments:				
Currency swaps				
Purchase	2.380.683.260	24.284.931	2.781.453.354	26.505.050
Sell	2.379.188.624		2.782.634.894	24.281.390
Forwards				
Purchase	11.975.071.746	62.307.530	16.133.733.829	304.242.440
Sell	12.007.008.557		15.878.455.192	62.163.072
Call options		173.903		
Put options	0			
Subtotal – Foreign currency instruments	28.741.952.187	86.766.364	37.576.277.269	330.747.490
Other instruments:				
Call options for stock indeks	14.525.326	849	2.980.538	
Put options for stock indeks	14.525.320		5.961.069	
Call options for equity instruments				
Put options for equity instruments				
Forward bonds - purchase	10.070.040	52.500		
Forward bonds - sell	10.070.040			
Embedded derivatives - assets	61.986.507	368.708	53.791.631	257.243
Embedded derivatives – liabilities	28.412.556		21.171.939	3.217
Short position in bonds issued by Republic of Croatia				
Total – other instruments	139.589.789	422.057	83.905.177	257.243
	31.179.767.152	106.769.625	40.718.581.668	348.404.341
				100.997.378

A 9. LOANS TO FINANCIAL INSTITUTIONS	Banka			
	31.12.2012	30.6.2013	31.12.2012	30.6.2013
Loans	1.522.203.956	1.057.988.839	1.522.091.555	1.057.988.839
Less: Allowance for loan impairment	(1.943.913)	(1.702.024)	(1.943.913)	(1.702.024)
	1.520.260.043	1.056.286.815	1.520.147.642	1.056.286.815

A 10. LOANS TO OTHER CUSTOMERS	Banka			
	31.12.2012	30.6.2013	31.12.2012	30.6.2013
Companies	20.624.186.090	19.588.581.273	17.197.986.105	16.522.750.642
Individuals	20.701.817.388	20.434.490.797	17.520.776.407	17.229.208.281
Public sector	7.050.419.586	8.315.170.642	6.643.303.048	7.962.735.107
Other institutions	106.836.465	129.346.586	103.551.407	125.637.119
Total loans before allowances for impairment	48.483.259.529	48.467.589.298	41.465.616.967	41.840.331.149
Less: Allowance for loan impairment	(3.587.313.256)	(3.929.743.540)	(2.784.562.722)	(3.104.007.269)
	44.895.946.273	44.537.845.758	38.681.054.245	38.736.323.880

A 11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES							
	Ownership Interest		Ownership Interest 2013	Activity	Group's Share of net assets		
	2012				31.12.2012	30.6.2013	31.12.2012
Associates							
S Immorent leasing zeta d.o.o. za poslovanje nekretninama	49,00%	49,00%	49,00%	Real estate business	34.462.586	33.717.781	12.800
Erste d.o.o	37,94%	37,94%	37,94%	Management comp	336.357	586.840	23.098.985
S IT Solutions HR d.o.o.	20,00%	20,00%	20,00%	IT engineering	33.672.997	34.268.509	4.000
IMMOKOR BUZIN d.o.o.	49,00%	49,00%	49,00%	Real estate business	68.471.940	68.573.130	33.975.000
Total associates:					137.243.270	136.846.260	40.807.805
Subsidiaries							
Erste nekretnine d.o.o.	100,00%	100,00%	100,00%	Real estate business	3.008.952	3.075.254	800.000
Erste DMD d.o.o.	100,00%	100,00%	100,00%	Management comp	17.100.551	16.211.182	15.000.000
Erste Factoring d.o.o.	74,996%	74,996%	74,996%	Accounts Receivabl	115.265.870	126.125.339	37.658.000
Erste Card Club d.d.	100,00%	100,00%	100,00%	Financial intermedi	470.773.080	492.463.754	1.089.285.069
Diners Club BH d.o.o.	100,00%	100,00%	100,00%	Other financial inte	1.395.775	1.709.449	-
Erste Delta d.o.o.	100,00%	100,00%	100,00%	Real estate business	-2.883.758	2.666.740	26.000
Erste bank a.d., Podgorica	100,00%	100,00%	100,00%	Credit institution	253.889.245	260.127.378	100.396.379
Total subsidiaries:					858.549.715	902.379.096	1.243.165.448
Total:					927.021.655	970.952.226	1.300.256.233

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	592.334.474	565.526.752
Computers	26.852.432	31.270.300
Furniture and other equipment	71.259.243	64.727.697
Motor vehicles	1.064.906	957.670
Ongoing investment in buildings and equipment	12.526.330	11.305.272
Investment property	780.221	20.715.848
	704.817.606	694.503.539

A 14. INTEREST, FEES AND OTHER ASSETS		
	31.12.2012	30.6.2013
Undue interests and fees	287.543.620	323.590.384
Due interests and fees	453.527.558	436.803.555
Tax assets	171.953.574	194.524.755
Receivables for overpaid taxes	9.270.778	32.519.129
Intangible assets	742.013.677	759.818.846
Inventory of office supply and other materials	82.894	66.597
Numismatic collection	780.365	773.709
Prepaid expenses	5.645.056	21.572.333
	-	-
Other assets	162.279.239	254.254.182
Total other assets before allowance for impairment	1.833.096.761	2.023.923.490
Less: Allowance for impairment of other asset	(270.466.050)	(319.898.690)
	1.562.630.711	1.704.024.800

B 1. AMOUNTS DUE TO FINANCIAL INSTITUTIONS		
	31.12.2012	30.6.2013
From banks	19.193.650.023	18.823.335.999
From other banking institutions	42.896.872	-
From HBOR	2.664.805.986	2.521.797.018
	21.901.352.881	21.345.133.017

B 2. DEPOSITS		
	31.12.2012	30.6.2013
B 2.1. Deposits of gyro and current accounts		
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>	69.748.947	104.167.118
<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	2.232.345.116	3.212.037.763
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>	43.825.391	43.336.759
<i>Foreign states</i>	54.014.800	67.201.892
<i>Foreign commercial customers</i>	142.801.068	303.171.030
<i>Foreign individuals</i>	390.761.453	416.458.732
<i>Foreign non-profit institutions</i>	9.801.328	11.218.353
	5.311.339.503	6.867.999.874

B 2.2. Savings deposits	31.12.2012	30.6.2013
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 other commercial customers	360.205.273	438.124.241
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		
<i>Foreign financial institutions</i>	50.507	-
<i>Other non residents</i>	185.850.166	203.814.511
	2.797.906.120	2.895.798.626

B 2.3. Term deposits	31.12.2012	30.6.2013
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	-	0
<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>	742.352.292	518.484.281
<i>Banks in bankruptcy</i>	25.500.000	30.000.000
<i>Banks in liquidation</i>	-	-
Deposits from state commercial customers	148.356.300	48.757.144
Deposits from other commercial customers	1.726.284.331	1.346.505.587
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>	1.185.401.286	1.157.023.453
<i>Foreign states</i>	32.305.099	26.209.316
<i>Foreign commercial customers</i>	258.656.384	153.999.217
<i>Foreign individuals</i>	1.653.240.181	1.643.350.195
<i>Foreign non-profit institutions</i>	2.644.067	2.397.201
Oročeni depoziti	25.084.034.267	24.554.408.690

B 3. OTHER BORROWINGS	31.12.2012	30.6.2013
Short term borrowings in foreign currency	792.287	-
Short term borrowings in HRK	564.500.000	-
Long term borrowings in HRK	1.169.190	34.704.446
	566.461.477	34.704.446

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 8. INTEREST, FEES AND OTHER LIABILITIES		
	31.12.2012	30.6.2013
Undue interest and fees	527.729.772	465.966.407
Due interest and fees	18.048.211	40.396.113
Prepayments received from borrowers	155.276.542	145.504.150
Income tax liabilities	15.198.045	11.595.873
Other taxes	2.890.504	1.621.245
Salaries and bonuses payable	110.209.005	86.546.277
Off balance provisions	77.660.035	70.123.984
Amounts due to suppliers	497.334.708	498.997.289
Payables to State Agency for deposit insurance	15.082.221	13.864.054
Uninvoiced liabilities	19.112.055	27.718.007
Liabilities for dividend payout	555.607	146.788.944
Subordinated instruments	18.279.283	36.903.149
Deffered income	28.411.595	37.433.824
Other	134.268.317	189.616.170
	1.620.055.900	1.773.075.486

1. INTEREST INCOME		
	30.6.2012	30.6.2013
Interest on loans and advances to customers	1.639.387.601	1.485.071.314
Interest on amounts due from other banks	7.653.718	10.619.415
Interest income on financial investments	150.078.453	139.390.516
Interest on balances due from the central bank	379.218	627.024
Interest on derivative financial instruments	269.271.769	78.361.486
Interest income on impaired financial assets - loans and advances to customers	52.005.332	82.647.333
Interest on reverse repurchase agreements	2.444.121	1.669.483
Other interest income	5.190.868	4.761.956
	2.126.411.080	1.803.148.527

2. INTEREST EXPENSES		
	30.6.2012	30.6.2013
Interest on customer deposits	416.883.606	404.614.712
Interest on other borrowed funds	501.318.411	317.296.003
Interest on amounts due to other banks	72.502.348	25.182.941
Interest on subordinated debt	25.468.629	24.091.976
Interest on issued bonds	0	8.826.285
Interest on derivative financial instruments	42.945.201	8.468.991
Interest on repurchase agreements	5.640.078	1.130.633
Other interest expense	5.596.057	1.525.651
	1.070.354.330	791.137.192,00

4. FEE AND COMMISSION INCOME		
	30.6.2012	30.6.2013
Payments and money transfers	110.444.442	116.412.747
Bank cards services	151.087.948	145.322.624
Custodial fees	16.825.725	18.132.448
Guarantees and letter of credit	32.623.496	20.069.016
Other fee and commission income	21.719.014	12.711.941
	332.700.625	312.648.776,00

5. FEE AND COMMISSION EXPENSES		
	30.6.2012	30.6.2013
Payments and money transfers	21.297.693	21.098.614
Bank cards services	46.204.061	48.721.498
Custodial fees	1.450.097	1.802.936
Guarantees and letter of credit	2.625.873	1.243.984
Other fee and commission expense	4.164.483	3.604.356
	75.742.207	76.471.388,00

8. PROFIT/LOSS FROM TRADING		
	30.6.2012	30.6.2013
Net foreign exchange gain/(loss) on derivative financial instruments	-6.374.216,00	-6.977.357,00
Net gain on financial assets at fair value through profit or loss	20.467.649,00	25.472.572,00
	14.093.433,00	18.495.215,00

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	102.245	2.758.748
Rental income from investment property	65.116	567.773
Rental income	1.207.538	1.618.629
Other	9.716.279	9.675.501
	11.091.178	14.620.651

18. OTHER EXPENSES		
	30.6.2012	30.6.2013
Other taxes and contributions	3.507.986	3.461.658
Other	975.495	1.560.473
	4.483.481	5.022.131

19. GENERAL AND ADMINISTRATIVE EXPENSES AND DEPRECIATION		
	30.6.2012	30.6.2013
Employee related costs	0	0
- Wages, salaries and compensations	143.371.626	136.278.123
- Payroll taxes and contributions	127.386.717	109.964.334
Pension provisions	1.151.604	665.284
Donations and sponsorship	5.135.765	4.118.169
Other administrative expenses	282.687.693	276.134.260
Depreciation	36.397.718	35.303.810
	596.131.123	562.463.980

21. EXPENSES OF VALUE ADJUSTMENTS AND LOAN LOSS PROVISIONS		
	30.6.2012	30.6.2013
Provisions for impairment losses on loans and advances	385.750.631	505.210.746
Provision for impairment loss on other assets	56.412.217	44.628.974
Provision for impairment loss on financial investments held to maturity	-33.838	-9.047
Provision for impairment loss on financial investments available for sale	1.681.331	0
Provision for litigations	-4.125.464	13.098.593
Provision for impairment of guarantees and credit commitments	3.741.204	-7.371.242
	443.426.081	555.558.024

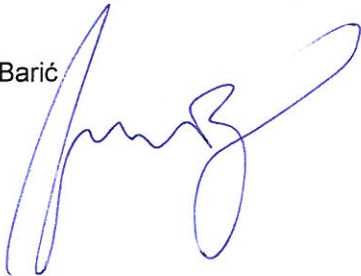
DECLARATION OF KEY PERSONNEL RESPONSIBLE FOR PREPARATION OF FINANCIAL STATEMENTS

According to our best knowledge:

1. Shortened set of half year financial statements for Erste&Steiermärkische Bank d.d. and subsidiaries 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


Slađana Jagar

Rijeka, July 31st 2013