

Audited financial statements of the Erste&Steiermärkische Bank d.d. and subsidiaries (the Group) for period January 1st - December 31st 2013

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Management report for year 2013

Erste Bank maintained stable business trend in 2013 with additional increase in market shares

The Bank's most important financial indicators:

- **Total assets** on December 31, 2013 amounted to HRK 60.1 billion and were up by 2.7% compared to December 31, 2012, when they amounted to HRK 58.5 billion
- **Total loans** on December 31, 2013 amounted to HRK 39.9 billion and were up by 2.7% compared to December 31, 2012, when they amounted to HRK 38.8 billion
- **Total deposits** at the end of December 2013 amounted to HRK 34.2 billion and were up by 8.1% compared to the end of 2012, when they amounted to HRK 31.6 billion
- **Net profit** in 2013 amounted to HRK 68.4, compared to HRK 482.7 million in 2012
- **Key performance indicators:** Return on Assets (**RoA**) amounted to 0.1%, Return on Equity (**RoE**) amounted to 1.0%, and **Cost/Income Ratio** amounted to 34.3% on December 31, 2013

Zagreb/Rijeka, March 7, 2014 – By implementing an adequate business policy and adjusting its operations to the general market conditions, Erste&Steiermärkische Bank d.d. maintained the stability of its business operations and further increased its market shares in total assets, total loans and total deposits in 2013, which was an extremely challenging year for the entire economy, including the banking sector.

"In 2013, the bank shared the great burden of the overall economic situation, as the financial indicators show. However, the bank's business operations and total loan and deposit growth indicators show that our business model is correct and sustainable in the long term in spite of the turbulent conditions", Erste Bank Management Board Chairman **Petar Radakovic** said. *"We hope to see the necessary reforms that will allow the real sector to become stronger and more competitive in the period ahead of us, thus paving the way to the opening of new jobs and generation of new value. The banking sector has enough capacity to support healthy, sustainable and profitable projects",* Radakovic concluded.

Loans up by 2.7%, deposits by 8.1%

Total assets of the Bank at 2013 YE amounted to HRK 60.12 billion, which was an increase by 2.7% compared to the previous year, when it amounted to HRK 58.52 billion. According to the Croatian National Bank's data, the share of the Bank's assets in the total assets of Croatian banks at 2013 YE amounted to 14.82%, as opposed to 14.39% at the end of 2012. Total loans of the Bank on 31 December 2013 amounted to HRK 39.91 billion, which was an increase by 2.7% from HRK 38.84 billion the year before. The Bank's market share in total loans at 2013 YE stood at 15.27%, as opposed to 14.75% in the previous year. Market share in total corporate loans was up from 15.68% to 16.48%. Market share in total retail loans increased from 13.65% to 13.75%. Total deposits at 2013 YE amounted to HRK 34.17 billion, up by 8.1% from HRK 31.62 billion at 2012

YE. The Bank's market share in this segment was increased from 12.54% to 12.92%, with the share in total retail deposits growing from 12.51% to 12.80%, and in total corporate deposits from 12.85% to 13.54%.

Lower net profit a result of higher cost of provisioning

Lower net profit, which amounted to HRK 68.4 million in 2013, is a result of the increased costs of provisions as a consequence of the actual economic situation and market conditions that have a generally negative impact on the operation of companies, adaptation to new regulatory measures of the Croatian National Bank implemented to the full during the previous period, as well as procedures conducted as part of pre-bankruptcy settlements. Nevertheless, the achieved financial result is in accordance with the set objectives, since such developments had been incorporated into our business plans for year 2013. The 2013 ROA was 0.1%, ROE was 1.0%, and the cost/income ratio was 34.3% on 31 December 2013.

According to the Group's consolidated financial statement for 2013, which, in addition to the Bank, includes the following affiliated entities: Erste DMD d.o.o., Erste Nekretnine d.o.o., Erste Delta d.o.o., Erste Bank a.d., Podgorica, Erste Card Club Group, Erste Factoring d.o.o., the total assets amounted to HRK 67.9 billion, and were 3.0% higher than at 2012 YE, when it amounted to HRK 65.9 billion. The Group's net profit at 2013 YE amounted to HRK 201.5 million, compared to 596,0 at 2012 YE. In 2013, the Group's ROA was 0.3%, ROE was 2.5%, and cost/income ratio was 37.5%.

Quality projects driving the development of the real economy still 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 always focused on achieving growth above the market average, increasing internal efficiency, and managing the cost side effectively. The Bank's ambition is to close 2014 with another increase in its market shares, as it had done in the previous years. Erste Bank will continue to lay a special emphasis on improving the quality of the services it provides to its clients and on improving the communication with the clients and understanding their specific needs in current market conditions.

Profit and loss statement as at December 31, 2013

	2013	GROUP 2012	2013	BANK 2012
Interest income	3,601	4,096	3,016	3,502
Interest expense	(1,587)	(1,997)	(1,426)	(1,821)
Share in profit of associates	3	4	-	-
Net interest income	2,017	2,103	1,590	1,681
Fee and commission income	728	680	500	447
Fee and commission expense	(177)	(159)	(147)	(131)
Net fee and commission income	551	521	353	316
Net trading income	154	146	149	137
Operating income	2,722	2,770	2,092	2,134
Personnel expenses	(497)	(543)	(364)	(411)
Other administrative expenses	(450)	(447)	(308)	(316)
Depreciation of tangible fixed assets	(50)	(53)	(30)	(34)
Depreciation of intangible fixed assets	(23)	(19)	(16)	(16)
General administrative expenses	(1,020)	(1,062)	(718)	(777)
Other operating result	(248)	(134)	(206)	(74)
Result from financial assets available for sale	(2)	59	1	59
PROFIT BEFORE PROVISION FOR LOSSES AND INCOME TAX	1,452	1,633	1,169	1,342
Impairment losses	(1,189)	(890)	(1,079)	(744)
PROFIT BEFORE TAX	263	743	90	598
Profit tax	(62)	(147)	(22)	(115)
NET PROFIT FOR THE YEAR	201	596	68	483
Available to:				
Equity holders of the Bank	184	585		
Non-controlling interest	17	11		
EARNINGS PER SHARE				
Basic and diluted (in HRK)	10.83	34.45		

Statement of financial position as at December 31, 2013.

	GROUP		BANK	
	2013	2012	2013	2012
ASSETS				
Cash and balances with central banks	7,949	7,757	7,695	7,459
Amounts due from other banks	3,021	2,865	2,524	2,507
Repurchase agreements	838	683	1,002	899
Derivative financial assets	86	114	86	113
Financial assets held for trading	303	250	125	56
Loans and claims from customers	46,426	45,348	39,912	38,844
Financial assets available for sale	6,364	6,135	6,146	5,956
Held-to-maturity financial assets	768	813	499	685
Investments in subsidiaries and associates	39	68	1,272	1,300
Property and equipment	665	704	348	386
Intangible assets	746	740	37	47
Investment in real property	20	1	20	-
Deferred tax assets	191	172	37	38
Other assets	438	241	422	229
Total assets	67,854	65,891	60,125	58,519
LIABILITIES				
Amounts due to other banks	22,680	22,906	16,652	16,830
Reverse repurchase agreements	974	1,490	647	1,369
Derivative financial liabilities	89	148	89	147
Amounts due to customers	34,824	32,190	34,175	31,618
Issued bonds and other borrowed funds	349	362	302	303
Current tax liabilities	17	15	-	-
Deferred tax liabilities	11	19	-	-
Other liabilities	449	438	324	325
Provisions	211	136	191	116
Subordinated instruments issued	881	878	858	848
Total liabilities	60,485	58,582	53,238	51,556
Equity				
Share capital	1,698	1,698	1,698	1,698
Capital gain	1,802	1,802	1,802	1,802
Retained earnings	3,529	3,491	3,133	3,212
Other reserves	205	195	169	166
Other capital reserves	85	85	85	85
Equity available to equity holders of the Bank	7,319	7,271	6,887	6,963
Non-controlling interest	50	38	-	-
Total equity	7,369	7,309	6,887	6,963
TOTAL LIABILITIES AND EQUITY	67,854	65,891	60,125	58,519

Addendum 3.

Period of reporting:

1.1.2013

to

31.12.2013

Annual financial report for credit institutions - GFI-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 residence: 51000 RIJEKA

Address: JADRANSKI TRG 3A

E-mail address: erstebank@erstebank.hr

Internet address: www.erstebank.hr

Postal code and name of municipality/town: 373 RIJEKA

Code and name of county: 8 PRIMORSKO GORANSKA Number of employees: 2782
(at the end of reporting period)

Consolidated report: YES NKD code: 6419

Names of subjects of consolidation (according to MSFI):	Headquarters:	MB:
Erste DMD d.o.o. za upravljanje dobrovoljnim mirovinsk	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
Erste Card Club d.d.	Zagreb, Praška 5	3289737
Diners BIH d.o.o. Sarajevo	Bosna i Hercegovina, Sarajevo, Fra Anđela Zvizdo	08070062
Erste Card d.o.o. Slovenija	Slovenija, Ljubljana, Dunajska cesta 129	08705634
Erste Factoring d.o.o.	Zagreb, Ivana Lučića 2	2058049

Bookkeeping service: _____

Contact person: RAJIĆ ANDREJA
(only the last and first name of contact person is entered)

Phone number: 062 37 1778 Telefax: 062 37 1942

E-mail address: arajic@erstebank.com

Last and first name: JAGAR SLADANA
(person authorized for representing company)

Reporting documentation:

1. Audited annual financial statements
2. Management report
3. Declaration of key personnel responsible for preparation of financial statements
4. Supervisory body decision on adoption of annual financial statements
5. Decision on profit allocation or loss coverage

MP 026
ERSTE & STEIERMARKISCHE
BANK D.D.
RIJEKA
095

Jagar
signature of person authorized for representing company)

STATEMENT OF FINANCIAL POSITION
as of 31.12.2013

in HRK

Name of position	AOP	Prior period	Current period
1	2	3	4
ASSETS			
1. CASH AND DEPOSITS WITH Central bank (002+003)	001	7,757,321,826	8,526,379,172
1.1. Cash	002	868,380,848	904,344,655
1.2. Deposits with Central bank	003	6,888,940,978	7,622,034,517
2. DEPOSITS WITH BANKING INSTITUTIONS	004	2,000,444,481	1,753,089,146
3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK	005	1,244,759,813	1,334,451,162
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	006	212,315,856	303,385,851
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007	5,433,116,789	5,489,914,609
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008	203,104,252	203,751,825
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	81,551,221
9. LOANS TO FINANCIAL INSTITUTIONS	011	1,520,260,043	1,400,856,098
10. LOANS TO OTHER CUSTOMERS	012	44,895,946,273	46,066,462,172
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	013	68,471,940	38,748,505
12. REPOSSESSED ASSETS	014	181,373,084	290,537,947
13. TANGIBLE ASSET (MINUS DEPRECIATION)	015	704,817,606	685,501,443
14. INTEREST, FEES AND OTHER ASSETS	016	1,562,630,711	1,679,752,474
A) TOTAL ASSETS (001+004 to 016)	017	65,891,332,299	67,854,381,625
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	21,901,352,881	19,761,545,627
1.1. Short-term borrowings	019	5,660,985,871	5,753,068,972
1.2. Long-term borrowings	020	16,240,367,010	14,008,476,655
2. DEPOSITS (AOP 022 to 024)	021	33,193,279,890	37,471,315,361
2.1. Deposits of giro and current accounts	022	5,197,361,565	7,239,938,782
2.2. Savings deposits	023	2,911,884,058	3,273,444,909
2.3. Term deposits	024	25,084,034,267	26,957,931,670
3. OTHER BORROWINGS (026+027)	025	566,461,477	264,569,970
3.1. Short-term borrowings	026	565,292,287	244,000,000
3.2. Long-term borrowings	027	1,169,190	20,569,970
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	141,265,448	83,685,486
5. ISSUED DEBT SECURITIES (030+031)	029	300,000,000	0
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	863,282,139
7. ISSUED HYBRID INSTRUMENTS	033	0	0
8. INTEREST, FEES AND OTHER LIABILITIES	034	1,620,055,900	1,740,063,694
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	58,582,616,732	60,184,462,277
EQUITY			
1. SHARE CAPITAL	036	3,500,360,782	3,500,360,782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	037	585,084,113	183,875,941
3. RETAINED PROFIT/(LOSS)	038	2,944,573,711	3,395,536,033
4. LEGAL RESERVES	039	84,920,875	84,920,875
5. STATUTORY AND OTHER CAPITAL RESERVES	040	-1,442,847	5,561,969
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE	041	195,218,933	199,663,748
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS	042		
C) TOTAL EQUITY (036 to 042)	043	7,308,715,567	7,369,919,348
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	65,891,332,299	67,554,381,625
SUPPLEMENT TO STATEMENT OF FINANCIAL POSITION (filled out by banks that compose a consolidated financial report)			
1. TOTAL EQUITY	045	7,308,715,567	7,369,919,348
2. Attributed to equity holders of the parent	046	7,270,285,414	7,319,377,262
3. Minority shares (045-046)	047	38,430,153	50,542,086

INCOME STATEMENT

for period from 1.1.2013 to 31.12.2013 in HRK

Name of position	AOP	Prior period	Current period
1	2	3	4
1. Interest income	048	4,089,024,296	3,595,077,516
2. Interest expense	049	1,997,391,803	1,586,924,410
3. Net interest income (048-049)	050	2,091,632,493	2,008,153,106
4. Fee and commission income	051	680,400,191	726,814,287
5. Fee and commission expense	052	159,314,636	177,145,681
6. Net fee and commission income (051-052)	053	521,085,555	549,668,606
7. Profit/loss from investments in subsidiaries, associates and joint ventures	054	-1,713,064	-687,706
8. Profit/loss from trading	055	38,831,579	51,508,113
9. Profit/loss from embedded derivatives	056	117,463	-104,395
10. Profit/loss from asset not actively traded measured at fair value through profit or loss	057	0	0
11. Profit/loss from asset available for sale	058	61,475,973	-30,274,461
12. Profit/loss from asset held to maturity	059	0	0
13. Profit/loss from hedging	060	0	0
14. Income from investments in subsidiaries, associates and joint ventures	061	0	0
15. Income from other ownership investments	062	10,119,797	5,980,829
16. Profit/loss from foreign currency differences	063	109,443,019	105,475,331
17. Other income	064	20,271,732	50,924,008
18. Other expenses	065	9,612,878	11,226,186
19. General administrative expenses and depreciation	066	1,196,766,389	1,160,883,643
20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)	067	1,644,885,280	1,568,533,602
21. Expense of value adjustment and loan loss provisions	068	901,565,097	1,305,244,653
22. PROFIT/LOSS BEFORE TAX (067-068)	069	743,320,183	263,288,949
23. INCOME TAX EXPENSE	070	147,293,153	61,829,618
24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)	071	596,027,030	201,459,331
25. Earnings per share	072	34	11
ANNEX TO INCOME STATEMENT (for the Banks that prepare consolidated financial statements)			
1. PROFIT/LOSS OF THE CURRENT YEAR	073	596,027,030	201,459,331
2. Assign equity holders of the Bank	074	585,084,113	183,875,941
3. Non controlling interest (073-074)	075	10,942,917	17,583,390

CASH FLOW STATEMENT - indirect method

for period from **1.1.2013** to **31.12.2013** 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	-328,378,812	-330,072,394
1.1. Profit/(loss) before income tax	002	743,320,183	263,288,949
1.2. Allowances and loss provisions	003	901,565,097	1,305,244,653
1.3. Depreciation	004	118,737,057	73,563,329
1.4. Net unrealized profit/(loss) from financial assets and liabilities through profit and loss	005	441,217	34,236,216
1.5. Profit/(loss) from sale of tangible assets	006	3,584,212	17,039,313
1.6. Other profit/(losses)	007	-2,096,026,578	-2,023,444,854
2. Net increase/(decrease) of operating assets (009 do 016)	008	-2,496,274,567	-2,954,143,466
2.1. Deposits with Central bank	009	191,550,800	-289,619,110
2.2. Treasury bills of Ministry of Finance and CB bills	010	223,452,286	-27,624,781
2.3. Deposits with banks and loans to financial institutions	011	-1,303,654,620	139,649,408
2.4. Loans to other customers	012	-1,697,071,363	-2,475,760,552
2.5. Securities and other financial instruments held for trading	013	87,023,300	-92,404,544
2.6. Securities and other financial instruments available for sale	014	-164,189,340	-55,652,409
2.7. Securities and other financial instruments not traded actively, measured at fair value through profit or loss	015	0	0
2.8. Other operating assets	016	166,614,370	-152,731,478
3. Net increase/(decrease) of operating liabilities (018 do 021)	017	3,516,537,822	6,412,846,775
3.1. Demand deposits	018	2,132,720	2,042,577,217
3.2. Savings and term deposits	019	1,489,340,385	2,235,458,254
3.3. Financial derivative liabilities and other liabilities actively traded	020	-8,002,258	-32,361,558
3.4. Other liabilities	021	2,033,066,975	2,167,172,862
4. Net cash flow from operating activities before income tax (001+008+017)	022	691,884,443	3,128,630,915
5. (Income tax paid)	023	-169,093,332	-163,858,711
6. Net inflow/(outflow) of cash from operating activities (022+023)	024	522,791,111	2,964,772,204
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 do 030)	025	112,271,811	-65,525,768
7.1. Receipt from sale/(payment for buying) tangible and intangible assets	026	-97,701,138	-71,286,478
7.2. Receipt from sale/(payment for buying) investments in subsidiaries, associates and joint ventures	027	795,426	0
7.3. Receipt from sale/(payment for buying) securities and other financial instruments held to maturity	028	204,701,220	-647,573
7.4. Dividend income	029	4,476,303	6,408,283
7.5. Other receipts/(payments) from investing activities	030		
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 do 037)	031	422,880,775	-2,584,851,505
8.1. Net increase/(decrease) of borrowings	032	302,878,192	-2,441,698,761
8.2. Net increase/(decrease) issued debt securities	033	301,733,256	0
8.3. Net increase/(decrease) subordinated and hybrid instruments	034	0	3,081,003
8.4. Receipts from transmitted share capital	035	0	0
8.5. (Dividends paid)	036	-181,730,673	-146,233,747
8.6. Other receipts/(payments) from financial activities	037		
9. Net increase/(decrease) of cash and cash equivalents (024+025+031)	038	1,057,943,697	314,394,931
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	1,057,943,697	314,394,931
12. Cash and cash equivalents at the beginning of the year	041	4,298,976,785	5,356,920,482
13. Cash and cash equivalents at the end of the year (040+041)	042	5,356,920,482	5,671,315,413

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Name of position	for period		31.12.2013						in HRK	
	01.01.2013	to	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
AOP	2	3	4	5	6	7	8	9	10	
Balance at 1 January	001	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	002									
Corrected balance as at 1 January (1+2)	003	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	004						848,766		848,766	
Change of fair value financial asset available for sale	005						6,505,209		6,505,209	
Tax on items directly recognised or transferred from capital and reserves	006						-2,909,160		-2,909,160	
Other profit/(loss) directly recognised in capital and reserves	007			3,530,369					3,530,369	
Net profit/(loss) directly recognised in capital and reserves (004+005+006+007)	008	0	0	3,530,369	0	0	4,444,815	0	7,975,184	
Profit/(loss) for the period	009					183,875,941			183,875,941	
Total recognised income and expenses for the period (008+009)	010	0	0	3,530,369	0	183,875,941	4,444,815	0	191,851,125	
Increase/(decrease) of share capital	011								0	
Buy/sell of treasury shares	012								0	
Other changes	013			3,474,447				17,583,391	21,057,861	
Transfer to reserves	014				438,850,389				0	
Dividends paid	015					-146,233,747		-5,471,458	-151,705,205	
Distribution on income (014+015)	016	0	0	0	438,850,389	-585,084,136	0	-5,471,458	-151,705,205	
Balance at reporting date (003+010+011+012+013+016)	017	3,500,360,782	0	90,482,844	3,344,993,947	183,875,941	199,663,748	50,542,086	7,369,919,348	

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	31.12.2013
Cash on hand	868,380,848	904,344,655
Cash on clearing account	2,389,357,831	2,818,780,908
Obligatory reserves with the central banks	4,499,583,147	4,803,253,609
	7,757,321,826	8,526,379,172

A 2. DEPOSITS WITH BANKING INSTITUTIONS		
	31.12.2012	31.12.2013
Current accounts with other banks	1,489,676,498	430,370,549
Term deposits with banks	512,958,850	1,322,770,993
Less: Allowance for possible placement losses	(2,190,867)	(52,396)
	2,000,444,481	1,753,089,146

A 3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK		
	31.12.2012	31.12.2013
Treasury bills		
Securities and other financial instruments held for trading	37,308,078	-
Securities and other financial instruments available for sale	602,413,875	775,207,856
Securities and other financial instruments held to maturity	605,037,860	559,243,306
	1,244,759,813	1,334,451,162

A 4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING		
	31.12.2012	31.12.2013
Shares	17,119,696	20,629,707
Shares in open investment funds	193,961,306	178,517,400
Bonds	1,234,854	104,238,744
	212,315,856	303,385,851

A 5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE		
	31.12.2012	31.12.2013
Equity shares and participations:	53,540,698	59,622,000
Investments in companies	33,600,279	40,139,059
Investments in financial institutions	19,940,419	19,482,941
Listed debt securities	5,351,082,571	5,400,749,715
Investment in open funds	28,467,507	29,542,894
Rights issue	26,013	-
	5,433,116,789	5,489,914,609

Analysis of debt securities:		
Debt securities available for sale allocated by the issuer comprise:		
	31.12.2012	31.12.2013
Republic of Croatia	2,804,435,394	2,631,718,082
Companies in Republic of Croatia	137,172,463	121,710,172
Foreign financial institutions	379,446,794	384,578,238
Foreign states	2,030,027,920	2,262,743,224
	5,351,082,571	5,400,749,715

A 6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY		
	31.12.2012	31.12.2013
Fixed income debt securities:		
Listed debt securities – Bonds issued by the Republic of Croatia	187,059,735	189,557,046
Unlisted debt securities – Bonds issued by the Republic of Croatia	4,848,818	4,907,950
Bonds of Republic of Montenegro	11,331,783	9,385,718
Total assets held to maturity before allowance	203,240,336	203,850,714
Less: allowance for assets held to maturity	(136,084)	(98,889)
	203,104,252	203,751,825

A 8, B 4. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES	31.12.2012		31.12.2013			
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate instruments:						
Interest rate swaps - assets	1,149,112,588	19,581,204		1,562,825,130	14,624,907	
Interest rate swaps - liabilities	1,149,112,588		18,565,679	1,562,825,130		12,903,118
Subtotal - interest rate instruments	2,298,225,176	19,581,204	18,565,679	3,125,650,260	14,624,907	12,903,118
Foreign currency instruments:						
Currency swaps						
Purchase	2,380,683,260	24,284,931		3,848,587,311	39,246,890	
Sell	2,379,188,624		19,754,703	3,848,427,548		40,731,318
Forwards						
Purchase	11,975,071,746	62,307,530		13,386,569,253	27,190,369	
Sell	12,007,008,557	173,903	102,686,109	13,380,043,494		29,972,487
Call options						
Put options						
Subtotal – Foreign currency instruments	28,741,952,187	86,766,364	122,440,812	34,463,627,606	66,437,259	70,703,805
Other instruments:						
Call options for stock indexes	14,525,326	849				
Put options for stock indexes	14,525,320		173,850			
Call options for equity instruments						
Put options for equity instruments	10,070,040	52,500				
Forward bonds - purchase	10,070,040					
Forward bonds - sell	61,986,507	368,708		49,830,182	489,055	
Embedded derivatives - assets	28,412,556			18,226,296		
Embedded derivatives – liabilities			34,107			78,563
Short position in bonds issued by Republic of Croatia						
Total – other instruments	139,589,789	422,057	258,957	68,056,478	489,055	78,563
	31,179,767,152	106,769,625	141,265,448	37,657,334,344	81,551,221	83,685,486

A 9. LOANS TO FINANCIAL INSTITUTIONS	31.12.2013	
	31.12.2012	31.12.2013
Loans	1,572,203,956	1,405,089,247
Less: Allowance for loan impairment	(1,943,913)	(4,233,149)
	1,520,260,043	1,400,856,098

A 10. LOANS TO OTHER CUSTOMERS	31.12.2012	31.12.2013
	Companies	20,624,186,090
Individuals	20,701,817,388	20,855,387,779
Public sector	7,050,419,586	9,285,122,741
Other institutions	106,836,465	116,196,883
Total loans before allowances for impairment	48,483,259,529	50,586,204,147
Less: Allowance for loan impairment	(3,587,313,256)	(4,519,741,975)
	44,895,946,273	46,066,462,172

A 11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	Ownership interest	Ownership interest	Activity	Group's Share of net assets		Investment at cost			
				2012	2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013
Associates									
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 company for obli	34,462,586	35,697,581	23,098,985	23,098,985	23,098,985	23,098,985
S IT Solutions HR d.o.o.	20.00%	20.00%	IT engineering	336,357	458,316	4,000	4,000	4,000	4,000
IMMOKOR BUZIN d.o.o.	49.00%	49.00%	Real estate business	33,672,997	2,592,608	33,975,000	33,975,000	33,975,000	5,725,000
Total associates:				68,471,940	38,748,505	57,090,785	28,840,785		
Subsidiaries									
Erste nekretnine d.o.o.	100.00%	100.00%	Real estate business	3,008,952	3,180,042	800,000	800,000	800,000	800,180
Erste DMD d.o.o.	100.00%	100.00%	Management company for voll	17,100,551	17,118,405	15,000,000	15,000,000	15,000,000	15,000,000
Erste Factoring d.o.o.	74.996%	74.996%	Accounts Receivables repurcha	115,265,870	151,593,915	37,658,000	37,658,000	37,658,000	37,658,000
Erste Card Club d.d.	100.00%	100.00%	Financial intermediation and se	470,773,080	543,091,761	1,089,285,069	1,089,285,069	1,089,285,069	1,089,285,069
Erste Card d.o.o. Slovenia	-	-	Financial intermediation and se	-	9,939,468	-	-	-	-
Diners Club BH d.o.o.	100.00%	100.00%	Other financial intermediation	1,395,775	760,448	-	-	-	-
Erste Delta d.o.o.	100.00%	100.00%	Real estate business	-2,883,758	1,483,081	26,000	26,000	26,000	26,000
Erste bank a.d., Podgorica	100.00%	100.00%	Credit institution	253,889,245	296,776,975	100,396,379	100,396,379	100,396,379	100,396,379
Total subsidiaries:				858,549,715	1,023,944,095	1,243,165,448	1,243,165,448	1,243,165,448	1,243,165,628
Total:				927,021,655	1,062,692,600	1,300,256,233	1,272,006,413		

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	31.12.2013
	Land and buildings	592,334,474
Computers	26,852,432	31,072,306
Furniture and other equipment	71,259,243	57,807,888
Motor vehicles	1,064,906	1,074,534
Ongoing investment in buildings and equipment	12,526,330	16,754,923
Investment property	780,221	20,327,347
	704,817,606	685,501,443

A 14. INTEREST, FEES AND OTHER ASSETS	31.12.2012	31.12.2013
	Undue interests and fees	287,543,620
Due interests and fees	453,527,558	488,120,888
Tax assets	171,953,574	191,018,202
Receivables for overpaid taxes	9,270,778	87,768,899
Intangible assets	742,013,677	747,592,790
Inventory of office supply and other materials	82,894	113,738
Numismatic collection	780,365	756,653
Prepaid expenses	5,645,056	15,538,210
Other assets	162,279,239	211,846,703
Total other assets before allowance for impairment	1,833,096,761	2,016,392,391
Less: Allowance for impairment of other asset	(270,466,050)	(336,639,917)
	1,562,630,711	1,679,752,474

B 1. AMOUNTS DUE TO FINANCIAL INSTITUTIONS	31.12.2012	30.6.2013
	From banks	19,193,650,023
From other banking institutions	42,896,872	26,540,809
From HBOR	2,664,805,986	2,598,321,838
	21,901,352,881	19,761,545,627

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>	49,385,289	22,752,354
<i>Republic funds</i>	79,005,491	42,584,998
<i>Local government</i>	110,042,524	93,884,685
Deposits from financial institutions		
<i>Banks</i>	119,132,128	139,719,956
<i>Other banking institutions</i>	121,711,642	282,945,989
<i>HBOR</i>	9,907	-
<i>Non-banking financial institutions</i>	66,039,467	102,754,005
<i>Banks in bankruptcy</i>	6,285,090	722,671
<i>Banks in liquidation</i>	322,252	10,472
Deposits from state commercial customers	39,224,948	18,785,611
Deposits from other commercial customers	2,130,581,993	3,653,795,104
Deposits from non-profit institutions	131,194,613	166,378,588
Deposits from individuals	1,703,239,170	1,921,501,803
Deposits from non residents		
<i>Foreign financial institutions</i>	43,808,402	20,935,071
<i>Foreign states</i>	54,014,800	36,846,948
<i>Foreign commercial customers</i>	142,801,068	265,519,630
<i>Foreign individuals</i>	390,761,453	449,083,157
<i>Foreign non-profit institutions</i>	9,801,328	21,717,740
	5,197,361,565	7,239,938,782

B 2.2. Savings deposits	31.12.2012	30.6.2013
Deposits from public sector		
<i>Republic of Croatia</i>	714,971	442,886
<i>Republic funds</i>	-	-
<i>Local government</i>	65,868	25,324
Deposits from financial institutions		
<i>Banks</i>	59,546,274	43,360,269
<i>Other banking institutions</i>	29,662,127	42,689,067
<i>Non-banking financial institutions</i>	5,812,480	5,418,847
Deposits from other commercial customers	461,968,396	696,525,828
Deposits from non-profit institutions	5,110,424	3,136,158
Deposits from individuals	2,163,085,856	2,258,412,952
Deposits from non residents		
<i>Foreign financial institutions</i>	67,496	37,981
<i>Other non residents</i>	185,850,166	223,395,597
	2,911,884,058	3,273,444,909

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	15,111,200
Deposits from financial institutions		
<i>Banks</i>	398,804,227	77,564,384
<i>Other banking institutions</i>	902,447,502	741,509,920
<i>CBRD</i>	-	2,500,000
<i>Non-banking financial institution</i>	742,352,292	464,318,460
<i>Banks in bankruptcy</i>	25,500,000	25,000,000
Deposits from state commercial customers	148,356,300	44,234,241
Deposits from other commercial customers	1,726,284,331	1,432,576,955
Deposits from non-profit institutions	93,720,311	72,486,920
Deposits from individuals	17,782,290,536	18,825,393,285
Deposits from non residents		
<i>Foreign financial institutions</i>	1,185,401,286	3,240,111,771
<i>Foreign states</i>	32,305,099	27,999,962
<i>Foreign commercial customers</i>	258,656,384	121,909,301
<i>Foreign individuals</i>	1,653,240,181	1,824,703,355
<i>Foreign non-profit institutions</i>	2,644,067	3,511,416
Oročeni depoziti	25,084,034,267	26,957,931,670

B 3. OTHER BORROWINGS	31.12.2012	30.6.2013
Short term borrowings in foreign currency	792,287	98,776
Short term borrowings in HRK	564,500,000	244,000,000
Long term borrowings in HRK	1,169,190	20,471,194
	566,461,477	264,569,970

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 (2013: HRK 23 million, 2012: 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	457,290,864
Due interest and fees	18,048,211	43,726,574
Prepayments received from borrowers	155,276,542	147,018,288
Income tax liabilities	15,198,045	16,576,944
Other taxes	2,890,504	7,357,704
Salaries and bonuses payable	110,209,005	108,616,348
Off balance provisions	77,660,035	63,882,042
Amounts due to suppliers	497,334,708	572,007,954
Payables to State Agency for deposit insurance	15,082,221	16,507,570
Uninvoiced liabilities	19,112,055	10,394,304
Liabilities for dividend payout	555,607	275,692
Subordinated instruments	18,279,283	18,155,783
Deferred income	28,411,595	43,702,868
Other	134,268,317	234,550,759
	1,620,055,900	1,740,063,694

1. INTEREST INCOME		
	31.12.2012	31.12.2013
Interest on loans and advances to customers	3,198,578,531	2,917,079,885
Interest on amounts due from other banks	22,058,160	20,106,328
Interest income on financial investments	301,780,869	269,904,200
Interest on balances due from the central bank	822,831	627,760
Interest on derivative financial instruments	439,459,819	181,437,819
Interest income on impaired financial assets - loans and advances to customers	113,946,768	197,184,993
Interest on reverse repurchase agreements	7,245,212	4,535,583
Other interest income	5,132,106	4,200,948
	4,089,024,296	3,595,077,516

2. INTEREST EXPENSES		
	31.12.2012	31.12.2013
Interest on customer deposits	833,058,072	789,111,746
Interest on other borrowed funds	929,729,759	658,265,931
Interest on amounts due to other banks	103,180,773	50,048,416
Interest on subordinated debt	50,241,729	48,659,722
Interest on issued bonds	1,851,719	17,708,964
Interest on derivative financial instruments	61,964,811	16,966,090
Interest on repurchase agreements	11,390,255	3,277,564
Other interest expense	5,974,685	2,885,977
	1,997,391,803	1,586,924,410.00

4. FEE AND COMMISSION INCOME		
	31.12.2012	31.12.2013
Payments and money transfers	230,654,617	245,762,182
Bank cards services	319,755,915	352,487,599
Custodial fees	41,465,823	55,310,902
Guarantees and letter of credit	54,063,346	40,078,098
Other fee and commission income	34,460,490	33,175,506
	680,400,191	726,814,287.00

5. FEE AND COMMISSION EXPENSES		
	31.12.2012	31.12.2013
Payments and money transfers	42,407,961	41,251,882
Bank cards services	102,154,686	120,236,139
Custodial fees	2,814,669	3,388,785
Guarantees and letter of credit	3,818,232	1,439,645
Other fee and commission expense	8,119,088	10,829,230
	159,314,636	177,145,681.00

8. PROFIT/LOSS FROM TRADING		
	31.12.2012	31.12.2013
Net foreign exchange gain/(loss) on derivative financial instruments	(7,119,568)	10,567,243
Net gain on financial assets at fair value through profit or loss	45,951,147	40,940,870
	38,831,579	51,508,113

9. PROFIT/LOSS FROM EMBEDDED DERIVATES		
	31.12.2012	31.12.2013
Profit/ (loss) from embedded derivatives (except contracts with one-way currency clause)	104,395	(104,395)
Profit/ (loss) from embedded derivatives according to contracts with the one-way currency clause	13,068	-
	117,463	(104,395)

17. OTHER INCOME		
	31.12.2012	31.12.2013
Income from sale of property and equipment	3,584,212	17,039,313
Rental income from investment property	121,026	1,610,849
Rental income	2,742,260	3,236,378
Other	13,824,234	29,037,468
	20,271,732	50,924,008

18. OTHER EXPENSES		
	31.12.2012	31.12.2013
Other taxes and contributions	7,328,967	7,795,640
Other	2,283,911	3,430,546
	9,612,878	11,226,186

19. GENERAL AND ADMINISTRATIVE EXPENSES AND DEPRECIATION		
	31.12.2012	31.12.2013
Employee related costs		
- Wages, salaries and compensations	316,126,704	302,116,802
- Payroll taxes and contributions	224,606,444	203,504,779
Pension provisions	2,611,924	-8,017,784
Donations and sponsorship	9,148,583	8,019,498
Other administrative expenses	572,460,609	581,141,122
Depreciation	71,812,125	74,119,226
	1,196,766,389	1,160,883,643

21. EXPENSES OF VALUE ADJUSTMENTS AND LOAN LOSS PROVISIONS		
	31.12.2012	31.12.2013
Provisions for impairment losses on loans and advances	786,236,671	1,221,671,806
Provision for impairment loss on other assets	83,441,640	(11,839,889)
Provision for impairment loss on financial investments held to maturity	64,067	(37,195)
Provision for impairment loss on financial investments available for sale	1,971,157	345,083
Provision for litigations	1,061,670	108,842,797
Provision for impairment of guarantees and credit commitments	28,789,892	(13,737,949)
	901,565,097	1,305,244,653

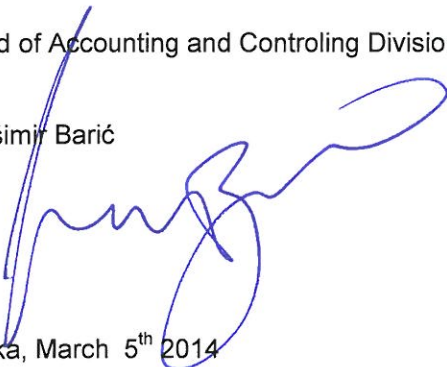
DECLARATION OF KEY PERSONNEL RESPONSIBLE FOR PREPARATION OF FINANCIAL STATEMENTS

According to our best knowledge:

1. Shortened set of annual 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



Rijeka, March 5th 2014

ERSTE & STEIERMÄRKISCHE
BANK D.D.
RIJEKA
026 095

Management Board member



Slađana Jagar