

Erste & Steiermärkische Bank assets up 4.2% in H1 09

The Information stated below represent preliminary, unconsolidated financial results of Erste & Steiermärkische Bank d.d.

Key financial indicators for the Bank:

- **Total assets** as of June 30, 2009 came to HRK 47.5 billion, up 4.2% compared with December 31, 2008, when they reached HRK 45.6 billion
- **Total deposits** as of June 30, 2009 amounted to HRK 36.5 billion, up by 7.1% compared with December 31, 2008, when they came to HRK 34.1 billion
- **Net profit** in the first six months of 2009 amounted to HRK 315.3 million, down by 12.6% or HRK 360.9 million recorded in the comparable period last year
- **Key performance indicators: ROA** was 1.4%, **ROE** 12.0%, and **Cost/Income ratio** came to 42.1% on June 30, 2009

Zagreb, July 31, 2009 – In the first six months of 2009, Erste & Steiermärkische Bank d.d. (ESB) posted a rise in assets of 4.2%, from HRK 45.6 billion recorded on December 31, 2008, to HRK 47.5 billion on June 30, 2009. Net profit of the Bank amounted to HRK 315.3 million in H1, down by 12.6% compared to the same period last year when it came to HRK 360.9 million. Considering the changed market conditions and the current situation in the economic environment, which lead to increased provisions, the reduced net profit compared to the year before was expected, and the financial performance of the Bank is in line with its 2009 targets.

„We are satisfied with the fact that the bank has continued its good performance despite the increasingly challenging economic environment, that is, the existing more difficult market conditions. Financial indicators confirm the soundness of our business models and the long-term strategy of the Bank, whose aim is to maintain its position as one of the leading and highest-quality banks in the Croatian financial market. In the coming period as well, our fundamental goal is to preserve the stability of operation by maintaining the indicators positive, and, in the process, clients and their needs will remain the focus of our business strategy”, president of ESB Management Board **Petar Radaković** said on the occasion.

Rise in total deposits and market shares increase

Despite the turbulent economic environment, ESB continues to enjoy a high level of customer confidence, as proved by the rise in total deposits in the first six months of this year. Total deposits amounted to HRK 36.5 billion on June 30, 2009, up by 7.1% compared to HRK 34.1 billion recorded on December 31, 2008. Total loans to clients came to HRK 30.8 billion at the end of June 2009, up by 4.7% compared to the end of 2008, when they amounted to HRK 29.5 billion.

According to latest available information by end of May 2009, ESB's market share in collected deposits segment continued growing, despite a decline in the mass of total collected deposits in the banking market. ESB increased its market share in retail deposits segment from 12.19% to 12.28%, while the market share in the business deposits segment grew by 2.57 percentage points, to 17.6%. ESB's market share in loans granted to retail customers went up as well in the first five months of the year by 0.3 percentage points, to 12.64%.

With around 2,000 employees, more than 700,000 customers serviced through 122 subsidiaries and more than 460 ATMs, Erste & Steiermärkische Bank d.d. is one of the leading financial institutions in the Republic of Croatia. On December 31, 2008, Erste & Steiermärkische Bank d.d. had total assets of HRK 45.57bn, net profit of HRK 788mn and ROE of 17.4%.

Focus on cost reduction

In the first half of 2009, the Bank maintained its focus on cost control and maximum rationalization of operation. Thus, Cost/Income ratio came to 42.1% on June 30, 2009. Considering the existing situation and more difficult conditions for operation, ESB has undertaken comprehensive savings measures: reduction in material costs, costs of travel, marketing and other costs. Despite the cuts in employee education budgets compared to earlier periods, ESB continued implementing programs that provide additional professional education to its employees. ESB sees investments in human resources as one of the basic elements for long-term sustainable successful operation of the bank. In the first half of the year, ESB continued implementing donation and sponsorship programs, albeit in smaller amounts than earlier, in order to support the development of the social community in which it operates in these, more complicated times.

Back at the end of the previous year, ESB gave an opportunity to pregnant women/young mothers and persons left without a job to arrange a grace period for their existing loans and reduction of interest rates by 25% compared to the initially contracted interest rates during the grace period. So far, 24 persons left jobless and 67 pregnant women and young mothers used these opportunities.

Bank's three basic strategic goals in the coming period

"Considering the overall economic environment, Erste bank has set three basic strategic goals in the coming period: to remain the best bank in Croatia, to continue providing high-quality service and products to clients and be a partner they can rely on in these difficult times, and to safeguard jobs. ESB will thus continue to be committed to increasing efficiency of operation and rational cost management in order to maintain stability of its operation, thus helping clients overcome the current aggravated market conditions more easily", said vice president of ESB Management Board **Tomislav Vuic**.

Erste & Steiermärkische Bank d.d. balance sheet, June 30, 2009 (in EUR thousands)

Balance Sheet form		in EUR thousands	
as of June 30, 2009			
Assets		30/06/2009	31/12/2008
1.	CASH AND BALANCES WITH THE CROATIAN NATIONAL BANK	783.673	866.707
2.	DEPOSITS WITH OTHER BANKS	951.340	752.470
3.	TREASURY BILLS BY FINANCE MINISTRY AND CNB	198.577	187.352
4.	SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	4	5
5.	SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	81.377	134.837
6.	SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	47.706	47.572
7.	DERIVATIVE FINANCIAL ASSETS	29.244	9.403
8.	LOANS TO FINANCIAL INSTITUTIONS	25.447	68.342
9.	LOANS TO OTHER CUSTOMERS	4.238.321	4.049.743
10.	INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	22.999	7.488
11.	ACQUIRED ASSETS	4.262	3.701
12.	TANGIBLE ASSETS (MINUS AMORTIZATION)	55.724	56.242
13.	INTEREST, FEES AND OTHER ASSETS	93.056	81.299

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A	TOTAL ASSETS	6.531.730	6.265.161
Liabilities and equity			
1.	AMOUNTS DUE TO FINANCIAL INSTITUTIONS	1,743,291	239.694
2.	DEPOSITS	5.023.389	4.688.692
3.	OTHER LOANS	2,888,422	397.143
4.	DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES FOR TRADING	49,169	6.760
5.	INTEREST, FEES AND OTHER LIABILITIES	1,058,923	145.596
B	TOTAL LIABILITIES	5.812.582	5.563.202
Equity			
1.	SHARE CAPITAL	481.282	481.282
2.	PROFIT (LOSS) IN THE CURRENT YEAR	43.358	108.301
3.	RETAINED EARNINGS / (LOSS)	168.806	87.491
4.	LEGAL RESERVES	29.436	28.838
5.	UNREALIZED PROFIT/(LOSS) BASED ON VALUE HARMONIZATION OF FINANCIAL ASSETS AVAILABLE FOR SALE	-3.734	-3.953
C	TOTAL EQUITY	719.148	701.959
D	TOTAL LIABILITIES AND EQUITY	6.531.730	6.265.161
		0.00	0.00

*Note: certain figures from financial reports for the previous period have been reclassified in order to be adjusted to the statement on June 30, 2009.

Profit and loss statement of Erste & Steiermärkische Bank d.d. IV-VI 2009

Profit and Loss Account Form		In EUR thousands	
for the year closing, June 30, 2009			
All figures in EUR thousands			
		30/06/2009	30/06/2008
1.	Interest income	254.631	207.128
2.	(Interest expenses)	159.686	117.642
3.	Net interest income	94.945	89.486
4.	Fee and commission income	29.542	30.950
5.	(Fee and commission expense)	8.130	8.635
6.	Net fee and commission income	21.412	22.315
7.	Profit/(loss) from trading activity	11.676	8.692
8.	Profit/(loss) from integrated derivatives	-207	808
9.	Profit/(loss) from activities in the category of assets available for sale	339	-47
10.	Income from other ownership investments	0	0
11.	Profit/(loss) from calculated FX variance	859	31
12.	Other income	1.258	4.243
13.	Other expenses	3.977	3.670

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14.	General administrative expense and amortization	53.176	50.452
15.	Net operating income before value harmonization and provision for impairment losses	73.129	71.406
16.	Expense of value harmonization and provision for impairment losses	18.798	9.357
17.	Profit/(loss) BEFORE TAX	54.331	62.049
18.	PROFIT TAX	10.973	12.431
19.	Profit/(loss) IN THE CURRENT YEAR	43.358	49.618

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For additional information please contact:

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