

## Fact Sheet

Rijeka/Zagreb, May 2010

# Erste&Steiermärkische Bank d.d

## Profile

Erste&Steiermärkische Bank d.d., Rijeka (ESB) has been operating under this name since 2003, following the merger of Rijecka banka d.d. Rijeka and Erste&Steiermärkische Bank d.d, Zagreb. Both banks had been playing an important role on the Croatian financial market. Rijecka banka, d.d., Rijeka was established in 1954, its 50-year banking tradition made it the leading bank for the city of Rijeka, as well as for the Primorje and Istria region. Erste&Steiermärkische Bank d.d., Zagreb was established in 2000, following a merger of three successful regional Croatian banks: Bjelovarska banka, Trgovacka banka and Cakovecka banka. Today, ESB operates on the national level, and by the end of March 2010 it had a market share of 12,92 percent by assets, ranking third on the Croatian banking market. ESB has a network of 124 branches and more than 500 ATM's and services more than 740,000 clients, across the entire country. Since 2000, Erste&Steiermärkische Bank d.d. has been a member of Erste Group, one of the leading financial providers in CEE serving more than 17,5 million clients.



## Croatian economy overview

The macroeconomic environment in which the banking sector operates is a lot more challenging now than during previous years, which can be seen in the strong contraction of the GDP by 5.8% in 2009 and slow pace of recovery during 2010. Trends in the banking sector are under the unfavorable influence of developments on the labor market, i.e. the drop in employment and revenues. Such trends will continue during 2010 as well. The external imbalance has decreased and thus the current account deficit of the balance of payments recorded a significant adjustment and dropped from 9.2% of the GDP in 2008 to 5.2% of the GDP in 2009. Along with the stabilization of the external environment, it had a positive effect on the refinancing of foreign debt and on the currency stability – which remains the main instrument of the monetary policy. The level of the fiscal policy and sustainability of public finances will be dominant topics in the upcoming period on the global level. This makes the Government's program and structural reforms set in the program even more important. Credit financing dynamics in the banking sector will remain slow, which, on the one hand, is a consequence of a more cautious approach of banks. On the other hand, this is determined by the lack of demand of the private sector, whose borrowing is under the negative influence of the high level of uncertainty related to security of the working place. In 2010, interest rates will be additionally stabilized and reduced, above all, in deposit business.

## Business results of ESB in Q1 2010

Despite even more difficult and demanding market conditions in relation to the previous period, Erste&Steiermärkische Bank d.d. (ESB) recorded solid financial results in Q1 2010. Given the general economic climate, ESB also shares the burden of the seriousness of the overall economic situation, which is also evident from the Q1 09 figures. ESB, however, foresaw such a development ahead of time and implemented it in its business plans for this year, so the achieved financial result is fully in accordance with the Bank's goals set for 2010.

In the first three months of 2010, ESB recorded a net profit of HRK 117.0m and has thus maintained a high level of profitability in these difficult times. The lower net profit compared to the previous period was conditioned primarily by an increase in value adjustment costs and provisions for impairment losses. Although with slightly slower dynamics than before, the Bank continued its credit activities, and total loans as of March 31, 2010 amounted to HRK 32.4bn. Total deposits amounted to HRK 29.8bn, down largely as the result of lower deposits by non-banking financial institutions. The Bank's assets at the end Q1 2010 amounted to HRK 47.5bn, RoA was 0.97%, while RoE stood at 8.33%. Bearing in mind the need for maximal adaptation to current market conditions, ESB continued rationalizing the operating expenses in the first three months, which resulted in a further reduction of the cost/income ratio from 42.6% in Q1 2009, to 40.8% in Q1 2010.

## Goals in the coming period

Considering the overall economic environment ESB 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 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.

## ESB – the banking market innovator

ESB is primarily geared to retail customers and small and medium enterprises, as well as to operations with its traditionally large partners in regions where it has a strong local presence. Erste Bank was awarded by the Croatian Chamber of Economy the prominent Zlatna Kuna, as the best bank in Croatia in 2005, 2006, and 2008.

The Bank also distinguishes itself through innovation and care for its clients. For example, the bank was the first one in Croatia to introduce innovations such as debit cards with chip-technology and it was also the first one to offer the integral mobile banking service – Erste mBanking. Introduction of special models of housing and cash loans with residual value was a great breakthrough on the market. Opening of specialized branch for kids – Medo Stedo Lair and recently introduced MaestroCard Secure Code service for banking cards - also represented a major innovation of the domestic banking market. The newest innovation on Croatian market is the cash loan with revolving characteristics – Revolving gotovinski kredit.

## Ownership structure (as of September 2009)

ESB Holding GMBH 96.09 %  
 Minority shareholders 3.91 %  
 Share capital 1,698,417.500 HRK

## Management Board:

**Petar Radaković**, Chairman of the Board  
**Tomislav Vuić**, Deputy Chairman of the Board  
**Boris Centner**, Member of the Board  
**Sladana Jagar**, Member of the Board

## Mission

We encourage and support our clients, employees, shareholders and the community in the creation of joint well-being

## Vision

To be the best Bank in Croatia by providing our clients with security, the best products and services, to the benefit of our shareholders, employees and the social community

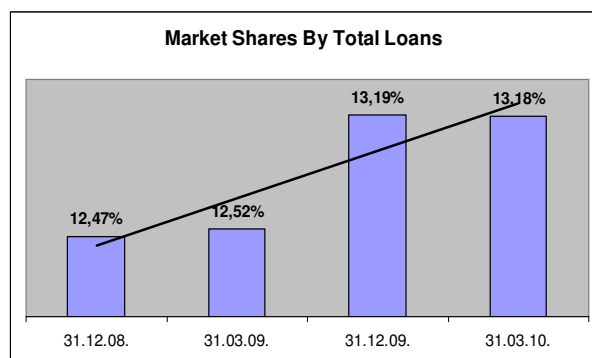
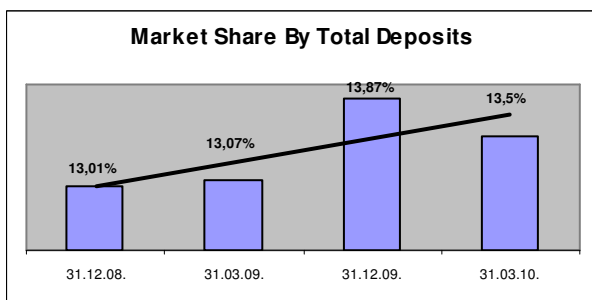
## Members of Erste Group in Croatia:

Erste Card Club d.d.  
 Erste d.o.o. Mandatory Pension Fund Management Company  
 Erste DMD d.o.o. Voluntary Pension Fund Management Company  
 Erste Factoring d.o.o.  
 Erste-invest d.o.o.  
 MBU d.o.o.  
 Erste nekretnine d.o.o.  
 Erste&Steiermärkische S-Leasing d.o.o.  
 S-Immorent Leasing d.o.o.  
 Erste osiguranje Vienna Insurance Group d.d.  
 Erste Securities Zagreb d.o.o.

## Acquisitions:

Erste bank a.d. Podgorica (Montenegro) –serves 80.000 clients through 14 outlets and ranks 6<sup>th</sup> on the Montenegro market.

## ESB market share continues to rise despite adverse market



## Key financial and business figures of Erste&Steiermärkische Bank d.d., Rijeka\*

Selected indicators	30.03.2010	31.03.2009	Change %
<b>Income statement items (mil. HRK)</b>			
Net interest income	362	334	8.4
Net fee and commission income	80	76	5.3
Net trading income	26	71	-63.4
Other operating income	4	4	0
Operating expenses	-197	-212	-7.1
Provisions for loans and financial investment losses and other provisions	-128	-57	124.6
Profit before tax	147	216	-31.9
<b>Net profit for the period</b>	<b>117</b>	<b>172</b>	<b>-32.0</b>
<b>Balance sheet items (mil. HRK)</b>			
<b>Total assets</b>	<b>47.540</b>	<b>48.941</b>	<b>-2.9</b>
Cash and balances with Croatian National Bank	5.442	6.187	-12.0
Amounts due from other banks	3.856	4.877	-20.9
Loans and advances to customers	32.844	32.279	1.8
Securities and other financial assets	4.183	4.260	-1.8
Other assets	1.215	1.338	-9.2
<b>Total liabilities and equity</b>	<b>47.540</b>	<b>48.941</b>	<b>-2.9</b>
Amounts due to other banks	9.983	10.589	-5.7
Amounts due to customers	29.770	30.704	-3.0
Other borrowed funds	1.140	1.160	-1.7
Other liabilities, provisions	957	941	1.7
Total equity	5.690	5.547	2.6

\*certain figures from the financial reports for the previous period have been reclassified to allow comparisons

## Main topics in Q1 2010:

### February 2010: Great increase in loans for schooling purposes

Last year Erste banka placed a total of HRK 4.8 mil. (around 658.000 euro) into schooling fees and the financing of schooling expenses. That is an increase of 27.7% number-wise and a 58% increase in terms of loan amounts compared 2008, when 94 loans were placed worth a total of HRK 3.03 mil. Positive trend is also expected to continue in the future considering Erste banka favorable loan terms.

### February 2010: Erste banka is the first bank present on Facebook in Croatia

Erste banka is the first bank in Croatia that opened its profile on Facebook with the goal to find new and modern communication channels towards existing and potential customers. With the Facebook profile, Erste banka entered the world of social networks on the internet, which have been on the increase in the past few years and are becoming an ever more important communications channel.

### Erste Group:

Erste Group is one of the leading Central European financial providers with 50,000 employees, servicing more than 17,5 million clients true 3200 branches in eight countries (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia, Serbia and Ukraine). As of 31 March 2010 Erste Group has reached EUR 208.0 billion in total assets, a net profit of EUR 255,2 million and cost/income ratio was 49,2 %.

### Other Members of the Erste Group:

- Ceska Sporitelna, 5.3 million clients, 660 branch offices, 29.4 % share in retail deposits, 27.4 % share in retail loans.
- Banca Comerciala Romana, 4.5 million clients, 665 branch offices, 23.4 % share in retail deposits, 19.9 % share in retail loans.
- Erste Bank Austria, 3,1 million clients, 1,053 branch offices, 19.1 % share in retail deposits, 19,0 % share in retail loans.
- Slovenska Sporitelna, 2.5 million clients, 281 branch offices, 27.7 % share in retail deposits, 26.1 % share in retail loans.
- Erste Bank Hungary, 0.9 million clients, 201 branch offices, 8.2 % share in retail deposits, 13.4 % share in retail loans.
- Erste Bank Serbia, 0.2 million clients, 73 branch offices, 2.7 % share in retail client deposits, 3,2 % share in loan deposits.
- Erste Bank Ukraine, 0.1 million clients, 134 branch offices, 0.3 % share in retail client deposits, 1.7 % share in retail loans.



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