

Audited financial statements of Erste&Steiermärkische Bank d.d. for period January 1st - December 31st 2011

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Management report for year 2011

Bank's financial highlights:

- **Total assets** as of 31.12.2011 reached HRK 57.0 billion, up 12.9% compared with 31.12.2010, when they amounted to HRK 50.5 billion.
- **Total loans** as of 31.12.2011 were up 12.6% to HRK 39.4 billion (year-end 2010: HRK 35.0 billion)
- **Amounts due to customers** as of 31.12.2011 stood at HRK 31,8 billion, up 4.8% versus HRK 30.3 billion at year-end 2010
- **Operating income** of HRK 2.3 billion increased by 7.4%, from previously HRK 2.1 billion at year end 2010
- **Net profit** in 2011 was HRK 651.0 million, up 6.7% from HRK 610.0 million in 2010
- **Key Performance Indicators:** Return on Assets (**RoA**) was 1.22%, Return on Equity (**RoE**) 10.47%, while the **Cost/Income ratio** has further improved, to 37.5% in 2011 from 38.2% in 2010

Zagreb/Rijeka, March 19, 2012 – In 2011, Erste&Steiermärkische Bank d.d. (Erste Bank) maintained the trend of recording solid financial results and increasing market shares in all the key business segments, despite highly demanding market conditions. By harmonizing its operation to the market context, implementing adequate business models and continuously improving its internal efficiency, the Bank improved its operating income by 7.4% year-on-year to HRK 2.3 billion. The Bank managed to keep a stable profitability level with a net profit in 2011 of HRK 651.0 million, up 6.7% on the year before. The Bank's total assets as of 31.12.2011 amounted to HRK 57.0 billion, which is 12.9% more compared with year end 2010. RoA was 1.22%, while RoE reached 10.47%. Cost/Income ratio in 2011 stood at 37.5%.

Lending volume rose by almost 13%, twice as high as the Croatian market average

At the end of 2011, Erste Bank's total credits amounted to HRK 39.4 billion, which is 12.6% up compared with year end 2010, when they reached HRK 35.0 billion. This way the Bank successfully continued last year's trend, when total lending volume rose by 7.9%. Erste Bank's loan book continues to grow due to a good performance mainly in corporate lending, while retail lending maintained the same level. According to the Croatian National Bank (HNB), in 2011 Erste Bank credit growth rate was twice as high as the market average. Thus the Bank increased its market share in total lending to 14.1% at year-end 2011 from 13.3% at year end 2010. In the corporate segment, the Bank also improved its market share to 14.3% (year-end 2010:13.1%). The same trend was seen in the retail segment, where Erste Bank's market share rose to 13.9% at year-end 2011 (year-end 2010: 13.5%).

Erste Bank's total deposits at the end of December 2011 amounted to HRK 31.8 billion, up 4.8% on HRK 30.3bn at the end of 2010. According to the HNB, in 2011 Erste Bank doubled the market average growth in deposits as well, so its market share in total deposits grew from 13.1% at 2010 end to 13.5% at the end of December 2011. In the corporate segment, the market share was up from 14.7% to 15.0%, while in the retail segment it rose from 12.6% at the 2010 end to 13.0% at the end of Q3 2011.

"We are satisfied with the financial result achieved in 2011, given the fact that we maintained the long-standing positive trend in our operation and once again confirmed the soundness and long-term sustainability of our business models. We are happy to see that our total loans and market shares in all the business segments have increased. Our main duty will stay in supporting our customers with quality projects and

services, financing the healthy entrepreneurship initiatives, thus helping to develop the real economy and increase in employment,” Erste Bank Management Board Chairman **Petar Radaković** said.

The successful business year for Erste Bank was confirmed by the awards presented by the Croatian Chamber of Economy to Croatia's most successful companies in 2011. For the fifth time in the past seven years Erste Bank was chosen as the Bank of the Year in Croatia, this time based on the 2011 performance. Erste Bank was also the best bank in the country in 2005, 2006, 2008, and 2010.

Four new branches, 40 new ATMs and slight increase in employee count

In 2011 Erste Bank opened four new branches, increasing the total number to 130. It also further expanded its ATM network, from 531 terminals at 2010 end to 571 at 2011 end. Despite the highly demanding market conditions and predominant trends in the labor market, the Bank slightly increased its headcount. The total number of employees as full time equivalents reached 2,001 at the end of 2011, which is 3.6% more compared with 1,930 at 2010 end.

The Bank continued to finance sound and profitable projects, as well as new investments in industry, renewable energy and construction. In view of the high unemployment rate in Croatia, Erste Bank Croatia contributes through a special job investment loans with a progressive interest rate discount for companies that create new jobs. The Bank also launched a microfinance project in Osijek and the surrounding area, offering credit lines for stimulating self-employment and financing smaller businesses (up to 5 employees) that are in the first two years of operation.

After being the first bank in the Croatian market to open its Facebook profile in 2010, the following year the Bank also opened its first virtual outlet in Croatia. Late in 2011 the Bank offered to its customers the mobile banking applications for iPhone and Android, which are accompanied by another new feature in the Croatian market – Shoot & Pay. The Erste Bank Croatia marketing strategy paid off as the bank recorded at the year-end 2011 the highest visibility for its advertising campaigns. At the same time it registered the highest annual increase in visibility among the top eight banks in the market (Source: IMAS International).

Erste vrijednosni papiri acquisition, purchase of interest in Erste Card Club and Erste Factoring, MBU sale

During the year 2011 Erste Bank purchased a majority stake and then acquired investment company Erste vrijednosni papiri d.o.o. Zagreb (EVPZ). Furthermore, the Bank acquired all the shares in Erste Card Club d.d. (ECC) and a majority stake in Erste Factoring d.o.o. (EF). The basic goal in buying shares and acquisitions was to maximize synergy effects, additionally optimize costs and consequently further strengthen the Bank's market position. In October 2011, the Bank sold its majority interest in MBU d.o.o.

Erste Bank a.d., Podgorica (owned by Erste Bank Croatia) Bank of the Year in Montenegro

According to the consolidated financial report for the year 2011, which includes Erste Bank and its affiliates - 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., Erste Factoring d.o.o – the Group's total assets amounted to HRK 63.0 billion, total credits stood at HRK 44.7 billion, while net profit reached HRK 745.0 million. The Group's RoA in 2011 was 1.27%, while RoE was 11.59%. Among Group members, Erste Bank a.d., Podgorica (EBM) stood out by performance in 2011. EBM's total credits at 2011 end amounted to HRK 1.8 billion, which is 32.6% more versus 2010 end, when they amounted to HRK 1.4 billion. Total deposits were at HRK 1.2 billion, and were up 27% on HRK 1bn at 2010 end. EBM's total assets as of 31.12.2011 stood at HRK 2.3 billion, which is a 27.8% increase on HRK 1.8bn at 2010 end. EBM's net profit was up 68.8% to HRK 27 million, from HRK 16m in 2010. EBM's market share in total assets was improved from 8.2% at 2010 end to 10.7% at 2011 end. At the same time, the market share in total loans rose from 8.8% to 12.2%, while the share in total deposits was up from 7.3% to 9.0%. EBM is the winner of the prestigious Bank of the Year award in Montenegro, presented by renowned financial magazine The Banker, member of Financial Times Group.

2012 objectives

To track residents' financial needs, focus intensively on the SME segment and support quality projects driving development of the real economy and employment will remain the basic strategic guidelines in Erste Bank's operation. The Bank's long-term business policies are always aimed at achieving above-average market growth, increasing internal and cost efficiency. The Bank wishes to close this year too with an increase in market shares, just like in previous years. Special attention will continue to be paid to improving the quality of services and communication with the customers, understanding their specific needs in existing market conditions.

Sud upisa u registar: Trgovački sud u Rijeci · MBS: 040001037 · Matični broj: 3337367 · OIB: 23057039320 · Poslovni račun: 2402006-1031262160
SWIFT: ESBCHR22 · Temeljni kapital 1.698.417.500,00 kn, uplaćen u cijelosti i podijeljen na 16.984.175 dionica, svaka nominalne vrijednosti 100,00 kn.
Uprava: Petar Radaković, Tomislav Vuić, Borislav Centner, Slađana Jagar, Christoph Schoefboeck · Predsjednik Nadzornog odbora: Herbert Juranek

Income statement for the year ended 31 December 2011 (All amounts are expressed in HRK million)

	GROUP		BANK	
	2011	2010	2011	2010
Interest income	3,815	3,109	3,265	2,921
Interest expense	(1,683)	(1,376)	(1,525)	(1,315)
Net interest income	2,132	1,733	1,740	1,606
Fee and commission income	729	520	432	451
Fee and commission expense	(135)	(101)	(123)	(117)
Net fee and commission income	594	419	309	334
Net trading income	146	119	144	120
Other operating income	46	37	58	35
Operating income	2,918	2,308	2,251	2,095
Personnel expenses	(568)	(468)	(412)	(386)
Other operating expenses	(548)	(389)	(381)	(360)
Depreciation of property and equipment	(56)	(56)	(34)	(41)
Amortization of intangible assets	(72)	(18)	(16)	(13)
Operating expense	(1,244)	(931)	(843)	(800)
PROFIT BEFORE PROVISION FOR IMPAIRMENT LOSSES, SHARE OF RESULTS OF ASSOCIATES AND INCOME TAX	1,674	1,377	1,408	1,295
Provision for impairment losses on loans and advances	(728)	(585)	(578)	(537)
Provision for impairment losses on financial investments	(13)	(2)	(15)	(2)
Other provisions	(16)	1	(12)	2
PROVISION FOR LOAN AND FINANCIAL INVESTMENT LOSSES AND OTHER PROVISIONS	(757)	(586)	(605)	(537)
Share of profit of associates	4	16	-	-
PROFIT BEFORE INCOME TAX	921	807	803	758
Income taxes	(176)	(155)	(152)	(148)
NET PROFIT FOR THE YEAR	745	652	651	610
Net profit attributable to:				
Equity holders of the Bank	739	652		
Non controlling interest	6	-		
EARNINGS PER SHARE	43.51	38.42		

Statement of financial position for the year ended 31 December 2011 (All amounts are expressed in HRK million)

	2011	GROUP 2010	2011	BANK 2010
ASSETS				
Cash and balances with central banks	7,230	6,562	7,054	6,425
Amounts due from other banks	1,524	3,285	1,438	3,209
Reverse repurchase agreements	26	128	157	202
Receivables on financial derivative transactions	93	38	92	38
Financial assets held for trading	417	52	122	52
Financial assets at fair value through profit or loss	50	80	50	80
Loans and advances to customers	44,677	36,398	39,425	35,019
Financial investments available for sale	6,425	4,359	6,315	4,270
Financial investments held to maturity	602	424	366	406
Investments in subsidiaries and associates	69	88	1,300	167
Property and equipment	729	699	407	396
Intangible assets	792	56	50	44
Investment property	1	20	-	18
Deferred tax assets	206	95	93	95
Other assets	204	99	166	88
Total assets	63,045	52,383	57,035	50,509
LIABILITIES				
Amounts due to other banks	22,285	13,320	16,882	12,536
Repurchase agreements	609	835	500	835
Payables on financial derivative transactions	136	238	136	238
Financial liabilities at fair value through profit or loss	40	80	40	80
Amounts due to customers	31,812	31,139	31,787	30,328
Other borrowed funds	79	79	3	5
Current tax liabilities	5	67	-	66
Deferred tax liabilities	27	1	-	-
Other liabilities	448	335	330	318
Provisions	108	90	98	86
Subordinated debt	877	30	846	-
Total liabilities	56,426	46,214	50,622	44,492
Shareholders' equity				
Share capital	1,698	1,698	1,698	1,698
Share premium	1,802	1,802	1,802	1,802
Retained earnings	3,082	2,440	2,905	2,292
Other reserves	(83)	11	(83)	8
Other capital reserves	91	217	91	217
Equity attributable to equity holders of the Bank	6,590	6,168	6,413	6,017
Non controlling interest	29	1	-	-
Total equity	6,619	6,169	6,413	6,017
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	63,045	52,383	57,035	50,509

For additional information:

Erste&Steiermärkische Bank d.d., 51000 Rijeka, Jadranski trg 3a, www.erstebank.hr

Communications Department

Zagreb – Dario Gabrić, tel.: +385 (0)62 37 13 71; fax.:+385 (0)62 371 981; e-mail: pr@erstebank.com
 Zagreb – Danijela Trbović, tel.: +385 (0)62 37 15 31; fax.:+385 (0)62 371 981; e-mail: pr@erstebank.com
 Zagreb - Nataša Vuletić, tel.: +385 (0)62 37 15 21; fax.:+385 (0)62 371 981; e-mail: pr@erstebank.com
 Rijeka - Irena Loščac-Gombač, tel.:+385 (0) 62 37 52 22; fax.:+385(0)62 375 947; e-mail: pr@erstebank.com

Addendum 3.

Period of reporting:

1.1.2011

to

31.12.2011

Annual financial report for credit institutions - GFI-KI

Identification number (MB): 03337367

Identification number of the subject (MBS): 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: ersteinbank@ersteinbank.hr

Internet address: www.ersteinbank.hr

Code and name of municipality/town: 373 RIJEKA

Code and name of county: 8 PRIMORSKO GORANSKA

Number of employees: 2,202

(at the end of reporting period)

Consolidated report: NO

NKD code: 6419

Names of subjects of consolidation (according to MSFI):

Headquarters:

MB:

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@ersteinbank.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

ERSTE & STEIERMARKISCHE BANK D.D.
RIJEKA
M.P. 095
026


 (signature of person authorized for representing company)



INCOME STATEMENT					
for period from		01.01.2011	to	31.12.2011	in HRK
Name of position	AOP	Prior period	Current period		
1	2	3	4		
1. Interest income	048	2,917,549,568	3,263,933,370		
2. Interest expense	049	1,313,284,680	1,525,454,144		
3. Net interest income (048-049)	050	1,604,264,889	1,738,479,226		
4. Fee and commission income	051	451,359,822	431,804,148		
5. Fee and commission expense	052	117,124,824	123,345,976		
6. Net fee and commission income (051-052)	053	334,234,998	308,458,172		
7. Profit/loss from investments in subsidiaries, associates and joint ventures	054	0	0		
8. Profit/loss from trading	055	22,178,022	39,948,459		
9. Profit/loss from embedded derivatives	056	-1,014,684	108,372		
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	18,925,887	57,484		
12. Profit/loss from asset held to maturity	059	0	2,102,118		
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	4,951,585	40,174,533		
16. Profit/loss from foreign currency differences	063	97,774,764	103,694,564		
17. Other income	064	17,180,547	18,475,169		
18. Other expenses	065	8,008,820	8,109,661		
19. General administrative expenses and depreciation	066	795,885,073	836,078,114		
20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)	067	1,294,602,114	1,407,310,322		
21. Expense of value adjustment and loan loss provisions	068	536,661,725	604,204,820		
22. PROFIT/LOSS BEFORE TAX (067-068)	069	757,940,389	803,105,502		
23. INCOME TAX EXPENSE	070	148,319,857	152,537,483		
24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)	071	609,620,532	650,568,019		
25. Earnings per share	072				
ANNEX TO INCOME STATEMENT (for the Banks that prepare consolidated financial statements)					
1. PROFIT/LOSS OF THE CURRENT YEAR	073				
2. Assign equity holders of the Bank	074				
3. Non controlling interest (073-074)	075	0	0		

STATEMENT OF FINANCIAL POSITION

as of 31.12.2011

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	6,423,198,858	7,054,134,621
1.1. Cash	002	690,837,925	757,854,222
1.2. Deposits with Central bank	003	5,732,360,933	6,296,280,399
2. DEPOSITS WITH BANKING INSTITUTIONS	004	3,012,255,635	1,216,061,832
3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK	005	1,446,106,906	1,483,160,019
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	006	0	5,555,854
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007	2,804,357,991	4,819,916,674
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008	399,758,571	360,014,992
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	36,391,353	90,229,215
9. LOANS TO FINANCIAL INSTITUTIONS	011	532,151,136	497,702,250
10. LOANS TO OTHER CUSTOMERS	012	34,586,199,751	38,896,803,626
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	013	167,357,984	1,300,256,233
12. REPOSSESSED ASSETS	014	51,307,669	108,778,294
13. TANGIBLE ASSET (MINUS DEPRECIATION)	015	413,929,091	407,161,356
14. INTEREST, FEES AND OTHER ASSETS	016	636,091,901	795,308,972
A) TOTAL ASSETS (001+004 to 016)	017	50,509,106,846	57,035,083,938
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	12,518,867,138	16,593,501,891
1.1. Short-term borrowings	019	1,190,615,398	872,075,907
1.2. Long-term borrowings	020	11,328,251,740	15,721,425,984
2. DEPOSITS (AOP 022 to 024)	021	30,877,052,606	32,089,300,336
2.1. Deposits of giro and current accounts	022	4,239,914,205	4,908,174,214
2.2. Savings deposits	023	2,798,287,967	2,897,730,069
2.3. Term deposits	024	23,838,850,434	24,283,396,053
3. OTHER BORROWINGS (026+027)	025	4,139,642	2,562,830
3.1. Short-term borrowings	026	0	0
3.2. Long-term borrowings	027	4,139,642	2,562,830
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	236,073,787	133,782,976
5. ISSUED DEBT SECURITIES (030+031)	029	0	0
5.1. Short-term issued debt instruments	030	0	0
5.2. Long-term issued debt instruments	031	0	0
6. ISSUED SUBORDINATED INSTRUMENTS	032	0	828,346,200
7. ISSUED HYBRID INSTRUMENTS	033	0	0
8. INTEREST, FEES AND OTHER LIABILITIES	034	856,198,332	974,442,136
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	44,492,331,505	50,621,936,369
EQUITY			
1. SHARE CAPITAL	036	3,500,360,782	3,500,360,782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	037	609,620,532	650,568,019
3. RETAINED PROFIT/(LOSS)	038	1,681,329,011	2,253,765,997
4. LEGAL RESERVES	039	84,920,875	84,920,875
5. STATUTORY AND OTHER CAPITAL RESERVES	040	130,511,343	5,327,851
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE	041	10,032,798	-81,795,955
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS	042	0	
C) TOTAL EQUITY (036 to 042)	043	6,016,775,341	6,413,147,569
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	50,509,106,846	57,035,083,938
SUPPLEMENT TO STATEMENT OF FINANCIAL POSITION (filled out by banks that compose a consolidated financial report)			
1. TOTAL EQUITY	045		
2. Attributed to equity holders of the parent	046		
3. Minority shares (045-046)	047	0	0

CASH FLOW STATEMENT - indirect method

for period from **1.1.2011** to **31.12.2011** 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	-264,167,586	-326,293,214
1.1. Profit/(loss) before income tax	002	757,941,454	802,667,531
1.2. Allowances and loss provisions	003	536,662,000	604,204,820
1.3. Depreciation	004	54,342,000	50,285,090
1.4. Net unrealized profit/(loss) from financial assets and liabilities through profit and loss	005	190,010	808,790
1.5. Profit/(loss) from sale of tangible assets	006	3,116,883	10,238,690
1.6. Other profit/(losses)	007	-1,616,419,933	-1,794,498,135
2. Net increase/(decrease) of operating assets (009 do 016)	008	-3,225,919,010	-8,400,943,658
2.1. Deposits with Central bank	009	197,142,823	-938,747,671
2.2. Treasury bills of Ministry of Finance and CB bills	010	713,571,862	-37,058,369
2.3. Deposits with banks and loans to financial institutions	011	-456,769,715	92,850,081
2.4. Loans to other customers	012	-3,022,529,906	-4,827,381,788
2.5. Securities and other financial instruments held for trading	013	-190,010	-6,358,480
2.6. Securities and other financial instruments available for sale	014	-772,091,398	-2,485,323,968
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	114,947,334	-198,923,463
3. Net increase/(decrease) of operating liabilities (018 do 021)	017	1,858,371,156	2,980,999,037
3.1. Demand deposits	018	98,988,972	668,456,536
3.2. Savings and term deposits	019	93,704,160	525,034,138
3.3. Financial derivative liabilities and other liabilities actively traded	020	169,013,875	-156,128,673
3.4. Other liabilities	021	1,496,664,149	1,943,637,036
4. Net cash flow from operating activities before income tax (001+008+017)	022	-1,631,715,440	-5,746,237,835
5. (Income tax paid)	023	-118,403,934	-212,992,845
6. Net inflow/(outflow) of cash from operating activities (022+023)	024	-1,750,119,374	-5,959,230,680
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 do 030)	025	-176,302,327	-1,106,585,021
7.1. Receipt from sale/(payment for buying) tangible and intangible assets	026	-73,000,895	-53,756,045
7.2. Receipt from sale/(payment for buying) investments in subsidiaries, associates and joint ventures	027	-5,031,585	-1,132,898,249
7.3. Receipt from sale/(payment for buying) securities and other financial instruments held to maturity	028	-103,221,432	39,019,186
7.4. Dividend income	029	4,951,585	41,050,087
7.5. Other receipts/(payments) from investing activities	030	0	0
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 do 037)	031	638,661,928	4,622,367,343
8.1. Net increase/(decrease) of borrowings	032	791,666,591	3,974,779,634
8.2. Net increase/(decrease) issued debt securities	033	0	810,465,947
8.3. Net increase/(decrease) subordinated and hybrid instruments	034	0	0
8.4. Receipts from transmitted share capital	035	0	0
8.5. (Dividends paid)	036	-153,004,663	-162,878,238
8.6. Other receipts/(payments) from financial activities	037	0	0
9. Net increase/(decrease) of cash and cash equivalents (024+025+031)	038	-1,287,759,773	-2,443,448,358
10. Effects of change in foreign exchange rates on cash and cash equivalents	039	0	0
11. Net increase/(decrease) cash and cash equivalents (038+039)	040	-1,287,759,773	-2,443,448,358
12. Cash and cash equivalents at the beginning of the year	041	7,924,095,338	6,636,335,565
13. Cash and cash equivalents at the end of the year (040+041)	042	6,636,335,565	4,192,887,207

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Name of position	AOP	Attributable to the equity holders of the Bank							Non controlling interest	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			
		3	4	5	6	7	8	9	10	
1	2									
Balance at 1 January	001	3,500,360,782	0	215,432,218	1,681,329,011	609,620,532	10,032,798	0	6,016,775,341	
Changes in accounting policies and corrections of mistakes	002									
Corrected balance as at 1 January (1+2)	003	3,500,360,782	0	215,432,218	1,681,329,011	609,620,532	10,032,798	0	6,016,775,341	
Sale of financial assets available for sale	004						57,485		57,485	
Change of fair value financial asset available for sale	005						-114,843,426		-114,843,426	
Tax on items directly recognised or transferred from capital and reserves	006						22,957,188		22,957,188	
Other profit/(loss) directly recognised in capital and reserves	007			511,200			0		511,200	
Net profit/(loss) directly recognised in capital and reserves (004+005+006+007)	008	0	0	511,200	0	0	-91,828,753	0	-91,317,553	
Profit/(loss) for the period	009					650,568,019			650,568,019	
Total recognised income and expenses for the period (008+009)	010	0	0	511,200	0	650,568,019	-91,828,753	0	559,250,466	
Increase/(decrease) of share capital	011									
Buy/sell of treasury shares	012									
Other changes	013									
Transfer to reserves	014			-125,694,692	572,436,986	-446,742,294				
Dividends paid	015					-162,878,238			-162,878,238	
Distribution on income (014+015)	016	0	0	-125,694,692	572,436,986	-609,620,532	0	0	-162,878,238	
Balance at reporting date (003+010+011+012+013+016)	017	3,500,360,782	0	90,248,726	2,253,765,997	650,568,019	-81,795,955	0	6,413,147,569	

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

Notes to financial statements

CASH AND DEPOSITS WITH Central bank		
	31.12.2010	31.12.2011
Cash on hand	690,837,925	757,854,222
Cash on clearing account	2,065,427,449	1,690,599,244
Obligatory reserves with the central banks	3,666,933,484	4,605,681,155
	6,423,198,858	7,054,134,621

DEPOSITS WITH BANKING INSTITUTIONS		
	31.12.2010	31.12.2011
Current accounts with other banks	37,001,523	12,912,752
Term deposits with banks	2,988,661,235	1,205,142,693
Less: Allowance for possible placement losses	(13,407,123)	(1,993,613)
	3,012,255,635	1,216,061,832

SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING		
	31.12.2010	31.12.2011
Shares	-	5,523,913
Bonds	-	31,941
	-	5,555,854

TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK		
	31.12.2010	31.12.2011
<i>Treasury bills</i>		
Securities and other financial instruments held for trading	51,389,540	116,785,685
Securities and other financial instruments available for sale	1,394,717,366	1,366,374,334
	1,446,106,906	1,483,160,019

SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE		
	31.12.2010	31.12.2011
Equity shares and participations:	42,889,233	89,102,323
Investments in companies	21,166,233	69,484,668
Investments in financial institutions	21,723,000	19,617,655
Listed debt securities	2,729,399,627	4,702,147,440
Investment in open funds	32,069,131	28,666,911
	2,804,357,991	4,819,916,674

Analysis of listed debt securities:		
Debt securities available for sale allocated by the issuer comprise:		
	31.12.2010	31.12.2011
Republic of Croatia	580,458,275	1,710,119,698
Companies in Republic of Croatia	154,011,919	161,593,950
Other states	1,994,929,433	2,830,433,792
	2,729,399,627	4,702,147,440

SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY		
	31.12.2010	31.12.2011
Fixed income debt securities:	399,838,582	360,087,009
<i>Listed debt securities – Bonds issued by the Republic of Croatia</i>	351,262,850	355,247,961
<i>Unlisted debt securities – Bonds issued by the Republic of Croatia</i>	48,575,732	4,839,048
<i>Total assets held to maturity before allowance</i>	399,838,582	360,087,009
Less: allowance for assets held to maturity	(80,011)	(72,017)
	399,758,571	360,014,992

DERIVATIVE FINANCIAL ASSETS AND LIABILITIES	31.12.2010			31.12.2011		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate instruments:						
Interest rate swaps - assets	1,112,812,381	7,666,818		1,388,527,272	20,059,346	
Interest rate swaps - liabilities	1,112,812,381		5,475,554	1,388,527,272		16,104,769
Subtotal - interest rate instruments	2,225,624,762	7,666,818	5,475,554	2,777,054,544	20,059,346	16,104,769
Foreign currency instruments:						
Currency swaps						
Purchase	564,289,469	811,083		1,003,068,274	4,686,358	
Sell	565,722,268		2,321,271	999,099,569		944,704
Forwards						
Purchase	8,922,028,645	27,581,904		12,664,307,125	64,974,182	
Sell	9,118,767,454		228,196,951	12,710,566,825		116,599,481
Call options						
Put options						
Subtotal - Foreign currency instruments	19,170,807,836	28,392,987	230,518,222	27,377,041,793	69,660,540	117,544,185
Other instruments:						
Call options for stock indeks	2,954,069	71,941				
Put options for stock indeks	2,947,462		71,899			
Call options for equity instruments	8,308,319					
Put options for equity instruments						
Purchase of securities				29,857,989	62,516	
Sell of securities				29,857,989		47,516
Embedded derivatives - assets	113,028,001	259,607		87,552,624	446,813	
Embedded derivatives - liabilities	65,320,523		8,112	46,706,551		86,506
Short position in bonds issued by Republic of Croatia						
Total - other instruments	192,558,374	331,548	80,011	193,975,153	509,329	134,022
	21,588,990,972	36,391,353	236,073,787	30,348,071,490	90,229,215	133,782,976

LOANS TO FINANCIAL INSTITUTIONS	31.12.2010	31.12.2011
	Loans	535,545,517
Less: Allowance for loan impairment	(3,394,381)	(2,728,409)
	532,151,136	497,702,250

LOANS TO OTHER CUSTOMERS	31.12.2010	31.12.2011
	Companies	15,891,523,860
Individuals	17,015,364,431	17,586,213,199
Public sector	3,337,600,173	5,473,561,424
Other institutions	131,850,219	169,741,609
Total loans before allowances for impairment	36,376,338,683	41,156,982,492
Less: Allowance for loan impairment	(1,790,138,932)	(2,260,178,866)
	34,586,199,751	38,896,803,626

INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES							
	Ownership Interest	Ownership Interest	Activity	Group's Share of net assets		Investment at cost	
	2010	2011		31.12.2010	31.12.2011	31.12.2010	31.12.2011
Associates							
S Immorent leasing zeta d.o.o. za poslovanje nekretninama	49.00%	49.00%	Real estate business	429,680	529,342	12,800	12,800
Erste Factoring d.o.o.	44.00%	-	Factoring	48,883,560	-	2,354,000	-
Erste d.o.o.	27.88%	37.94%	Management compan	24,631,606	34,811,547	12,157,602	23,098,985
S IT Solutions HR d.o.o.	20.00%	20.00%	IT engineering	206,314	209,873	4,000	4,000
IMMOKOR BUZIN d.o.o.	-	49.00%	Real estate business	-	33,716,604	-	33,975,000
Erste vrijednosni papiri d.o.o.	49.00%	-	Financial market inte	14,079,600	-	17,876,000	-
Total associates:				88,230,761	69,267,366	32,404,402	57,090,785
Subsidiaries							
Erste nekretnine d.o.o.	100.00%	100.00%	Real estate business	1,473,558	2,317,130	800,000	800,000
Erste DMĐ d.o.o.	100.00%	100.00%	Management compan	14,116,980	14,629,508	15,000,000	15,000,000
MBU d.o.o.	97.270%	-	IT engineering and in	38,984,912	-	18,731,203	-
Erste Factoring d.o.o.	-	74.996%	Factoring	-	86,651,838	-	37,658,000
Erste Card Club d.d.	-	100.00%	Financial intermediat	-	388,485,016	-	1,089,285,069
Diners Club BH d.o.o.	-	100.00%	Other financial intern	-	(2,555,716)	-	-
Erste Delta d.o.o.	100.00%	100.00%	Real estate business	(11,183,952)	(8,353,651)	26,000	26,000
Erste bank a.d., Podgorica	100.00%	100.00%	Credit institution	187,623,178	208,282,501	100,396,379	100,396,379
Total subsidiaries:				231,014,676	689,456,626	134,953,582	1,243,165,448
Total:				319,245,437	758,723,992	167,357,984	1,300,256,233

TANGIBLE ASSET (MINUS DEPRECIATION)	31.12.2010	31.12.2011
Land and buildings	274,597,424	322,786,379
Computers	8,168,597	6,956,064
Furniture and other equipment	64,192,192	60,894,709
Motor vehicles	166,755	266,823
Ongoing investment in buildings and equipment	48,324,905	16,225,359
Investment property	18,479,218	32,022
	413,929,091	407,161,356

INTEREST, FEES AND OTHER ASSETS	31.12.2010	31.12.2011
Undue interests and fees	257,938,414	334,440,228
Due interests and fees	285,212,652	362,339,485
Tax assets	94,851,935	92,771,839
Receivables for overpaid taxes	-	19,844,329
Intangible assets	44,176,062	50,039,694
Inventory of office supply and other materials	-	42,287
Numismatic collection	579,185	551,900
Prepaid expenses	9,811,439	3,665,390
Other assets	64,656,596	100,132,366
Total other assets before allowance for impairment	757,226,283	963,827,516
Less: Allowance for impairment of other asset	(121,134,382)	(168,518,544)
	636,091,901	795,308,972

BORROWINGS FROM FINANCIAL INSTITUTIONS	31.12.2010	31.12.2011
From banks	10,281,769,025	13,927,781,113
From other banking institutions	105,016,360	3,765,210
From HBOR	2,132,081,753	2,661,955,568
	12,518,867,138	16,593,501,891

DEPOSITS		
DEPOSITS OF GIRO AND CURRENT ACCOUNTS	31.12.2010	31.12.2011
Deposits from public sector		
<i>Republic of Croatia</i>	3,309,378	16,741,076
<i>Republic funds</i>	1,462,145	1,133,912
<i>Local government</i>	79,609,020	105,603,930
Deposits from financial institutions		
<i>Banks</i>	31,822,961	35,807,947
<i>Other banking institutions</i>	89,171,309	64,237,388
<i>HBOR</i>	10,057	9,983
<i>Non-banking financial institutions</i>	95,135,106	77,787,164
<i>Banks in bankruptcy</i>	184,700	2,672,832
<i>Banks in liquidation</i>	959,452	901,284
Deposits from state commercial customers	36,093,919	52,620,624
Deposits from other commercial customers	2,122,756,467	2,732,707,024
Deposits from non-profit institutions	119,360,793	123,137,789
Deposits from individuals	1,525,047,124	1,626,370,636
Deposits from non residents		
<i>Foreign financial institutions</i>	88,358,213	24,785,483
<i>Foreign states</i>	771,259	648,946
<i>Foreign commercial customers</i>	12,244,240	3,281,429
<i>Foreign individuals</i>	30,886,136	37,320,250
<i>Foreign non-profit institutions</i>	2,731,926	2,406,517
	4,239,914,205	4,908,174,214

DEPOSITS		
SAVINGS DEPOSITS	31.12.2010	31.12.2011
Deposits from public sector		
<i>Republic of Croatia</i>	-	1,137,140
Deposits from financial institutions		
<i>Banks</i>	50,062,731	58,854,559
<i>Other banking institutions</i>	21,520,584	19,114,380
<i>Non-banking financial institutions</i>	3,134,415	530,232
Deposits from state commercial customers	5,169,621	22,591,260
Deposits from other commercial customers	438,896,617	352,207,039
Deposits from non-profit institutions	1,587,946	4,334,909
Deposits from individuals	2,110,833,717	2,235,815,698
Deposits from non residents		
<i>Foreign financial institutions</i>	-	35,282
<i>Other non residents</i>	167,082,336	203,109,570
	2,798,287,967	2,897,730,069

DEPOSITS		
TERM DEPOSITS	31.12.2010	31.12.2011
Deposits from public sector		
<i>Republic of Croatia</i>	98,891,078	10,773,129
<i>Local government</i>	23,057,555	24,675,441
Deposits from financial institutions		
<i>Banks</i>	200,948,993	432,862,461
<i>Other banking institutions</i>	1,326,254,588	933,235,793
<i>HBOR</i>	95,000,000	-
<i>Non-banking financial institution</i>	1,944,565,421	1,565,786,251
<i>Banks in bankruptcy</i>	15,414,446	33,000,000
<i>Banks in liquidation</i>	-	858,769
Deposits from state commercial customers	103,551,779	137,776,239
Deposits from other commercial customers	3,005,108,534	3,023,263,832
Deposits from non-profit institutions	101,336,580	118,013,389
Deposits from individuals	15,623,930,141	17,030,317,888
Deposits from non residents		
<i>Foreign financial institutions</i>	369,258,650	40,000,000
<i>Foreign commercial customers</i>	60,353,772	44,911,405
<i>Foreign individuals</i>	871,061,306	887,702,673
<i>Foreign non-profit institutions</i>	117,591	218,783
	23,838,850,434	24,283,396,053

INTEREST, FEES AND OTHER LIABILITIES		
	31.12.2010	31.12.2011
Undue interest and fees	372,175,355	488,272,504
Due interest and fees	4,115,269	5,038,928
Prepayments received from borrowers	178,287,193	170,851,537
Tax liabilities	65,958,488	-
Salaries and bonuses payable	80,387,982	101,057,484
Off balance provisions	51,869,545	52,169,016
Amounts due to suppliers	25,751,958	21,059,396
Payables to State Agency for deposit insurance	12,213,426	13,126,544
Uninvoiced liabilities	10,984,499	9,129,366
Liabilities for dividend payout	1,006,548	555,743
Other	53,448,069	113,181,618
	856,198,332	974,442,136

INTEREST INCOME		
	31.12.2010	31.12.2011
Interest on loans and advances to customers	2,491,452,894	2,675,745,199
Interest on amounts due from other banks	21,717,003	24,258,563
Interest income on financial investments	177,028,355	194,281,823
Interest on balances due from the central bank	23,769,241	3,934,802
Interest on derivative financial instruments	144,370,684	267,643,426
Interest income on impaired financial assets - loans and advances to customers	50,818,694	87,985,346
Interest on reverse repurchase agreements	4,762,086	4,682,187
Other interest income	3,343,371	3,295,027
Interest on financial assets measured at fair value through profit and loss	287,240	2,106,997
	2,917,549,568	3,263,933,370

INTEREST EXPENSES		
	31.12.2010	31.12.2011
Interest on customer deposits	939,378,191	854,435,577
Interest on other borrowed funds	307,144,480	482,804,066
Interest on amounts due to other banks	34,556,755	73,673,951
Interest on subordinated debt	-	23,445,282
Interest on derivative financial instruments	27,581,033	81,888,559
Interest on repurchase agreements	4,368,701	7,398,971
Interest on financial liabilities measured at fair value through profit and loss	255,520	1,807,738
	1,313,284,680	1,525,454,144

FEE AND COMMISSION INCOME		
	31.12.2010	31.12.2011
Payments and money transfers	177,323,447	168,619,271
Bank cards services	138,593,376	146,972,929
Custodial fees	62,189,243	48,635,346
Guarantees and letter of credit	35,365,897	35,135,769
Other fee and commission income	37,887,859	32,440,833
	451,359,822	431,804,148

FEE AND COMMISSION EXPENSES		
	31.12.2010	31.12.2011
Payments and money transfers	43,773,471	43,596,035
Bank cards services	67,607,284	72,679,094
Custodial fees	1,602,147	2,853,371
Guarantees and letter of credit	1,820,383	3,650,668
Other fee and commission expense	2,321,539	566,808
	117,124,824	123,345,976

PROFIT/LOSS FROM TRADING		
	31.12.2010	31.12.2011
Net foreign exchange gain loss on derivative financial instruments	(553,320)	17,500,055
Net gain on financial assets at fair value through profit and loss	22,731,342	22,448,404
	22,178,022	39,948,459

PROFIT/LOSS FROM EMBEDDED DERIVATES		
	31.12.2010	31.12.2011
Profit/ (loss) from embedded derivatives (except contracts with one-way currency clause)	(1,048,037)	(41,308)
Profit/ (loss) from embedded derivatives according to contracts with the one-way currency clause	33,353	149,680
	(1,014,684)	108,372

OTHER INCOME		
	31.12.2010	31.12.2011
Income from sale of property and equipment	3,116,883	9,886,786
Rental income from investment property	2,969,746	2,473,037
Rental income	1,650,358	1,657,872
Deposit insurance premiums	2,541,629	-
Other	6,901,931	4,457,474
	17,180,547	18,475,169

GENERAL AND ADMINISTRATIVE EXPENSES AND DEPRECIATION		
	31.12.2010	31.12.2011
Employee related costs		
- Wages, salaries and compensations	212,983,621	237,169,560
- Payroll taxes and contributions	171,248,517	172,354,605
Pension provisions	1,775,450	1,996,649
Donations and sponsorship	7,537,250	7,672,455
Other administrative expenses	347,997,815	366,599,755
Depreciation	54,342,420	50,285,090
	795,885,073	836,078,114

OTHER EXPENSES		
	31.12.2010	31.12.2011
Other taxes and contributions	6,200,738	6,756,575
Other	1,808,082	1,353,086
	8,008,820	8,109,661

EXPENSES OF VALUE ADJUSTMENTS AND LOAN LOSS PROVISIONS		
	31.12.2010	31.12.2011
Provision for impairment losses on loans and advances	490,820,586	538,921,782
Provision for impairment loss on other assets	46,094,365	51,963,316
Provision for impairment loss on financial investments held to maturity	(67,360)	(7,994)
Provision for impairment loss on financial investments available for sale	1,685,975	1,568,654
Provision for litigations	(3,458,963)	11,827,848
Provision for impairment of guarantees and credit commitments	1,587,122	(68,786)
	536,661,725	604,204,820

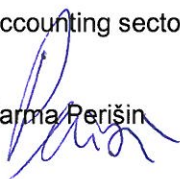
DECLARATION OF KEY PERSONNEL RESPONSIBLE FOR PREPARATION OF FINANCIAL STATEMENTS

According to our best knowledge:

1. Shortened set of annual financial statements for Erste&Steiermärkische bank d.d. 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.

Accounting sector director

Karma Perišin



Management Board member

ERSTE & STEIERMÄRKISCHE
BANK D.D.
RIJEKA
026
Sladana Jagar

Rijeka, March 19th 2012