

Audited financial statements of the Erste&Steiermärkische Bank d.d. and subsidiaries (the Group) for period January 1st - December 31st 2011

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Management report for year 2011

Group's financial highlights:

- **Total assets** as of 31.12.2011 reached HRK 63.0 billion, up 20.4% compared with 31.12.2010, when they amounted to HRK 52.4 billion.
- **Total loans** as of 31.12.2011 were up 22.7% to HRK 44.7 billion (year-end 2010: HRK 36.4 billion)
- **Amounts due to customers** as of 31.12.2011 stood at HRK 31,8 billion, up 2.2% versus HRK 31.1 billion at year-end 2010
- **Operating income** of HRK 2.9 billion increased by 26.4%, from previously HRK 2.3 billion at year end 2010
- **Net profit** in 2011 was HRK 745.0 million, up 14.3% from HRK 652.0 million in 2010
- **Key Performance Indicators:** Return on Assets (**RoA**) was 1.27%, Return on Equity (**RoE**) 11.59%, while the **Cost/Income ratio** was 42,6% in year 2011

Zagreb/Rijeka, March 19, 2012 – In 2011, Erste&Steiermärkische Bank d.d. and subsidiaries (Group) 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 Group improved its operating income by 26.4% year-on-year to HRK 2.9 billion. The Group managed to keep a stable profitability level with a net profit in 2011 of HRK 745.0 million, up 14.3% on the year before. The Group's total assets as of 31.12.2011 amounted to HRK 63.0 billion, which is 20.4% more compared with year end 2010. RoA was 1.27%, while RoE reached 11.59%. Cost/Income ratio in 2011 stood at 42.6%.

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

At the end of 2011, Group's total loans amounted to HRK 44.7 billion, which is 22.7% up compared with year end 2010, when they reached HRK 36.4 billion. This way the Bank successfully continued last year's trend, when total lending volume rose by 8.8%. Group'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%).

Group's total deposits at the end of December 2011 amounted to HRK 31.8 billion, up 2.2% on HRK 31.1bn 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 2,536 at the end of 2011, which is 10.9% more compared with 2.288 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

Consolidated financial report for year 2011 includes the Erste&Steiermärkische Bank d.d. and the following subsidiaries - Erste DMD d.o.o., Erste Nekretnine d.o.o., Erste Delta d.o.o., Erste Bank a.d., Podgorica, Erste Card Club d.d., Erste Factoring d.o.o. 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 Group’s operation. The Group’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.

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:

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Addendum 3.

Period of reporting:

1.1.2011

to

31.12.2011

Annual 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

Postal code and name of municipality/town: 373 RIJEKA

Code and name of county: 8 PRIMORSKO GORANSKA

Number of employees: 2,769

(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 mirovinskim fondovima 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 Andela Zvizdovića 1

08070062

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

2058049

Bookkeeping service:

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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. 026 005


 (signature of person authorized for representing company)



INCOME STATEMENT

for period from 1.1.2011 to 31.12.2011

in HRK

Name of position	AOP	Prior period	Current period
1	2	3	4
1. Interest income	048	3,106,496,114	3,814,066,947
2. Interest expense	049	1,373,993,929	1,683,420,378
3. Net interest income (048-049)	050	1,732,502,185	2,130,646,569
4. Fee and commission income	051	521,484,276	727,844,616
5. Fee and commission expense	052	100,077,668	134,381,672
6. Net fee and commission income (051-052)	053	421,406,608	593,462,944
7. Profit/loss from investments in subsidiaries, associates and joint ventures	054	14,051,597	-916,618
8. Profit/loss from trading	055	22,324,828	41,576,597
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	107,484
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	30,117,649
16. Profit/loss from foreign currency differences	063	96,301,970	104,076,151
17. Other income	064	20,164,847	22,004,082
18. Other expenses	065	11,608,242	13,526,862
19. General administrative expenses and depreciation	066	924,452,690	1,232,067,432
20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)	067	1,393,553,891	1,677,691,054
21. Expense of value adjustment and loan loss provisions	068	586,289,383	757,048,351
22. PROFIT/LOSS BEFORE TAX (067-068)	069	807,264,508	920,642,703
23. INCOME TAX EXPENSE	070	154,774,861	176,019,754
24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)	071	652,489,647	744,622,949
25. Earnings per share	072	38	44
ANNEX TO INCOME STATEMENT (for the Banks that prepare consolidated financial statements)			
1. PROFIT/LOSS OF THE CURRENT YEAR	073	652,489,647	744,622,949
2. Assign equity holders of the Bank	074	652,328,474	739,003,388
3. Non controlling interest (073-074)	075	161,173	5,619,561

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	6,560,062,380	7,229,872,244
1.1. Cash	002	733,608,588	816,105,099
1.2. Deposits with Central bank	003	5,826,453,792	6,413,767,145
2. DEPOSITS WITH BANKING INSTITUTIONS	004	3,083,699,399	1,302,447,186
3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK	005	1,521,538,324	1,661,079,746
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	006	0	299,780,373
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007	2,815,936,007	4,934,057,676
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008	417,303,524	407,805,472
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	36,432,894	91,339,920
9. LOANS TO FINANCIAL INSTITUTIONS	011	462,768,679	382,791,757
10. LOANS TO OTHER CUSTOMERS	012	35,950,846,876	44,068,553,221
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	013	88,230,761	69,267,366
12. REPOSSESSED ASSETS	014	54,536,530	111,443,848
13. TANGIBLE ASSET (MINUS DEPRECIATION)	015	719,413,606	729,437,737
14. INTEREST, FEES AND OTHER ASSETS	016	672,633,629	1,756,700,681
A) TOTAL ASSETS (001+004 to 016)	017	52,383,402,609	63,044,577,227
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	13,386,440,849	22,145,716,047
1.1. Short-term borrowings	019	1,200,686,089	5,448,212,712
1.2. Long-term borrowings	020	12,185,754,760	16,697,503,335
2. DEPOSITS (AOP 022 to 024)	021	31,649,617,074	31,701,806,785
2.1. Deposits of giro and current accounts	022	4,608,834,094	5,309,206,783
2.2. Savings deposits	023	2,798,281,239	2,897,443,236
2.3. Term deposits	024	24,242,501,741	23,495,156,766
3. OTHER BORROWINGS (026+027)	025	19,131,543	19,205,058
3.1. Short-term borrowings	026	14,991,901	16,642,228
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	133,838,001
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	29,540,692	858,467,880
7. ISSUED HYBRID INSTRUMENTS	033	0	0
8. INTEREST, FEES AND OTHER LIABILITIES	034	893,173,900	1,566,873,887
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	46,213,977,845	56,425,907,658
EQUITY			
1. SHARE CAPITAL	036	3,500,360,782	3,500,360,782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	037	652,328,474	739,003,388
3. RETAINED PROFIT/(LOSS)	038	1,788,964,570	2,371,760,882
4. LEGAL RESERVES	039	84,920,875	84,920,875
5. STATUTORY AND OTHER CAPITAL RESERVES	040	130,839,963	7,794,791
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE	041	12,010,100	-85,171,149
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS	042		
C) TOTAL EQUITY (036 to 042)	043	6,169,424,764	6,618,669,569
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	52,383,402,609	63,044,577,227
SUPPLEMENT TO STATEMENT OF FINANCIAL POSITION (filled out by banks that compose a consolidated financial report)			
1. TOTAL EQUITY	045	6,169,424,764	6,618,669,569
2. Attributed to equity holders of the parent	046	6,168,330,605	6,589,771,385
3. Minority shares (045-046)	047	1,094,159	28,898,184

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	-374,172,949	-360,991,398
1.1. Profit/(loss) before income tax	002	807,286,550	926,320,317
1.2. Allowances and loss provisions	003	586,287,000	757,048,000
1.3. Depreciation	004	73,510,000	127,589,000
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	-1,844,563,392	-2,182,996,195
2. Net increase/(decrease) of operating assets (009 do 016)	008	-3,606,037,905	-13,670,199,285
2.1. Deposits with Central bank	009	199,466,069	-971,199,142
2.2. Treasury bills of Ministry of Finance and CB bills	010	690,309,426	-139,546,678
2.3. Deposits with banks and loans to financial institutions	011	-411,067,027	139,444,201
2.4. Loans to other customers	012	-3,413,575,970	-8,763,689,399
2.5. Securities and other financial instruments held for trading	013	-190,010	-300,583,000
2.6. Securities and other financial instruments available for sale	014	-780,284,695	-2,604,048,190
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	109,304,302	-1,030,567,077
3. Net increase/(decrease) of operating liabilities (018 do 021)	017	2,223,053,300	2,733,330,101
3.1. Demand deposits	018	193,342,279	700,569,182
3.2. Savings and term deposits	019	144,433,689	-667,734,300
3.3. Financial derivative liabilities and other liabilities actively traded	020	168,972,333	-157,141,995
3.4. Other liabilities	021	1,716,304,999	2,857,637,214
4. Net cash flow from operating activities before income tax (001+008+017)	022	-1,757,157,554	-11,297,860,582
5. (Income tax paid)	023	-120,860,010	-269,597,074
6. Net inflow/(outflow) of cash from operating activities (022+023)	024	-1,878,017,564	-11,567,457,656
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 do 030)	025	-213,070,652	-113,946,157
7.1. Receipt from sale/(payment for buying) tangible and intangible assets	026	-95,620,712	-184,092,750
7.2. Receipt from sale/(payment for buying) investments in subsidiaries, associates and joint ventures	027	-19,003,182	22,846,394
7.3. Receipt from sale/(payment for buying) securities and other financial instruments held to maturity	028	-103,398,343	8,773,658
7.4. Dividend income	029	4,951,585	30,991,710
7.5. Other receipts/(payments) from investing activities	030	0	7,534,831
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 do 037)	031	815,507,790	9,260,186,881
8.1. Net increase/(decrease) of borrowings	032	968,196,557	8,642,067,379
8.2. Net increase/(decrease) issued debt securities	033	0	0
8.3. Net increase/(decrease) subordinated and hybrid instruments	034	315,896	811,046,935
8.4. Receipts from transmitted share capital	035	0	0
8.5. (Dividends paid)	036	-153,004,663	-192,927,433
8.6. Other receipts/(payments) from financial activities	037	0	0
9. Net increase/(decrease) of cash and cash equivalents (024+025+031)	038	-1,275,580,426	-2,421,216,932
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	-1,275,580,426	-2,421,216,932
12. Cash and cash equivalents at the beginning of the year	041	7,995,774,143	6,720,193,717
13. Cash and cash equivalents at the end of the year (040+041)	042	6,720,193,717	4,298,976,785

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Name of position	for period		Rasploziivo dioničarima matičnog društva					in HRK	
	01.01.2011	31.12.2011	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
AOP	2	3	4	5	6	7	8	9	10
Balance at 1 January	001	3,500,360,782	0	215,760,838	1,787,870,411	652,328,474	12,010,100	1,094,159	6,169,424,764
Changes in accounting policies and corrections of mistakes	002								
Corrected balance as at 1 January (1+2)	003	3,500,360,782	0	215,760,838	1,787,870,411	652,328,474	12,010,100	1,094,159	6,169,424,764
Sale of financial assets available for sale	004						57,484		57,484
Change of fair value financial asset available for sale	005						-118,987,401		-118,987,401
Tax on items directly recognised or transferred from capital and reserves	006						21,748,668		21,748,668
Other profit/(loss) directly recognised in capital and reserves	007			-1,331,945			0		-1,331,945
Net profit/(loss) directly recognised in capital and reserves (004+005+006+007)	008	0	0	-1,331,945	0	0	-97,181,249	0	-98,513,194
Profit/(loss) for the period	009					739,003,388			739,003,388
Total recognised income and expenses for the period (008+009)	010	0	0	-1,331,945	0	739,003,388	-97,181,249	0	640,490,194
Increase/(decrease) of share capital	011								
Buy/sell of treasury shares	012								
Other changes	013			3,981,465	-27,804,024	-30,103,447	0	27,804,025	-26,121,981
Transfer to reserves	014			-125,694,692	582,796,311	-429,297,594			27,804,025
Dividends paid	015				0	-192,927,433			-192,927,433
Distribution on income (014+015)	016	0	0	-125,694,692	582,796,311	-622,225,027	0	0	-165,123,408
Balance at reporting date (003+010+011+012+013+016)	017	3,500,360,782	0	92,715,666	2,342,862,698	739,003,388	-85,171,149	28,898,184	6,618,669,569

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

Notes to financial statements

	31.12.2010.	31.12.2011.
CASH AND DEPOSITS WITH Central bank		
Cash on hand	733,608,588	816,105,099
Cash on clearing account	2,106,524,167	1,722,638,378
Obligatory reserves with the central banks	3,719,929,625	4,691,128,767
	6,560,062,380	7,229,872,244

	31.12.2010.	31.12.2011.
DEPOSITS WITH BANKING INSTITUTIONS		
Current accounts with other banks	108,494,581	99,311,763
Term deposits with banks	2,988,661,235	1,205,142,693
Less: Allowance for possible placement losses	(13,456,417)	(2,007,270)
	3,083,699,399	1,302,447,186

	31.12.2010.	31.12.2011.
SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING		
Shares	-	5,523,913
Shares in investment funds	-	294,224,519
Bonds	-	31,941
	-	299,780,373

	31.12.2010.	31.12.2011.
TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK		
<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	1,470,148,784	1,356,033,561
Securities and other financial instruments held to maturity	-	188,260,500
	1,521,538,324	1,661,079,746

	31.12.2010	31.12.2011
SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE		
Equity shares and participations:	42,813,176	91,004,139
Investments in companies	21,090,176	69,516,575
Investments in financial institutions	21,723,000	21,487,564
Listed debt securities	2,740,934,638	4,814,264,714
Investment in open funds	32,188,193	28,788,823
	2,815,936,007	4,934,057,676

Analysis of listed debt securities:		
	31.12.2010	31.12.2011
Debt securities available for sale allocated by the issuer comprise:		
Republic of Croatia	591,993,285	1,793,201,222
Companies in Republic of Croatia	154,011,919	161,593,950
Other states	1,994,929,434	2,859,469,542
	2,740,934,638	4,814,264,714

	31.12.2010	31.12.2011
SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY		
Fixed income debt securities:	417,383,536	407,877,489
Listed debt securities – Bonds issued by the Republic of Croatia	351,262,850	355,247,961
Unlisted debt securities – Bonds issued by the Republic of Croatia	48,575,732	4,839,048
Bonds of Republic of Montenegro	17,544,953	47,790,480
Total assets held to maturity before allowance	417,383,535	407,877,489
Less: allowance for assets held to maturity	(80,011)	(72,017)
	417,303,524	407,805,472

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	20,059,345	
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	20,059,345	16,104,769
Foreign currency instruments:						
Currency swaps						
Purchase	564,289,469	811,083		1,546,077,574	5,754,705	
Sell	565,722,268		2,321,271	1,542,119,143		999,729
Forwards						
Purchase	8,922,028,645	27,623,445		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	28,434,528	230,518,222	28,463,070,667	70,728,887	117,599,210
Other instruments:						
Call options for stock indeks	2,954,069	71,941		8,471,723	42,359	
Put options for stock indeks	2,947,462		71,899	8,471,723		
Call options for equity instruments	8,308,319					
Put options for equity instruments						
Forward bonds - purchase				29,857,989	62,516	
Forward bonds - sell				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	210,918,599	551,688	134,022
Total	21,588,990,972	36,432,894	236,073,787	31,451,043,810	91,339,920	133,838,001

LOANS TO FINANCIAL INSTITUTIONS	31.12.2010		31.12.2011	
	Notional amount	Assets	Notional amount	Assets
Loans	467,560,432	385,520,166		
Less: Allowance for loan impairment	(4,791,753)	(2,728,409)		
Total	462,768,679	382,791,757		

LOANS TO OTHER CUSTOMERS	31.12.2010		31.12.2011	
	Notional amount	Assets	Notional amount	Assets
Companies	16,393,630,356	20,198,786,261		
Individuals	17,863,035,720	20,565,471,178		
Public sector	3,429,983,148	6,034,330,478		
Other institutions	132,115,481	172,194,567		
Total loans before allowances for impairment	37,818,764,705	46,970,782,484		
Less: Allowance for loan impairment	(1,867,917,829)	(2,902,229,263)		
Total	35,950,846,876	44,068,553,221		

INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES							
	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 Immoent leasing zeta d.o.o. za poslovanje nekretninama	49.00%	49.00%	Real estate busin	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%	Managment com	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 busin	-	33,716,604	-	33,975,000
Erste vrijednosni papiri d.o.o.	49.00%	-	- Financial market	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 busin	1,473,558	2,317,130	800,000	800,000
Erste DMD d.o.o.	100.00%	100.00%	Managment com	14,116,980	14,629,508	15,000,000	15,000,000
MBU d.o.o.	97.270%	-	- IT engineering an	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 interne	-	388,485,016	-	1,089,285,069
Diners Club BH d.o.o.	-	100.00%	Other financial in	-	-2,555,716	-	-
Erste Delta d.o.o.	100.00%	100.00%	Real estate busin	-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	549,522,668	600,060,031
Computers	16,052,059	13,574,558
Furniture and other equipment	84,601,631	91,348,325
Motor vehicles	1,065,069	1,145,943
Ongoing investment in buildings and equipment	48,325,520	22,503,771
Investment property	19,846,659	805,109
	719,413,606	729,437,737

INTEREST, FEES AND OTHER ASSETS	31.12.2010	31.12.2011
Undue interests and fees	259,771,197	345,945,261
Due interests and fees	298,005,573	398,059,585
Tax assets	95,333,468	205,741,580
Receivables for overpaid taxes	1,673,755	22,182,002
Intangible assets	56,180,110	57,153,788
Inventory of office supply and other materials	398,781	130,857
Numismatic collection	579,185	551,900
Prepaid expenses	13,892,059	6,775,186
Other assets	68,813,772	170,431,417
Total other assets before allowance for impairment	794,647,900	1,206,971,576
Less: Allowance for impairment of other asset	(122,014,271)	549,729,105
	672,633,629	1,756,700,681

BORROWINGS FROM FINANCIAL INSTITUTIONS	31.12.2010	31.12.2011
From banks	11,091,036,795	19,437,184,832
From other banking institutions	163,322,301	46,575,648
From HBOR	2,132,081,753	2,661,955,567
	13,386,440,849	22,145,716,047

DEPOSITS	31.12.2010	31.12.2011
Deposits of giro and current accounts		
Deposits from public sector		
<i>Republic of Croatia</i>	3,309,378	16,741,076
<i>Republic funds</i>	1,462,143	1,134,665
<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>	94,788,340	50,978,367
<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	2,109,987,331	2,731,798,105
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>	76,142,165	15,579,611
<i>Foreign states</i>	5,179,730	5,697,996
<i>Foreign commercial customers</i>	91,711,668	74,376,692
<i>Foreign individuals</i>	335,462,088	392,727,053
<i>Foreign non-profit institutions</i>	8,531,916	8,810,805
	4,608,834,094	5,309,206,783

	31.12.2010	31.12.2011
Savings deposits		
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>	3,127,687	440,867
Deposits from state commercial customers	5,169,621	22,591,260
Deposits from other commercial customers	438,896,617	352,009,571
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
	2,798,281,239	2,897,443,236

	31.12.2010	31.12.2011
Term deposits		
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>	1,942,707,275	779,787,895
<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	2,856,101,906	2,282,514,820
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>	410,879,138	99,263,895
<i>Foreign states</i>	14,770,346	36,005,216
<i>Foreign commercial customers</i>	115,251,369	192,518,001
<i>Foreign individuals</i>	1,313,356,526	1,383,176,909
<i>Foreign non-profit institutions</i>	1,050,021	376,921
	24,242,501,741	23,495,156,766

	31.12.2010	31.12.2011
INTEREST, FEES AND OTHER LIABILITIES		
Undue interest and fees	386,746,408	493,821,170
Due interest and fees	4,044,059	16,992,656
Prepayments received from borrowers	178,145,007	170,851,537
Tax liabilities	67,293,386	6,811,848
Salaries and bonuses payable	88,059,790	107,163,095
Off balance provisions	53,303,020	56,276,269
Amounts due to suppliers	24,194,889	494,528,557
Payables to State Agency for deposit insurance	12,213,426	13,126,544
Uninvoiced liabilities	17,054,324	16,551,538
Liabilities for dividend payout	1,006,548	555,743
Other	61,113,042	190,194,930
	893,173,899	1,566,873,887

INTEREST INCOME		
	31.12.2010	31.12.2011
Interest on loans and advances to customers	2,675,305,441	3,200,861,126
Interest on amounts due from other banks	21,854,653	30,330,870
Interest income on financial investments	181,825,300	209,871,191
Interest on balances due from the central bank	23,945,938	4,129,753
Interest on derivative financial instruments	144,370,684	271,801,835
Interest income on impaired financial assets - loans and advances to customers	50,818,694	87,985,346
Interest on reverse repurchase agreements	4,707,321	3,572,539
Other interest income	3,380,843	3,407,290
Interest on financial assets measured at fair value through profit and loss	287,240	2,106,997
	3,106,496,114	3,814,066,947

INTEREST EXPENSES		
	31.12.2010	31.12.2011
Interest on customer deposits	964,543,408	835,947,130
Interest on other borrowed funds	329,170,768	579,418,522
Interest on amounts due to other banks	46,430,067	147,146,316
Interest on subordinated debt	1,423,736	25,109,253
Interest on derivative financial instruments	27,801,729	84,510,171
Interest on repurchase agreements	4,368,701	9,481,248
Interest on financial liabilities measured at fair value through profit and loss	255,520	1,807,738
	1,373,993,929	1,683,420,378

FEE AND COMMISSION INCOME		
	31.12.2010	31.12.2011
Payments and money transfers	184,654,448	173,806,933
Bank cards services	183,709,945	381,754,366
Custodial fees	65,659,826	52,660,213
Guarantees and letter of credit	35,355,048	35,109,194
Other fee and commission income	52,105,009	84,513,910
	521,484,276	727,844,616

FEE AND COMMISSION EXPENSES		
	31.12.2010	31.12.2011
Payments and money transfers	44,681,897	45,944,138
Bank cards services	47,784,729	72,999,945
Custodial fees	1,634,907	3,121,891
Guarantees and letter of credit	3,174,218	3,044,827
Other fee and commission expense	2,801,917	9,270,871
	100,077,668	134,381,672

PROFIT/LOSS FROM TRADING		
	31.12.2010	31.12.2011
Net foreign exchange gain loss on derivative financial instruments	(553,320)	16,314,936
Net gain on financial assets at fair value through profit and loss	22,878,148	25,261,661
	22,324,828	41,576,597

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	3,140,893	9,964,094
Rental income from investment property	3,038,749	2,564,773
Rental income	2,639,150	2,330,353
Deposit insurance premiums	2,543,291	-
Other	8,802,764	7,144,862
	20,164,847	22,004,082

GENERAL AND ADMINISTRATIVE EXPENSES AND DEPRECIATION		
	31.12.2010	31.12.2011
Employee related costs		
- Wages, salaries and compensations	265,991,221	325,238,110
- Payroll taxes and contributions	192,907,075	233,825,784
Pension provisions	9,197,148	9,437,686
Donations and sponsorship	7,537,250	8,399,400
Other administrative expenses	375,309,877	577,715,320
Depreciation	73,510,119	77,451,132
	924,452,690	1,232,067,432

OTHER EXPENSES		
	31.12.2010	31.12.2011
Other taxes and contributions	6,934,778	8,817,761
Other	4,673,464	4,709,101
	11,608,242	13,526,862

EXPENSES OF VALUE ADJUSTMENTS AND LOAN LOSS PROVISIONS		
	31.12.2010	31.12.2011
Provision for impairment losses on loans and advances	533,770,034	683,864,326
Provision for impairment loss on other assets	51,516,828	55,647,061
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	(2,083,156)	11,404,489
Provision for impairment of guarantees and credit commitments	1,467,062	4,571,815
	586,289,383	757,048,351

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.

Accounting sector director

Karna Perišin



Management Board member



ERSTE & STEIERMÄRKISCHE
BANK D.D.
RIJKA
026
Slađana Jagar

Rijeka, March 19th 2012