

Audited financial statements of Erste&Steiermärkische Bank d.d. for period January 1st - December 31st 2012

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Management report for year 2012

Erste Bank maintained stable business trend and achieved positive financial results in 2012

Key financial indicators for the Bank and for the Group¹:

- **Total assets of the Bank** as of December 31, 2012 reached HRK 58.5 billion, up 2.6% compared with December 31, 2011, when they had amounted to HRK 57.0 billion.
- **Net profit of the Bank** in 2012 amounted to HRK 483.0 million, which is 25.8% less than in 2011, when it had amounted to HRK 651.0 million.
- **Key performance indicators for the Bank:** Return on Assets (**RoA**) was 0.8%, Return on Equity (**RoE**) 7.2%, while the **Cost/Income ratio** was 39.0% on December 31, 2012.
- **Total assets of the Group** as of December 31, 2012 reached HRK 65.9 billion, up 4.5% compared with December 31, 2011, when they had amounted to HRK 63.0 billion.
- **Net profit of the Group** in 2012 amounted to HRK 596.0 million, which is 20.0% less than in 2011, when it had amounted to HRK 745.0 million.
- **Key performance indicators of the Group:** Return on Assets (**RoA**) was 0.9%, Return on Equity (**RoE**) 8.4%, while the **Cost/Income ratio** was 42.3% on December 31, 2012.

Zagreb/Rijeka, March 8, 2013 – In 2012, Erste&Steiermärkische Bank d.d. maintained the stable business trend and a continuity in recording positive financial results, despite highly demanding market conditions. Total assets of the Bank as of December 31, 2012, amounted to HRK 58.5 billion, which is 2.6% more compared with 2011, when it had amounted to HRK 57.0 billion. By implementing adequate business policy and adjusting business operations to the general market conditions, the Bank maintained the stable level of profitability and achieved net profit amounting to HRK 483.0 million. Return on assets in 2012 was 0.8%, Return on equity was 7.2% and Cost/Income ratio was 39.0% on December 31, 2012. The Bank also shares the serious burden of the overall economic situation considering the general conditions in the region and the current state of the economy, which is evident from the financial indicators for 2012. However, such course of events was already foreseen and incorporated into the bank's business plans, so the achieved financial result is in accordance with the objectives set for 2012.

„The year 2012 was very challenging for the entire economy, including the banking sector. In spite of such market conditions, we maintained high stability of achieved financial indicators. We achieved this, above all, with business adjustment, strengthening of internal efficiency and quality cost management. We are glad that our business model was once again acknowledged with the Zlatna kuna (Golden Marten) award, the sixth in the past eight years,” underlined the chairman of the Management Board of Erste Bank **Petar Radakovic**, concluding: *“Croatia is at a turning point*

¹ The Group includes the following subsidiaries in addition to Erste Bank: 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.

and we all want to perceive the year 2013 as a new beginning that will bring economic prosperity in the upcoming years. As a bank, we are prepared to continue to monitor all healthy and profitable entrepreneurial initiatives that will contribute to the development of the real sector and the employment growth in it."

Market share continues to report growth in lending to economy and retail

As of December 31, 2012, the Bank's total lending volume amounted to HRK 38.8 billion, which is 1.5% less than year end 2011, when it had amounted to HRK 39.4 billion. The Bank's loan book decline is a consequence of lower demand for new loans on the market overall, which is driven by current market conditions and the objective economic situation. Regardless of that, the Bank has continued to record rising market shares in this segment. Namely, according to the latest available data provided by the Croatian National Bank in the end of December 2012, the Bank's market share in total lending volume increased by 0.8 percentage points, amounting to 14.9% at the end of 2012., compared to 14.1% at the end of 2011. At the same time, the market share in lending to economy increased from 14.3% to 15.5%. In the corporate lending segment, the market share increased in the same period from 14.6% to 15.9%. In total retail lending, the market share increased mildly from 13.9% at the end of 2011 to 14.0% at the end of December 2012.

The Bank's total deposits at the end of 2012 amounted to HRK 31.6 billion, which is 0.5% less than year end 2011, when they had amounted to HRK 31.8 billion. It is also important to note that this was primarily driven by a decrease in corporate deposits, whereas retail deposits have been steadily and continuously growing.

According to the Group's consolidated financial report for 2012 (including the following subsidiaries in addition to Erste Bank: 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.), total assets amounted to HRK 65.9 billion or 4.5% percent more than at the end of 2011, when they had amounted to HRK 63.0 billion. The group net profit reached HRK 596.0 million, which is 20.0% less than in 2011, when it amounted to HRK 745.0 million. Return on assets in 2012 was 0.9%, and return on equity was 8.4%. The Cost/Income Ratio of the Group was reduced from 42.6% at the end of 2011, to 42.3% at the end of 2012.

Goals in 2013

To follow resident's 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 still sees new lending prospects in renewable energy sources and energy efficiency, agriculture and EU fund-related infrastructure projects, tourism and export-oriented production, and will keep them in focus in the upcoming period. 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 the year 2013, too, with an increase in market shares, just like in previous years. A special attention will still be paid to improving the quality of service and communication with the clients, and understanding their specific needs in existing market conditions.

Income statement for the year ended 31 December 2012 (All amounts are expressed in HRK million)

	GROUP		BANK	
	2012	2011	2012	2011
Interest income	4,089	3,815	3,470	3,265
Interest expense	(1,997)	(1,683)	(1,821)	(1,525)
Net interest income	2,092	2,132	1,649	1,740
Fee and commission income	680	729	447	432
Fee and commission expense	(159)	(135)	(131)	(123)
Net fee and commission income	521	594	316	309
Net trading income	148	146	139	144
Other operating income	83	46	111	58
Operating income	2,844	2,918	2,215	2,251
Personnel expenses	(543)	(568)	(411)	(412)
Other operating expenses	(541)	(548)	(403)	(381)
Depreciation of property and equipment	(53)	(56)	(34)	(34)
Amortization of intangible assets	(66)	(72)	(16)	(16)
Operating expense	(1,203)	(1,244)	(864)	(843)
PROFIT BEFORE PROVISION FOR IMPAIRMENT LOSSES, SHARE OF RESULTS OF ASSOCIATES AND INCOME TAX	1,641	1,674	1,351	1,408
Provision for impairment losses on loans and advances and other assets	(870)	(728)	(733)	(578)
Provision for impairment losses on financial investments	(2)	(13)	(2)	(15)
Other provisions	(30)	(16)	(18)	(12)
PROVISION FOR LOAN AND FINANCIAL INVESTMENT LOSSES AND OTHER PROVISIONS	(902)	(757)	(753)	(605)
Share of profit of associates	4	4	-	-
PROFIT BEFORE INCOME TAX	743	921	598	803
Income taxes	(147)	(176)	(115)	(152)
NET PROFIT FOR THE YEAR	596	745	483	651
Net profit attributable to:				
Equity holders of the Bank	585	739		
Non controlling interest	11	6		
EARNINGS PER SHARE				
Basic and diluted (HRK)	34.45	43.51		

Statement of financial position for the year ended 31 December 2012 (All amounts are expressed in HRK million)

	GROUP		BANK	
	2012	2011	2012	2011
ASSETS				
Cash and balances with central banks	7,757	7,230	7,459	7,054
Amounts due from other banks	2,865	1,524	2,507	1,438
Reverse repurchase agreements	683	26	899	157
Receivables on financial derivative transactions	114	93	113	92
Financial assets held for trading	250	417	56	122
Financial assets at fair value through profit or loss	-	50	-	50
Loans and advances to customers	45,348	44,677	38,844	39,425
Financial investments available for sale	6,135	6,425	5,956	6,315
Financial investments held to maturity	813	602	685	366
Investments in subsidiaries and associates	68	69	1,300	1,300
Property and equipment	704	729	386	407
Intangible assets	740	792	47	50
Investment property	1	1	-	-
Deferred tax assets	172	206	38	93
Other assets	241	204	229	166
Total assets	65,891	63,045	58,519	57,035
LIABILITIES				
Amounts due to other banks	22,906	22,285	16,830	16,882
Repurchase agreements	1,490	609	1,369	500
Payables on financial derivative transactions	148	136	147	136
Financial liabilities at fair value through profit or loss	-	40	-	40
Amounts due to customers	32,190	31,812	31,618	31,787
Issued bonds and other borrowed funds	362	79	303	3
Current tax liabilities	15	5	-	-
Deferred tax liabilities	19	27	-	-
Other liabilities	438	448	325	330
Provisions	136	108	116	98
Subordinated debt	878	877	848	846
Total liabilities	58,582	56,426	51,556	50,622
Shareholders' equity				
Share capital	1,698	1,698	1,698	1,698
Share premium	1,802	1,802	1,802	1,802
Retained earnings	3,491	3,082	3,212	2,905
Other reserves	195	(83)	166	(83)
Other capital reserves	85	91	85	91
Equity attributable to equity holders of the Bank	7,271	6,590	6,963	6,413
Non controlling interest	38	29	-	-
Total equity	7,309	6,619	6,963	6,413
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	65,891	63,045	58,519	57,035

Addendum 3.

Period of reporting:

1.1.2012

to

31.12.2012

Annual financial report for credit institutions - GFI-KI

Identification number (MB): 03337367

Identification number of the 040001037

Personal identification number (OIB): 23057039320

Name of the issuer: ERSTE & STEIERMARKISCHE BANK DD

Postal code and town of residence: 51000 RIJEKA

Address: JADRANSKI TRG 3A

E-mail address: erstebank@erstebank.hr

Internet address: www.erstebank.hr

Postal code and name of municipality/town: 373 RIJEKA

Code and name of county: 8 PRIMORSKO GORANSKA Number of employees: 2.242
(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)

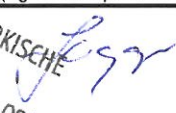
Phone number: 062 37 1778 Telefax: 062 37 1942

E-mail address: arajic@erstebank.com

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

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

M.P. 026 ERSTE & STEIERMÄRKISCHE BANK D.D. RIJEKA 095
(signature of person authorized for representing company)



STATEMENT OF FINANCIAL POSITION

as of

31.12.2012

in HRK

Name of position	AOP	Prior period	Current period
1	2	3	4
ASSETS			
1. CASH AND DEPOSITS WITH Central bank (002+003)	001	7.054.134.621	7.458.666.012
1.1. Cash	002	757.854.222	786.933.470
1.2. Deposits with Central bank	003	6.296.280.399	6.671.732.542
2. DEPOSITS WITH BANKING INSTITUTIONS	004	1.216.061.832	1.645.067.013
3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK	005	1.483.160.019	1.125.710.201
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	006	5.555.854	18.354.550
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007	4.819.916.674	5.264.330.151
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008	360.014.992	191.772.469
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	90.229.215	106.392.156
9. LOANS TO FINANCIAL INSTITUTIONS	011	497.702.250	1.520.147.642
10. LOANS TO OTHER CUSTOMERS	012	38.896.803.626	38.681.054.245
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	013	1.300.256.233	1.300.256.233
12. REPOSSESSED ASSETS	014	108.778.294	177.868.631
13. TANGIBLE ASSET (MINUS DEPRECIATION)	015	407.161.356	385.948.215
14. INTEREST, FEES AND OTHER ASSETS	016	795.308.972	643.242.669
A) TOTAL ASSETS (001+004 to 016)	017	57.035.083.938	58.518.810.187
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	16.593.501.891	15.615.941.865
1.1. Short-term borrowings	019	872.075.907	1.135.973.253
1.2. Long-term borrowings	020	15.721.425.984	14.479.968.612
2. DEPOSITS (AOP 022 to 024)	021	32.089.300.336	33.110.552.841
2.1. Deposits of giro and current accounts	022	4.908.174.214	4.946.503.124
2.2. Savings deposits	023	2.897.730.069	2.798.781.010
2.3. Term deposits	024	24.283.396.053	25.365.268.707
3. OTHER BORROWINGS (026+027)	025	2.562.830	565.669.190
3.1. Short-term borrowings	026	0	564.500.000
3.2. Long-term borrowings	027	2.562.830	1.169.190
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	133.782.976	140.329.216
5. ISSUED DEBT SECURITIES (030+031)	029	0	300.000.000
5.1. Short-term issued debt instruments	030	0	0
5.2. Long-term issued debt instruments	031	0	300.000.000
6. ISSUED SUBORDINATED INSTRUMENTS	032	828.346.200	830.018.640
7. ISSUED HYBRID INSTRUMENTS	033	0	0
8. INTEREST, FEES AND OTHER LIABILITIES	034	974.442.136	993.491.151
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	50.621.936.369	51.556.002.903
EQUITY			
1. SHARE CAPITAL	036	3.500.360.782	3.500.360.782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	037	650.568.019	482.709.424
3. RETAINED PROFIT/(LOSS)	038	2.253.765.997	2.728.603.344
4. LEGAL RESERVES	039	84.920.875	84.920.875
5. STATUTORY AND OTHER CAPITAL RESERVES	040	5.327.851	-641.749
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAIBLE FOR SALE	041	-81.795.955	166.854.608
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS	042	0	0
C) TOTAL EQUITY (036 to 042)	043	6.413.147.569	6.962.807.284
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	57.035.083.938	58.518.810.187
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

INCOME STATEMENT						
for period from		01.01.2012	to	31.12.2012	in HRK	
Name of position		AOP	Prior period	Current period		
1	2	3	4			
1. Interest income	048	3.263.933.370	3.469.715.931			
2. Interest expense	049	1.525.454.144	1.820.438.089			
3. Net interest income (048-049)	050	1.738.479.226	1.649.277.842			
4. Fee and commission income	051	431.804.148	447.467.484			
5. Fee and commission expense	052	123.345.976	131.280.847			
6. Net fee and commission income (051-052)	053	308.458.172	316.186.638			
7. Profit/loss from investments in subsidiaries, associates and joint ventures	054	0	0			
8. Profit/loss from trading	055	39.948.459	34.251.220			
9. Profit/loss from embedded derivatives	056	108.372	117.463			
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	57.484	60.662.740			
12. Profit/loss from asset held to maturity	059	2.102.118	0			
13. Profit/loss from hedging	060	0	0			
14. Income from investments in subsidiaries, associates and joint ventures	061	0	0			
15. Income from other ownership investments	062	40.174.533	35.137.407			
16. Profit/loss from foreign currency differences	063	103.694.564	104.216.242			
17. Other income	064	18.475.169	18.206.328			
18. Other expenses	065	8.109.661	6.286.759			
19. General administrative expenses and depreciation	066	836.078.114	860.698.645			
20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)	067	1.407.310.322	1.351.070.477			
21. Expense of value adjustment and loan loss provisions	068	604.204.820	752.909.131			
22. PROFIT/LOSS BEFORE TAX (067-068)	069	803.105.502	598.161.345			
23. INCOME TAX EXPENSE	070	152.537.483	115.451.922			
24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)	071	650.568.019	482.709.424			
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

CASH FLOW STATEMENT - indirect method

for period from 1.1.2012 to 31.12.2012 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	-326.293.214	-279.399.407
1.1. Profit/(loss) before income tax	002	802.667.531	598.161.345
1.2. Allowances and loss provisions	003	604.204.820	752.909.131
1.3. Depreciation	004	50.285.090	49.896.349
1.4. Net unrealized profit/(loss) from financial assets and liabilities through profit and loss	005	808.790	441.217
1.5. Profit/(loss) from sale of tangible assets	006	10.238.690	3.515.743
1.6. Other profit/(losses)	007	-1.794.498.135	-1.684.323.192
2. Net increase/(decrease) of operating assets (009 do 016)	008	-6.400.943.658	-1.302.728.416
2.1. Deposits with Central bank	009	-938.747.671	209.227.175
2.2. Treasury bills of Ministry of Finance and CB bills	010	-37.058.369	89.125.931
2.3. Deposits with banks and loans to financial institutions	011	92.850.081	-1.073.388.008
2.4. Loans to other customers	012	-4.827.381.788	-517.083.254
2.5. Securities and other financial instruments held for trading	013	-6.358.480	-13.239.913
2.6. Securities and other financial instruments available for sale	014	-2.485.323.968	-135.635.496
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	-198.923.463	138.265.149
3. Net increase/(decrease) of operating liabilities (018 do 021)	017	2.980.999.037	2.540.799.073
3.1. Demand deposits	018	668.456.536	38.328.910
3.2. Savings and term deposits	019	525.034.138	982.923.595
3.3. Financial derivative liabilities and other liabilities actively traded	020	-156.128.673	-9.616.701
3.4. Other liabilities	021	1.943.637.036	1.529.163.269
4. Net cash flow from operating activities before income tax (001+008+017)	022	-5.746.237.835	958.671.250
5. (Income tax paid)	023	-212.992.845	-111.843.087
6. Net inflow/(outflow) of cash from operating activities (022+023)	024	-5.959.230.680	846.828.163
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 do 030)	025	-1.106.585.021	171.180.979
7.1. Receipt from sale/(payment for buying) tangible and intangible assets	026	-53.756.045	-32.198.951
7.2. Receipt from sale/(payment for buying) investments in subsidiaries, associates and joint ventures	027	-1.132.898.249	0
7.3. Receipt from sale/(payment for buying) securities and other financial instruments held to maturity	028	39.019.186	168.242.523
7.4. Dividend income	029	41.050.087	35.137.407
7.5. Other receipts/(payments) from investing activities	030	0	0
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 do 037)	031	4.622.367.343	-294.511.898
8.1. Net increase/(decrease) of borrowings	032	3.974.779.634	-414.453.666
8.2. Net increase/(decrease) issued debt securities	033	810.465.947	301.672.440
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	-162.878.238	-181.730.672
8.6. Other receipts/(payments) from financial activities	037	0	0
9. Net increase/(decrease) of cash and cash equivalents (024+025+031)	038	-2.443.448.358	723.497.244
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	-2.443.448.358	723.497.244
12. Cash and cash equivalents at the beginning of the year	041	6.636.335.565	4.192.837.207
13. Cash and cash equivalents at the end of the year (040+041)	042	4.192.887.207	4.916.384.451

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Name of position	for period		Attributable to the equity holders of the Bank						Total capital and reserves	
	1	2	3	4	5	6	7	8		9
			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	
Balance at 1 January			3.500.360.782	0	90.248.726	2.253.765.997	650.568.019	-81.795.955	0	6.413.147.569
Changes in accounting policies and corrections of mistakes										
Corrected balance as at 1 January (1+2)			3.500.360.782	0	90.248.726	2.253.765.997	650.568.019	-81.795.955	0	6.413.147.569
Sale of financial assets available for sale								60.662.740		60.662.740
Change of fair value financial asset available for sale								250.150.464		250.150.464
Tax on items directly recognised or transferred from capital and reserves								-62.162.641		-62.162.641
Other profit/(loss) directly recognised in capital and reserves					30.400					30.400
Net profit/(loss) directly recognised in capital and reserves (004+005+006+007)			0	0	30.400	0	0	248.650.563	0	248.680.963
Profit/(loss) for the period			0	0	30.400	0	482.709.424		0	482.709.424
Total recognised income and expenses for the period (008+009)			0	0	30.400	0	482.709.424	248.650.563	0	731.390.387
Increase/(decrease) of share capital										
Buy/sell of treasury shares										
Other changes										
Transfer to reserves					-6.000.000	474.837.347	-468.837.347			0
Dividends paid							-181.730.672			-181.730.672
Distribution on income (014+015)			0	0	-6.000.000	474.837.347	-650.568.019	0	0	-181.730.672
Balance at reporting date (003+010+011+012+013+016)			3.500.360.782	0	84.279.126	2.728.603.344	482.709.424	166.854.608	0	6.962.807.284

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

in HRK

Notes to financial statements

A 1. CASH AND DEPOSITS WITH Central bank		
	31.12.2011	31.12.2012
Cash on hand	757.854.222	786.933.470
Cash on clearing account	1.690.599.244	2.275.273.382
Obligatory reserves with the central banks	4.605.681.155	4.396.459.160
	7.054.134.621	7.458.666.012

A 2. DEPOSITS WITH BANKING INSTITUTIONS		
	31.12.2011	31.12.2012
Current accounts with other banks	12.912.752	1.134.184.258
Term deposits with banks	1.205.142.693	512.958.850
Less: Allowance for possible placement losses	(1.993.613)	(2.076.095)
	1.216.061.832	1.645.067.013

A 3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK		
	31.12.2011	31.12.2012
<i>Treasury bills</i>		
Securities and other financial instruments held for trading	116.785.685	37.308.078
Securities and other financial instruments available for sale	1.366.374.334	599.888.656
Securities and other financial instruments held to maturity	-	488.513.467
	1.483.160.019	1.125.710.201

A 4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING		
	31.12.2011	31.12.2012
Shares	5.523.913	17.119.696
Bonds	31.941	1.234.854
	5.555.854	18.354.550

A 5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE		
	31.12.2011	31.12.2012
Equity shares and participations:	89.102.323	52.892.069
Investments in companies	69.484.668	33.504.254
Investments in financial institutions	19.617.655	19.387.815
Listed debt securities	4.603.166.049	5.069.885.867
Unlisted debt securities	98.981.391	113.184.360
Investment in open funds	28.666.911	28.341.842
Rights issue	-	26.013
	4.819.916.674	5.264.330.151

Analysis of debt securities:		
Debt securities available for sale allocated by the issuer comprise:		
	31.12.2011	31.12.2012
Republic of Croatia	1.710.119.698	2.672.943.756
Companies in Republic of Croatia	161.593.950	137.172.463
Foreign financial institutions	98.981.391	471.201.696
Foreign states	2.731.452.401	1.901.752.312
	4.702.147.440	5.183.070.227

A 6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	31.12.2011	31.12.2012
	Fixed income debt securities:	360.087.009
Croatia	355.247.961	187.059.735
Croatia	4.839.048	4.848.818
Bonds of Republic of Montenegro	-	-
Total assets held to maturity before allowance	360.087.009	191.908.553
Less: allowance for assets held to maturity	(72.017)	(136.084)
	360.014.992	191.772.469

A 8, B 4. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES	31.12.2011			31.12.2012		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate instruments:						
Interest rate swaps - assets	1.388.527.272	20.059.346		1.149.112.588	19.581.204	
Interest rate swaps - liabilities	1.388.527.272		16.104.769	1.149.112.588		18.565.679
Subtotal - interest rate instruments	2.777.054.544	20.059.346	16.104.769	2.298.225.176	19.581.204	18.565.679
Foreign currency instruments:						
Currency swaps						
Purchase	1.003.068.274	4.686.358		1.676.676.541	23.908.311	
Sell	999.099.569		944.704	1.675.181.905		18.818.471
Forwards						
Purchase	12.664.307.125	64.974.182		11.975.071.746	62.307.530	
Sell	12.710.566.825		116.599.481	12.007.008.557		102.686.109
Call options					173.903	
Put options						
Subtotal - foreign currency instruments	27.377.041.793	69.660.540	117.544.185	27.333.938.749	86.389.744	121.504.580
Other instruments:						
Call options for stock indexes				6.036.499		
Put options for stock indexes				6.036.493		173.850
Call options for equity instruments						
Put options for equity instruments						
Forward bonds - purchase	29.857.989	62.516		10.070.040	52.500	
Forward bonds - sell	29.857.989		47.516	10.070.040		51.000
Embedded derivatives - assets	87.552.624	446.813		61.985.507	368.708	
Embedded derivatives - liabilities	46.706.551		86.506	28.412.556		34.107
Short position in bonds issued by Republic of Croatia						
Total - other instruments	193.975.153	509.329	134.022	122.612.135	421.208	258.957
	30.348.071.490	90.229.215	133.782.976	29.754.776.060	106.392.156	140.329.216

A 9. LOANS TO FINANCIAL INSTITUTIONS	31.12.2011	31.12.2012
	Loans	500.430.659
Less: Allowance for loan impairment	(2.728.409)	(1.943.913)
	497.702.250	1.520.147.642

A 10. LOANS TO OTHER CUSTOMERS	31.12.2011	31.12.2012
	Companies	17.927.466.260
Individuals	17.586.213.199	17.520.776.407
Public sector	5.473.561.424	6.643.303.048
Other institutions	169.741.609	103.551.407
Total loans before allowances for impairment	41.156.982.492	41.465.616.967
Less: Allowance for loan impairment	(2.260.178.856)	(2.784.562.722)
	38.896.803.626	38.681.054.245

A 11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES							
	Ownership Interest 2011	Ownership Interest 2012	Activity	Group's Share of net assets		Investment at cost	
				31.12.2011	31.12.2012	31.12.2011	31.12.2012
Associates							
S Immorent leasing zeta d.o.o. za poslovanje nekretninama	49,00%	49,00%	Real estate business	529.342		12.800	12.800
Erste d.o.o.	37,94%	37,94%	Management company for obligatory pension fund	34.811.547	34.462.586	23.098.985	23.098.985
S IT Solutions HR d.o.o.	20,00%	20,00%	IT engineering	209.873	336.357	4.000	4.000
IMMOKOR BUZIN d.o.o.	49,00%	49,00%	Real estate business	33.716.604	33.672.997	33.975.000	33.975.000
Total associates:				69.267.366	68.471.940	57.090.785	57.090.785
Subsidiaries							
Erste nekretnine d.o.o.	100,00%	100,00%	Real estate business	2.317.130	-	800.000	800.000
Erste DM D d.o.o.	100,00%	100,00%	Management company for voluntary pension fund	14.629.508	-	15.000.000	15.000.000
Erste Factoring d.o.o.	74,996%	74,996%	Accounts Receivables repurchase	86.651.838	-	37.658.000	37.658.000
Erste Card Club d.d.	100,00%	100,00%	Financial intermediation and services	388.485.016	-	1.089.285.069	1.089.285.069
Diners Club BH d.o.o.	100,00%	100,00%	Other financial intermediation	(2.555.716)	-	-	-
Erste Delta d.o.o.	100,00%	100,00%	Real estate business	(8.353.651)	-	26.000	26.000
Erste bank a.d., Podgorica	100,00%	100,00%	Credit institution	208.282.501	-	100.396.379	100.396.379
Total subsidiaries:				689.456.626	-	1.243.165.448	1.243.165.448
Total:				758.723.992	68.471.940	1.300.256.233	1.300.256.233

A 12. REPOSESSED ASSETS

Repossessed assets are tangible assets repossessed due to uncollected receivables, majority of which are real estates.

A 13. TANGIBLE ASSET (MINUS DEPRECIATION)		
	31.12.2011	31.12.2012
Land and buildings	322.786.379	322.041.262
Computers	6.956.064	6.977.572
Furniture and other equipment	60.894.709	52.707.159
Motor vehicles	266.823	351.794
Ongoing investment in buildings and equipment	16.225.359	3.842.124
Investment property	32.022	28.304
	407.161.356	385.948.215

A 14. INTEREST, FEES AND OTHER ASSETS		
	31.12.2011	31.12.2012
Undue interests and fees	334.440.228	278.638.853
Due interests and fees	362.339.485	376.312.511
Tax assets	92.771.839	38.456.894
Receivables for overpaid taxes	19.844.329	9.270.778
Intangible assets	50.039.694	46.853.927
Inventory of office supply and other materials	42.287	1.971
Numismatic collection	551.900	780.365
Prepaid expenses	3.665.390	3.290.116
Other assets	100.132.364	141.831.689
Total other assets before allowance for impairment	963.827.516	895.437.104
Less: Allowance for impairment of other asset	(168.518.544)	(252.194.435)
	795.308.972	643.242.669

B 1. AMOUNTS DUE TO FINANCIAL INSTITUTIONS		
	31.12.2011	31.12.2012
From banks	13.927.781.113	12.951.135.879
From other banking institutions	3.765.210	-
From HBOR	2.661.955.568	2.664.805.986
	16.593.501.891	15.615.941.865

B 2. DEPOSITS		
	31.12.2011	31.12.2012
B 2.1. Deposits of gyro and current accounts		
Deposits from public sector		
<i>Republic of Croatia</i>	16.741.076	49.831.452
<i>Republic funds</i>	1.133.912	79.005.491
<i>Local government</i>	105.603.930	110.108.392
Deposits from financial institutions		
<i>Banks</i>	35.807.947	119.132.128
<i>Other banking institutions</i>	64.237.388	121.711.642
<i>HBOR</i>	9.983	9.907
<i>Non-banking financial institutions</i>	77.787.164	245.005.357
<i>Banks in bankruptcy</i>	2.672.832	6.285.090
<i>Banks in liquidation</i>	901.284	322.252
Deposits from state commercial customers	52.620.624	39.224.948
Deposits from other commercial customers	2.732.707.024	2.233.221.623
Deposits from non-profit institutions	123.137.789	133.748.208
Deposits from individuals	1.626.370.636	1.708.661.890
Deposits from non residents		
<i>Foreign financial institutions</i>	24.785.483	48.709.930
<i>Foreign states</i>	648.946	723.718
<i>Foreign commercial customers</i>	3.281.429	10.132.501
<i>Foreign individuals</i>	37.320.250	39.073.126
<i>Foreign non-profit institutions</i>	2.406.517	1.595.469
	4.908.174.214	4.946.503.124

B 2.2. Savings deposits	31.12.2011	31.12.2012
Deposits from public sector		
<i>Republic of Croatia</i>	1.137.140	268.808
Deposits from financial institutions		
<i>Banks</i>	58.854.559	59.546.274
<i>Other banking institutions</i>	19.114.380	29.662.127
<i>Non-banking financial institutions</i>	530.232	2.103.000
Deposits from state commercial customers	22.591.260	-
Deposits from other commercial customers	352.207.039	361.080.163
Deposits from non-profit institutions	4.334.909	2.556.829
Deposits from individuals	2.235.815.698	2.157.663.136
Deposits from non residents		
<i>Foreign financial institutions</i>	35.282	50.507
<i>Other non residents</i>	203.109.570	185.850.166
	2.897.730.069	2.798.781.010

B 2.3. Term deposits	31.12.2011	31.12.2012
Deposits from public sector		
<i>Republic of Croatia</i>	10.773.129	12.780.635
<i>Republic funds</i>	-	99.942.040
<i>Local government</i>	24.675.441	19.309.076
Deposits from financial institutions		
<i>Banks</i>	432.862.461	398.804.227
<i>Other banking institutions</i>	933.235.793	902.447.502
<i>Non-banking financial institution</i>	1.565.786.251	1.174.369.048
<i>Banks in bankruptcy</i>	33.000.000	25.500.000
<i>Banks in liquidation</i>	858.769	-
Deposits from state commercial customers	137.776.239	148.356.300
Deposits from other commercial customers	3.023.263.832	2.498.301.205
Deposits from non-profit institutions	118.013.389	93.720.311
Deposits from individuals	17.030.317.888	17.782.290.536
Deposits from non residents		
<i>Foreign financial institutions</i>	40.000.000	1.185.835.294
<i>Foreign commercial customers</i>	44.911.405	38.389.883
<i>Foreign individuals</i>	887.702.673	985.103.549
<i>Foreign non-profit institutions</i>	218.783	119.101
	24.283.396.053	25.365.268.707

B 3. OTHER BORROWINGS	31.12.2011	31.12.2012
Short term borrowings in HRK	-	564.500.000
Long term borrowings in foreign currency	2.562.830	1.169.190
	2.562.830	565.669.190

B 5. ISSUED DEBT SECURITIES

On 23rd November 2012, the Bank issued its own bonds in amount of HRK 300 million with a 5.875% coupon paid semi-annual and with maturity of 5 years.

B 6. ISSUED SUBORDINATED INSTRUMENTS

In June 2011 the Bank received subordinated debt from Erste Group Bank in the amount of HRK 226 million (original amount EUR 30 million). Maturity of the debt is until 2017, with interest rate 3 month EURIBOR plus 3.37% p.a.

In July 2011 the Bank issued its own subordinated bonds. Original amount of the issue is EUR 80 million. Maturity of the bonds is 6 years with interest to maturity 6.5%. Coupon will be settled annually.

B 8. INTEREST, FEES AND OTHER LIABILITIES		
	31.12.2011	31.12.2012
Undue interest and fees	488.272.330	508.520.125
Due interest and fees	5.039.101	4.577.904
Prepayments received from borrowers	170.851.537	155.276.542
Other taxes	975.910	742.039
Salaries and bonuses payable	101.057.484	103.479.838
Off balance provisions	52.169.016	63.770.339
Amounts due to suppliers	21.059.396	21.429.918
Payables to State Agency for deposit insurance	13.126.544	13.678.735
Uninvoiced liabilities	9.129.366	13.442.977
Liabilities for dividend payout	555.743	555.607
Subordinated instruments	17.880.253	17.928.126
Deffered income	3.781.751	3.353.261
Other	90.543.705	86.735.740
	974.442.136	993.491.151

1. INTEREST INCOME		
	31.12.2011	31.12.2012
Interest on loans and advances to customers	2.675.745.199	2.608.810.956
Interest on amounts due from other banks	24.258.563	16.660.869
Interest income on financial investments	194.281.823	278.874.482
Interest on balances due from the central bank	3.934.802	587.158
Interest on derivative financial instruments	267.643.426	437.784.042
Interest income on impaired financial assets - loans and advances to customers	87.985.346	113.946.768
Interest on reverse repurchase agreements	4.682.187	8.210.218
Other interest income	3.295.027	3.748.877
Interest on financial assets measured at fair value through profit and loss	2.106.997	1.092.561
	3.263.933.370	3.469.715.931

2. INTEREST EXPENSES		
	31.12.2011	31.12.2012
Interest on customer deposits	849.526.753	839.576.350
Interest on other borrowed funds	482.798.572	753.825.399
Interest on amounts due to other banks	73.673.951	103.180.711
Interest on subordinated debt	23.445.282	48.617.149
Interest on issued bonds	-	1.851.719
Interest on derivative financial instruments	81.888.559	59.860.981
Interest on repurchase agreements	7.398.971	7.545.869
Other interest expense	4.914.318	5.273.579
Interest on financial liabilities measured at fair value through profit and loss	1.807.738	706.332
	1.525.454.144	1.820.438.089

4. FEE AND COMMISSION INCOME		
	31.12.2011	31.12.2012
Payments and money transfers	168.619.271	226.207.718
Bank cards services	146.972.929	120.282.188
Custodial fees	48.635.346	37.542.992
Guarantees and letter of credit	35.135.769	36.853.985
Other fee and commission income	32.440.833	26.580.601
	431.804.148	447.467.484

5. FEE AND COMMISSION EXPENSES		
	31.12.2011	31.12.2012
Payments and money transfers	43.596.035	39.838.720
Bank cards services	72.679.094	83.652.677
Custodial fees	2.853.371	2.556.083
Guarantees and letter of credit	3.650.668	4.789.519
Other fee and commission expense	566.808	443.848
	123.345.976	131.280.847

8. PROFIT/LOSS FROM TRADING		
	31.12.2011	31.12.2012
Net gain/(loss) on derivative financial instruments	17.500.055	-6.036.857
Net gain on financial assets at fair value through profit or loss	22.448.404	40.288.077
	39.948.459	34.251.220

9. PROFIT/LOSS FROM EMBEDDED DERIVATES		
	31.12.2011	31.12.2012
(Loss)/profit from embedded derivatives (except contracts with one-way currency clause)	(41.308)	104.395
Profit/(loss) from embedded derivatives according to contracts with the one-way currency clause	149.680	13.068
	108.372	117.463

11. PROFIT/LOSS FROM ASSET AVAILABLE FOR SALE

The Bank earned realized profit in amount of HRK 60.662.740 by selling financial asset available for sale.

17. OTHER INCOME		
	31.12.2011	31.12.2012
Income from sale of property and equipment	9.886.786	3.515.743
Rental income from investment property	2.473.037	48.780
Rental income	1.657.872	1.960.664
Other	4.457.474	12.681.141
	18.475.169	18.206.328

18. OTHER EXPENSES		
	31.12.2011	31.12.2012
Other taxes and contributions	6.756.575	5.913.408
Other	1.353.086	373.351
	8.109.661	6.286.759

19. GENERAL AND ADMINISTRATIVE EXPENSES AND DEPRECIATION		
	31.12.2011	31.12.2012
Employee related costs		
- Wages, salaries and compensations	237.169.560	235.324.662
- Payroll taxes and contributions	172.354.605	174.271.336
Pension provisions	1.996.649	1.505.836
Donations and sponsorship	7.672.455	8.276.171
Other administrative expenses	366.599.755	391.420.570
Depreciation	50.285.090	49.900.068
	836.078.114	860.698.643

21. EXPENSES OF VALUE ADJUSTMENTS AND LOAN LOSS PROVISIONS		
	31.12.2011	31.12.2012
Provisions for impairment losses on loans and advances	538.921.782	649.382.169
Provision for impairment loss on other assets	51.963.316	83.450.467
Provision for impairment loss on financial investments held to maturity	(7.994)	64.067
Provision for impairment loss on financial investments available for sale	1.568.654	1.971.157
Provision for litigations	11.827.848	(110.346)
Provision for impairment of guarantees and credit commitments	(68.786)	18.151.617
	604.204.820	752.909.131

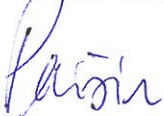
DECLARATION OF KEY PERSONNEL RESPONSIBLE FOR PREPARATION OF FINANCIAL STATEMENTS

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 credit institutions in Republic of Croatia gives complete and true state of assets and liabilities and financial result and affairs of Erste&Steiermärkische Bank d.d.
2. Management report contains true and fair view of affairs and results of Erste & Steiermärkische Bank d.d.

Head of Accounting Division

Karma Perišin



Member of the Management Board


ERSTE & STEIERMÄRKISCHE
BANK D.D.
RIJEKA
026 095
Slađana Jagar

Rijeka, March 5th 2013