

**Audited financial statements of the Erste&Steiermärkische Bank d.d. and subsidiaries (the Group) for period January 1<sup>st</sup> - December 31<sup>st</sup> 2012**

*Content:*

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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 Group<sup>1</sup>:

- **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*

<sup>1</sup> 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)

	2012	GROUP 2011	2012	BANK 2011
Interest income	4,089	3,815	3,470	3,265
Interest expense	(1,997)	(1,683)	(1,821)	(1,525)
<b>Net interest income</b>	<b>2,092</b>	<b>2,132</b>	<b>1,649</b>	<b>1,740</b>
Fee and commission income	680	729	447	432
Fee and commission expense	(159)	(135)	(131)	(123)
<b>Net fee and commission income</b>	<b>521</b>	<b>594</b>	<b>316</b>	<b>309</b>
Net trading income	148	146	139	144
Other operating income	83	46	111	58
<b>Operating income</b>	<b>2,844</b>	<b>2,918</b>	<b>2,215</b>	<b>2,251</b>
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)
<b>Operating expense</b>	<b>(1,203)</b>	<b>(1,244)</b>	<b>(864)</b>	<b>(843)</b>
<b>PROFIT BEFORE PROVISION FOR IMPAIRMENT LOSSES, SHARE OF RESULTS OF ASSOCIATES AND INCOME TAX</b>	<b>1,641</b>	<b>1,674</b>	<b>1,351</b>	<b>1,408</b>
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)
<b>PROVISION FOR LOAN AND FINANCIAL INVESTMENT LOSSES AND OTHER PROVISIONS</b>	<b>(902)</b>	<b>(757)</b>	<b>(753)</b>	<b>(605)</b>
<b>Share of profit of associates</b>	<b>4</b>	<b>4</b>	<b>-</b>	<b>-</b>
<b>PROFIT BEFORE INCOME TAX</b>	<b>743</b>	<b>921</b>	<b>598</b>	<b>803</b>
Income taxes	(147)	(176)	(115)	(152)
<b>NET PROFIT FOR THE YEAR</b>	<b>596</b>	<b>745</b>	<b>483</b>	<b>651</b>
<b>Net profit attributable to:</b>				
<b>Equity holders of the Bank</b>	<b>585</b>	<b>739</b>		
<b>Non controlling interest</b>	<b>11</b>	<b>6</b>		
<b>EARNINGS PER SHARE</b>				
Basic and diluted (HRK)	<b>34.45</b>	<b>43.51</b>		

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

	GROUP		BANK	
	2012	2011	2012	2011
<b>ASSETS</b>				
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
<b>Total assets</b>	<b>65,891</b>	<b>63,045</b>	<b>58,519</b>	<b>57,035</b>
<b>LIABILITIES</b>				
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
<b>Total liabilities</b>	<b>58,582</b>	<b>56,426</b>	<b>51,556</b>	<b>50,622</b>
<b>Shareholders' equity</b>				
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
<b>Equity attributable to equity holders of the Bank</b>	<b>7,271</b>	<b>6,590</b>	<b>6,963</b>	<b>6,413</b>
Non controlling interest	38	29	-	-
<b>Total equity</b>	<b>7,309</b>	<b>6,619</b>	<b>6,963</b>	<b>6,413</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>65,891</b>	<b>63,045</b>	<b>58,519</b>	<b>57,035</b>

**Addendum 3.**

Period of reporting:

1.1.2012

to

31.12.2012

**Annual 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: 2.829  
(at the end of reporting period)

Consolidated report: YES NKD code: 6419

Names of subjects of consolidation (according to MSFI): Headquarters: MB:

<u>Erste DMD d.o.o. za upravljanje dobrovoljnim mirovinskim fondovima</u>	<u>Zagreb, Ivana Lučića 2a</u>	<u>01893670</u>
<u>Erste Nekretnine d.o.o.</u>	<u>Zagreb, Ivana Lučića 2</u>	<u>02068249</u>
<u>Erste Delta d.o.o. za poslovanje nekretninama</u>	<u>Zagreb, Ivana Lučića 2</u>	<u>01541919</u>
<u>Erste Bank a.d., Podgorica</u>	<u>Crna Gora, Podgorica, Marka Miljanova 46</u>	<u>08499002</u>
<u>Erste Card Club d.d.</u>	<u>Zagreb, Praška 5</u>	<u>3289737</u>
<u>Diners BIH d.o.o. Sarajevo</u>	<u>Bosna i Hercegovina, Sarajevo, Fra Andela Zvizdo</u>	<u>08070062</u>
<u>Erste Factoring d.o.o.</u>	<u>Zagreb, Ivana Lučića 2</u>	<u>2058049</u>

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 1942E-mail address: arajic@erstebank.comLast 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.

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ERSTE & STEIERMARKISCHE  
BANK D.D.  
RIJEKA  
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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
<b>ASSETS</b>			
1. CASH AND DEPOSITS WITH Central bank (002+003)	001	7.229.872.244	7.757.321.826
1.1. Cash	002	816.105.099	868.380.848
1.2. Deposits with Central bank	003	6.413.767.145	6.888.940.978
2. DEPOSITS WITH BANKING INSTITUTIONS	004	1.302.447.186	2.000.444.481
3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK	005	1.661.079.746	1.244.759.813
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	006	299.780.373	212.315.856
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007	4.934.057.676	5.433.116.789
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008	407.805.472	203.104.252
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	91.339.920	106.769.625
9. LOANS TO FINANCIAL INSTITUTIONS	011	382.791.757	1.520.260.043
10. LOANS TO OTHER CUSTOMERS	012	44.068.553.221	44.895.946.273
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	013	69.267.366	68.471.940
12. REPOSSESSED ASSETS	014	111.443.848	181.373.084
13. TANGIBLE ASSET (MINUS DEPRECIATION)	015	729.437.737	704.817.606
14. INTEREST, FEES AND OTHER ASSETS	016	1.756.700.681	1.562.630.711
<b>A) TOTAL ASSETS (001+004 to 016)</b>	<b>017</b>	<b>63.044.577.227</b>	<b>65.891.332.299</b>
<b>LIABILITIES</b>			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	22.145.716.047	21.901.352.881
1.1. Short-term borrowings	019	5.448.212.712	5.660.985.871
1.2. Long-term borrowings	020	16.697.503.335	16.240.367.010
2. DEPOSITS (AOP 022 to 024)	021	31.701.806.785	33.193.279.890
2.1. Deposits of giro and current accounts	022	5.309.206.783	5.311.339.503
2.2. Savings deposits	023	2.897.443.236	2.797.906.120
2.3. Term deposits	024	23.495.156.766	25.084.034.267
3. OTHER BORROWINGS (026+027)	025	19.205.058	566.461.477
3.1. Short-term borrowings	026	16.642.228	565.292.287
3.2. Long-term borrowings	027	2.562.830	1.169.190
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	133.838.001	141.265.448
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	300.000.000
6. ISSUED SUBORDINATED INSTRUMENTS	032	858.467.880	860.201.136
7. ISSUED HYBRID INSTRUMENTS	033	0	0
8. INTEREST, FEES AND OTHER LIABILITIES	034	1.566.873.887	1.620.055.900
<b>B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)</b>	<b>035</b>	<b>56.425.907.658</b>	<b>58.282.616.732</b>
<b>EQUITY</b>			
1. SHARE CAPITAL	036	3.500.360.782	3.500.360.782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	037	739.003.388	585.084.113
3. RETAINED PROFIT/(LOSS)	038	2.371.760.882	2.944.573.711
4. LEGAL RESERVES	039	84.920.875	84.920.875
5. STATUTORY AND OTHER CAPITAL RESERVES	040	7.794.791	-1.442.847
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE	041	-85.171.149	195.218.933
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS	042		
<b>C) TOTAL EQUITY (036 to 042)</b>	<b>043</b>	<b>6.618.669.569</b>	<b>7.308.715.567</b>
<b>D) TOTAL LIABILITIES AND EQUITY (035+043)</b>	<b>044</b>	<b>63.044.577.227</b>	<b>65.591.332.299</b>
<b>SUPPLEMENT TO STATEMENT OF FINANCIAL POSITION (filled out by banks that compose a consolidated financial report)</b>			
1. TOTAL EQUITY	045	6.618.669.569	7.308.715.567
2. Attributed to equity holders of the parent	046	6.589.771.386	7.270.285.414
3. Minority shares (045-046)	047	28.898.183	38.430.153

## INCOME STATEMENT

for period from 1.1.2012 to 31.12.2012

in HRK

Name of position	AOP	Prior period	Current period
1	2	3	4
1. Interest income	048	3.814.066.947	4.089.024.296
2. Interest expense	049	1.683.420.378	1.997.391.803
<b>3. Net interest income (048-049)</b>	<b>050</b>	<b>2.130.646.569</b>	<b>2.091.632.493</b>
4. Fee and commission income	051	727.844.616	680.400.191
5. Fee and commission expense	052	134.381.672	159.314.636
<b>6. Net fee and commission income (051-052)</b>	<b>053</b>	<b>593.462.944</b>	<b>521.085.555</b>
7. Profit/loss from investments in subsidiaries, associates and joint ventures	054	-916.618	-1.713.064
8. Profit/loss from trading	055	41.576.597	38.831.579
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	107.484	61.475.973
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	30.117.649	10.119.797
16. Profit/loss from foreign currency differences	063	104.076.151	109.443.019
17. Other income	064	22.004.082	20.271.732
18. Other expenses	065	13.526.862	9.612.878
19. General administrative expenses and depreciation	066	1.232.067.432	1.196.766.389
<b>20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)</b>	<b>067</b>	<b>1.677.691.054</b>	<b>1.644.885.280</b>
21. Expense of value adjustment and loan loss provisions	068	757.048.351	901.565.097
<b>22. PROFIT/LOSS BEFORE TAX (067-068)</b>	<b>069</b>	<b>920.642.703</b>	<b>743.320.183</b>
<b>23. INCOME TAX EXPENSE</b>	<b>070</b>	<b>176.019.754</b>	<b>147.293.153</b>
<b>24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)</b>	<b>071</b>	<b>744.622.949</b>	<b>596.027.030</b>
25. Earnings per share	072	44	34
<b>ANNEX TO INCOME STATEMENT (for the Banks that prepare consolidated financial statements)</b>			
<b>1. PROFIT/LOSS OF THE CURRENT YEAR</b>	<b>073</b>	<b>744.622.949</b>	<b>596.027.030</b>
<b>2. Assign equity holders of the Bank</b>	<b>074</b>	<b>739.003.388</b>	<b>585.084.113</b>
<b>3. Non controlling interest (073-074)</b>	<b>075</b>	<b>5.619.561</b>	<b>10.942.917</b>



## 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
<b>OPERATING ACTIVITIES</b>			
<b>1. Cash flow from operating activities before changes of operating asset (002 do 007)</b>	<b>001</b>	-360.991.398	-328.378.812
1.1. Profit/(loss) before income tax	002	926.320.317	743.320.183
1.2. Allowances and loss provisions	003	757.048.000	901.565.097
1.3. Depreciation	004	127.589.000	118.737.057
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	3.584.212
1.6. Other profit/(losses)	007	-2.182.996.195	-2.096.026.578
<b>2. Net increase/(decrease) of operating assets (009 do 016)</b>	<b>008</b>	<b>-13.670.199.285</b>	<b>-2.496.274.567</b>
2.1. Deposits with Central bank	009	-971.199.142	191.550.800
2.2. Treasury bills of Ministry of Finance and CB bills	010	-139.546.678	223.452.286
2.3. Deposits with banks and loans to financial institutions	011	139.444.201	-1.303.654.620
2.4. Loans to other customers	012	-8.763.699.399	-1.697.071.363
2.5. Securities and other financial instruments held for trading	013	-300.583.000	87.023.300
2.6. Securities and other financial instruments available for sale	014	-2.604.048.190	-164.189.340
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	-1.030.567.077	166.614.370
<b>3. Net increase/(decrease) of operating liabilities (018 do 021)</b>	<b>017</b>	<b>2.733.330.101</b>	<b>3.516.537.822</b>
3.1. Demand deposits	018	700.569.182	2.132.720
3.2. Savings and term deposits	019	-667.734.300	1.489.340.385
3.3. Financial derivative liabilities and other liabilities actively traded	020	-157.141.995	-8.002.258
3.4. Other liabilities	021	2.857.637.214	2.033.066.975
<b>4. Net cash flow from operating activities before income tax (001+008+017)</b>	<b>022</b>	<b>-11.297.860.582</b>	<b>691.884.443</b>
5. (Income tax paid)	023	-269.597.074	-169.093.332
<b>6. Net inflow/(outflow) of cash from operating activities (022+023)</b>	<b>024</b>	<b>-11.567.457.656</b>	<b>522.791.111</b>
<b>INVESTING ACTIVITIES</b>			
<b>7. Net cash flow from investing activities (026 do 030)</b>	<b>025</b>	<b>-113.946.157</b>	<b>112.271.811</b>
7.1. Receipt from sale/(payment for buying) tangible and intangible assets	026	-184.092.750	-97.701.138
7.2. Receipt from sale/(payment for buying) investments in subsidiaries, associates and joint ventures	027	22.846.394	795.426
7.3. Receipt from sale/(payment for buying) securities and other financial instruments held to maturity	028	8.773.658	204.701.220
7.4. Dividend income	029	30.991.710	4.476.303
7.5. Other receipts/(payments) from investing activities	030	7.534.831	0
<b>FINANCIAL ACTIVITIES</b>			
<b>8. Net cash flow from financial activities (032 do 037)</b>	<b>031</b>	<b>9.260.186.881</b>	<b>422.880.775</b>
8.1. Net increase/(decrease) of borrowings	032	8.642.067.379	302.878.192
8.2. Net increase/(decrease) issued debt securities	033	0	301.733.256
8.3. Net increase/(decrease) subordinated and hybrid instruments	034	811.046.935	0
8.4. Receipts from transmitted share capital	035	0	0
8.5. (Dividends paid)	036	-192.927.433	-181.730.673
8.6. Other receipts/(payments) from financial activities	037	0	0
<b>9. Net increase/(decrease) of cash and cash equivalents (024+025+031)</b>	<b>038</b>	<b>-2.421.216.932</b>	<b>1.057.943.697</b>
10. Effects of change in foreign exchange rates on cash and cash equivalents	039	0	0
<b>11. Net increase/(decrease) cash and cash equivalents (038+039)</b>	<b>040</b>	<b>-2.421.216.932</b>	<b>1.057.943.697</b>
<b>12. Cash and cash equivalents at the beginning of the year</b>	<b>041</b>	<b>6.720.193.717</b>	<b>4.298.976.785</b>
<b>13. Cash and cash equivalents at the end of the year (040+041)</b>	<b>042</b>	<b>4.298.976.785</b>	<b>5.356.920.482</b>

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Name of position	for period		Raspodjelivo dioničarima matičnog društva						in HRK	
	01.01.2012		31.12.2012							
	1	2	3	4	5	6	7	8	9	10
	AOP	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	Total capital and reserves	
Balance at 1 January	001	3.500.360.782	0	92.715.666	2.342.862.699	739.003.388	-85.171.149	28.898.183	6.618.669.569	
Changes in accounting policies and corrections of mistakes	002									
Corrected balance as at 1 January (1+2)	003	3.500.360.782	0	92.715.666	2.342.862.699	739.003.388	-85.171.149	28.898.183	6.618.669.569	
Sale of financial assets available for sale	004						60.662.740		60.662.740	
Change of fair value financial asset available for sale	005						284.676.647		284.676.647	
Tax on items directly recognised or transferred from capital and reserves	006						-64.949.305		-64.949.305	
Other profit/(loss) directly recognised in capital and reserves	007			-3.856.556					-3.856.556	
Net profit/(loss) directly recognised in capital and reserves (004+005+006+007)	008	0	0	-3.856.556	0	0	280.390.082	0	276.533.526	
Profit/(loss) for the period	009					585.084.113			585.084.113	
Total recognised income and expenses for the period (008+009)	010	0	0	-3.856.556	0	585.084.113	280.390.082	0	861.617.639	
Increase/(decrease) of share capital	011									
Buy/sell of treasury shares	012									
Other changes	013			618.918		8.143		9.531.970	10.159.031	
Transfer to reserves	014			-6.000.000	563.280.859	-557.280.859			0	
Dividends paid	015					-181.730.672			-181.730.672	
Distribution on income (014+015)	016	0	0	-6.000.000	563.280.859	-739.011.531	0	0	-181.730.672	
Balance at reporting date (003+010+011+012+013+016)	017	3.500.360.782	0	83.478.028	2.906.143.558	585.084.113	195.218.933	38.430.153	7.306.715.567	

Banks which prepare consolidated financial statements represent separately in appropriate capital items.

## Notes to financial statements

A 1. CASH AND DEPOSITS WITH Central bank		
	31.12.2011	31.12.2012
Cash on hand	816.105.099	868.380.848
Cash on clearing account	1.722.638.378	2.389.357.831
Obligatory reserves with the central banks	4.691.128.767	4.499.583.147
	<b>7.229.872.244</b>	<b>7.757.321.826</b>

A 2. DEPOSITS WITH BANKING INSTITUTIONS		
	31.12.2011	31.12.2012
Current accounts with other banks	99.311.763	1.489.676.498
Term deposits with banks	1.205.142.693	512.958.850
Less: Allowance for possible placement losses	(2.007.270)	(2.190.867)
	<b>1.302.447.186</b>	<b>2.000.444.481</b>

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	1.356.033.561	602.413.875
Securities and other financial instruments held to maturity	188.260.500	605.037.860
	<b>1.661.079.746</b>	<b>1.244.759.813</b>

A 4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING		
	31.12.2011	31.12.2012
Shares	5.523.913	17.119.696
Shares in open investment funds	294.224.519	193.961.306
Bonds	31.941	1.234.854
	<b>299.780.373</b>	<b>212.315.856</b>

A 5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE		
	31.12.2011	31.12.2012
Equity shares and participations:	91.004.139	53.540.698
Investments in companies	69.516.575	33.600.279
Investments in financial institutions	21.487.564	19.940.419
Listed debt securities	4.814.264.714	5.351.082.571
Unlisted debt securities		-
Investment in open funds	28.788.823	28.467.507
Rights issue	-	26.013
	<b>4.934.057.676</b>	<b>5.433.116.789</b>

Analysis of debt securities:		
Debt securities available for sale allocated by the issuer comprise:		
	31.12.2011	31.12.2012
Republic of Croatia	1.779.823.283	2.804.435.394
Companies in Republic of Croatia	174.971.889	137.172.463
Foreign financial institutions	-	379.446.794
Foreign states	2.859.469.542	2.030.027.920
	<b>4.814.264.714</b>	<b>5.351.082.571</b>

A 6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY		
	31.12.2011	31.12.2012
Fixed income debt securities:	407.877.489	203.240.336
<i>Croatia</i>	355.247.961	187.059.735
<i>Croatia</i>	4.839.048	4.848.818
Bonds of Republic of Montenegro	47.790.480	11.331.783
Total assets held to maturity before allowance	407.877.489	203.240.336
Less: allowance for assets held to maturity	(72.017)	(136.084)
	407.805.472	203.104.252

A 8, B 4. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES	31.12.2011			31.12.2012		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
<b>Interest rate instruments:</b>						
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
<b>Foreign currency instruments:</b>						
<b>Currency swaps</b>						
Purchase	1.546.077.574	5.754.705		2.380.683.260	24.284.931	
Sell	1.542.119.143		999.729	2.379.188.624		19.754.703
<b>Forwards</b>						
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	28.463.070.667	70.728.887	117.599.210	28.741.952.187	86.766.364	122.440.812
<b>Other instruments:</b>						
Call options for stock indeks	8.471.723	42.359		14.525.326	849	
Put options for stock indeks	8.471.723			14.525.320		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	446.812		61.986.507	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	210.918.599	551.687	134.022	139.589.789	422.057	258.957
	31.451.043.810	91.339.920	133.838.001	31.179.767.152	106.769.625	141.265.448

A 9. LOANS TO FINANCIAL INSTITUTIONS		
	31.12.2011	31.12.2012
Loans	385.520.166	1.522.203.956
Less: Allowance for loan impairment	(2.728.409)	(1.943.913)
	382.791.757	1.520.260.043

A 10. LOANS TO OTHER CUSTOMERS		
	31.12.2011	31.12.2012
Companies	20.198.786.261	20.624.186.090
Individuals	20.565.471.178	20.701.817.388
Public sector	6.034.330.478	7.050.419.586
Other institutions	172.194.567	106.836.465
Total loans before allowances for impairment	46.970.782.484	48.483.259.529
Less: Allowance for loan impairment	(2.902.229.263)	(3.587.313.256)
	44.068.553.221	44.895.946.273

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
<b>Associates</b>							
S Immorent leasing zeta d.o.o. za poslovanje nekretninama	49,00%	49,00%	Real estate business	529.342	-	12.800	12.800
			Management company for				
Erste d.o.o.	37,94%	37,94%	obligatory pension fund	34.811.547	34.462.586	23.098.985	23.098.985
SIT 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
<b>Total associates:</b>				69.267.366	68.471.940	57.090.785	57.090.785
<b>Subsidiaries</b>							
Erste nekretnine d.o.o.	100,00%	100,00%	Real estate business	2.317.130	-	800.000	800.000
			Management company for				
Erste DMD d.o.o.	100,00%	100,00%	voluntary pension fund	14.629.508	-	15.000.000	15.000.000
Erste Factoring d.o.o.	74,996%	74,996%	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
<b>Total subsidiaries:</b>				689.456.626	-	1.243.165.448	1.243.165.448
<b>Total:</b>				758.723.992	68.471.940	1.300.256.233	1.300.256.233

#### A 12. REPOSSESSED ASSETS

Reposessed assets are tangible assets reposessed due to uncollected receivables, majority of which are real estates.

<b>A 13. TANGIBLE ASSET (MINUS DEPRECIATION)</b>		
	<b>31.12.2011</b>	<b>31.12.2012</b>
Land and buildings	600.060.031	592.334.474
Computers	13.574.558	26.852.432
Furniture and other equipment	91.348.325	71.259.243
Motor vehicles	1.145.943	1.064.906
Ongoing investment in buildings and equipment	22.503.771	12.526.330
Investment property	805.109	780.221
	<b>729.437.737</b>	<b>704.817.606</b>

<b>A 14. INTEREST, FEES AND OTHER ASSETS</b>		
	<b>31.12.2011</b>	<b>31.12.2012</b>
Undue interests and fees	345.945.261	287.543.620
Due interests and fees	398.059.585	453.527.558
Tax assets	205.741.580	171.953.574
Receivables for overpaid taxes	22.182.002	9.270.778
Intangible assets	57.153.788	742.013.677
Inventory of office supply and other materials	130.857	82.894
Numismatic collection	551.900	780.365
Prepaid expenses	6.775.186	5.645.056
Other assets	170.431.417	162.279.239
Total other assets before allowance for impairment	1.206.971.576	1.833.096.761
Less: Allowance for impairment of other asset	549.729.105	(270.466.050)
	<b>1.756.700.681</b>	<b>1.562.630.711</b>

<b>B 1. AMOUNTS DUE TO FINANCIAL INSTITUTIONS</b>		
	<b>31.12.2011</b>	<b>31.12.2012</b>
From banks	19.437.184.832	19.193.650.023
From other banking institutions	46.575.648	42.896.872
From HBOR	2.661.955.567	2.664.805.986
	<b>22.145.716.047</b>	<b>21.901.352.881</b>

<b>B 2. DEPOSITS</b>		
	<b>31.12.2011</b>	<b>31.12.2012</b>
<b>B 2.1. Deposits of gyro and current accounts</b>		
Deposits from public sector		
<i>Republic of Croatia</i>	16.741.076	49.831.452
<i>Republic funds</i>	1.134.665	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>	50.978.367	69.748.947
<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	2.731.798.105	2.232.345.116
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>	15.579.611	43.825.391
<i>Foreign states</i>	5.697.996	54.014.800
<i>Foreign commercial customers</i>	74.376.692	142.801.068
<i>Foreign individuals</i>	392.727.053	390.761.453
<i>Foreign non-profit institutions</i>	8.810.805	9.801.328
	<b>5.309.206.783</b>	<b>5.311.339.503</b>

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
<i>Republic funds</i>	-	-
<i>Local government</i>	-	-
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>	440.867	2.103.000
Deposits from state commercial customers	22.591.260	-
Deposits from other commercial customers	352.009.571	360.205.273
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
	<b>2.897.443.236</b>	<b>2.797.906.120</b>

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>	779.787.895	742.352.292
<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	2.282.514.820	1.726.284.331
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>	99.263.895	1.185.401.286
<i>Foreign states</i>	36.005.216	32.305.099
<i>Foreign commercial customers</i>	192.518.001	258.656.384
<i>Foreign individuals</i>	1.383.176.909	1.653.240.181
<i>Foreign non-profit institutions</i>	376.921	2.644.067
	<b>23.495.156.766</b>	<b>25.084.034.267</b>

B 3. OTHER BORROWINGS		
	31.12.2011	31.12.2012
Short term borrowings in foreign currency	16.642.228	792.287
Short term borrowings in HRK	-	564.500.000
Long term borrowings in foreign currency	2.562.830	1.169.190
	<b>19.205.058</b>	<b>566.461.477</b>

#### 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.

Erste Bank a.d., Podgorica received subordinated debt in 2008 from Oikocredit, Ecumenical Development Cooperative Society U.A., the Netherlands in the original amount EUR 4 million (2012: HRK 31 million, 2011: HRK 31 million). Maturity of the debt is from 2013 till 2016, with interest rate 6 month EURIBOR plus 2.9% p.a.

<b>B 8. INTEREST, FEES AND OTHER LIABILITIES</b>		
	<b>31.12.2011</b>	<b>31.12.2012</b>
Undue interest and fees	502.723.975	527.729.772
Due interest and fees	16.989.127	18.048.211
Prepayments received from borrowers	170.851.537	155.276.542
Income tax liabilities	5.348.067	15.198.045
Other taxes	3.128.679	2.890.504
Salaries and bonuses payable	107.216.052	110.209.005
Off balance provisions	56.276.269	77.660.035
Amounts due to suppliers	494.528.557	497.334.708
Payables to State Agency for deposit insurance	13.126.544	15.082.221
Uninvoiced liabilities	16.551.538	19.112.055
Liabilities for dividend payout	555.743	555.607
Subordinated instruments	18.236.654	18.279.283
Deffered income	22.136.640	28.411.595
Other	139.204.505	134.268.317
	<b>1.566.873.887</b>	<b>1.620.055.900</b>

<b>1. INTEREST INCOME</b>		
	<b>31.12.2011</b>	<b>31.12.2012</b>
Interest on loans and advances to customers	3.200.861.126	3.198.578.531
Interest on amounts due from other banks	30.330.870	22.058.160
Interest income on financial investments	209.871.191	301.780.869
Interest on balances due from the central bank	4.129.753	822.831
Interest on derivative financial instruments	271.801.835	439.459.819
Interest income on impaired financial assets - loans and advances to customers	87.985.346	113.946.768
Interest on reverse repurchase agreements	3.572.539	7.245.212
Other interest income	3.407.290	4.039.545
Interest on financial assets mesasured at fair value through profit and loss	2.106.997	1.092.561
	<b>3.814.066.947</b>	<b>4.089.024.296</b>

<b>2. INTEREST EXPENSES</b>		
	<b>31.12.2011</b>	<b>31.12.2012</b>
Interest on customer deposits	831.038.306	833.058.072
Interest on other borrowed funds	579.413.028	929.729.759
Interest on amounts due to other banks	147.146.316	103.180.773
Interest on subordinated debt	25.109.253	50.241.729
Interest on issued bonds	-	1.851.719
Interest on derivative financial instruments	84.510.171	61.964.811
Interest on repurchase agreements	9.481.248	11.390.255
Other interest expense	4.914.318	5.268.353
Interest on financial liabilities mesasured at fair value through profit and loss	1.807.738	706.332
	<b>1.683.420.378</b>	<b>1.997.391.803</b>

<b>4. FEE AND COMMISSION INCOME</b>		
	<b>31.12.2011</b>	<b>31.12.2012</b>
Payments and money transfers	173.806.933	230.654.617
Bank cards services	381.754.366	319.755.915
Custodial fees	52.660.213	41.465.823
Guarantees and letter of credit	35.109.194	54.063.346
Other fee and commission income	84.513.910	34.460.490
	<b>727.844.616</b>	<b>680.400.191</b>

<b>5. FEE AND COMMISSION EXPENSES</b>		
	<b>31.12.2011</b>	<b>31.12.2012</b>
Payments and money transfers	45.944.138	42.407.961
Bank cards services	72.999.945	102.154.686
Custodial fees	3.121.891	2.814.669
Guarantees and letter of credit	3.044.827	3.818.232
Other fee and commission expense	9.270.871	8.119.088
	<b>134.381.672</b>	<b>159.314.636</b>

8. PROFIT/LOSS FROM TRADING		
	31.12.2011	31.12.2012
Net gain/(loss) on derivative financial instruments	16.314.936	(7.119.568)
Net gain on financial assets at fair value through profit or loss	25.261.661	45.951.147
	41.576.597	38.831.579

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 Group earned realized profit in amount of HRK 61.475.973 by selling financial asset available for sale.

17. OTHER INCOME		
	31.12.2011	31.12.2012
Income from sale of property and equipment	9.964.094	3.584.212
Rental income from investment property	2.564.773	121.026
Rental income	2.330.353	2.742.260
Other	7.144.862	13.824.234
	22.004.082	20.271.732

18. OTHER EXPENSES		
	31.12.2011	31.12.2012
Other taxes and contributions	8.817.761	7.328.967
Other	4.709.101	2.283.911
	13.526.862	9.612.878

19. GENERAL AND ADMINISTRATIVE EXPENSES AND DEPRECIATION		
	31.12.2011	31.12.2012
Employee related costs		
- Wages, salaries and compensations	325.238.110	316.126.704
- Payroll taxes and contributions	233.825.784	224.606.444
Pension and jubilee provisions	9.437.686	2.611.924
Donations and sponsorship	8.399.400	9.148.583
Other administrative expenses	577.715.320	572.460.609
Depreciation	77.451.132	71.812.125
	1.232.067.432	1.196.766.389

21. EXPENSES OF VALUE ADJUSTMENTS AND LOAN LOSS PROVISIONS		
	31.12.2011	31.12.2012
Provisions for impairment losses on loans and advances	683.864.326	786.236.671
Provision for impairment loss on other assets	55.647.061	83.441.640
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	11.404.489	1.061.670
Provision for impairment of guarantees and credit commitments	4.571.815	28.789.892
	757.048.351	901.565.097



## 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 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

Karima Perišin



Member of the Management Board

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

Rijeka, March 5<sup>th</sup> 2013