Annual report 2011

Hypo Alpe-Adria-Bank d.d.

Croatia

Contents

Management Board Members

Markus Ferstl
President of the Management Board

Responsible for:
Board Assistance Department
Internal Audit
Legal Affairs
Compliance and Security
Human Resources Management
Marketing
Corporate Communications
Economic Research
Ombudsman

Brane Golubić
Member of the Management Board

Responsible for:
Credit Risk Control
Market and Liquidity Risk Control
Credit Management
Retail Risk Management
Credit Processing
Credit Rehabilitation

Ivo Bilić
Member of the Management Board

Responsible for:
Retail Banking
Card Processing Centre
Retail Product Marketing

Tea Martinčić
Member of the Management Board

Responsible for:
Corporate
Public Finance
Investment Banking
Hypo Alpe-Adria-Leasing

Tadija Vrdoljak
Member of the Management Board

Responsible for:
Financial Controlling
Accounting and Reporting
Balance Sheet Management and Treasury
Business Technology
Procurement
Collection
Transaction Banking
Real Estate Management
Business Continuity Management

Management Board Report for the Year 2011

Macroeconomic environment

Croatia GDP stagnated in 2011 with re-stocking, slightly positive net trade contribution and household spending offsetting government spending stagnation and ongoing albeit slowing investment decline. Given higher goods trade deficit, the key factor behind positive net trade contribution was better tourist season. Personal spending was hurt by higher unemployment, real wage decline, higher cost of debt service and consumer pessimism. Investment contraction is owed to permanent real sector illiquidity and corporate restructuring. Overall credit growth reflected placements toward public sector, but also firms' demand for working capital as well as onshoring of external debt. Deposit growth was largely driven by retail savings, although the pace has slowed somewhat.

Total banks' assets on 31 December, 2011 (CNB's preliminary non-audited data) amounted HRK407.4bn or 119% of GDP.

The CNB initially cut banks' foreign assets/foreign liabilities ratio by 3pp to 17% in 1H11, thus freed up EUR850m banks' funds as to enhance investments into export-oriented sectors and working capital into perspective firms. Against intensified depreciation pressures on the kuna in 2H11, the CNB then hikes banks' mandatory reserve requirement rate by 1pp to 14% in September-2011. Thenafter, the CNB further lifted banks' MRR by 1pp to 15% in January-2012, thus squeezing HRK6.2bn out of the system via these two MRR hikes. However, having intervened into the structure of banks' foreign assets/foreign liabilities ratio, the CNB accepted EUR764m MinFin's T-bills issued in February-2012, thus having ensured the government's external liquidity. Also, the CNB is eyeing a conditional 1.5pp mandatory reserve requirement cut to 13.5%, freeing up HRK5bn banks' reserves (o/w HRK4.1bn in kuna and HRK0.9bn in FC) as to enhance the supply side of the economy via the CBRD-channelled lending to export firms.

Overview of business operations

In 2011 in accordance with its business strategy Hypo Alpe-Adria-Bank continued with the business development in Croatia and despite challenging market conditions invested additional efforts into intensifying its market presence. Much of the activities targeted the increase of client base and collection of primary funds. During the year the Bank increased the number of clients, successfully collected new retail deposits, developed its business network and was a reliable partner to citizens and the economy, confirming itself as one of the biggest and most stable banks on the market.

With the total balance of HRK 41.2 billion, Hypo Alpe-Adria-Bank ranked fourth for the first time since doing business on Croatian market, and during the year strengthened its position.

Total net credit portfolio amounted to HRK 29.79 billion, which represents a 5 percent growth compared to 2010.

Deposit segment recorded a strong growth of 10.5 percent again, compared to the previous year, and amounted to HRK 27.4 billion. On December 31, 2011 retail deposits amounted to HRK 12.28 billion, which represents a 12.53 percent growth compared to the end of 2010.

Still, the year 2011 was marked with continued unfavourable economic developments, which resulted in the increase of credit risk and more difficult collection, whereupon the Bank's results were affected by provisions for losses. All this, along with new investments oriented at business development, resulted with a slight growth of CIR, so that the total profit before taxes amounted to HRK 54.9 million.

Hypo Alpe-Adria-Bank ended the year 2011 with a market share of 10 percent, and with 26 percent it has the highest capital adequacy ratio among all the major banks in Croatia and one of the highest in the whole SEE region.

In the year 2011 the **Retail sector** achieved excellent results, primarily due to increased sales performance of retail sales network, so that the sector surpassed two milestones: over 400 thousand clients and the EUR 1.5 billion of retail deposits. The best results were achieved in the segment of deposits, which grew almost twice as fast as the market average. Weak demand for loans was a reflection of poor economic activity on the industry level and the generally reduced demand resulted in a share equal to the total retail loans in the previous year. Nevertheless, the growth was generated in the segment of car and credit card loans.

In 2011 Hypo Alpe-Adria-Bank also introduced advisory banking for affluent clients, which created the individualized approach and additionally raised the quality level of services. By further improvement of existing and through development of new products and services, the Bank will continue developing retail banking as a basis for future operations.

The Small and Medium-Sized Entrepreneurs segment achieved satisfactory results in 2011, which are reflected in over 2000 newly acquired clients, stable credit volume and a significant 13% deposits increase, compared to the year

2010. In line with the Bank's target guideline of proving itself as a partner bank to its clients, the Bank reorganized its existing SME model, stabilized its loan portfolio, increased its availability and now provides a complete service through 75 financial consultants located in 35 business centres. Strong emphasis was put on financing current credit liquidity needs of small businesses and a considerable step forward was also made through the active support of small businesses in all programs related to EU funds, especially in measures IPARD 101, 103 and 302. The development of new products, tailored to the needs of small and medium businesses, was also initiated and the enriched product portfolio, primarily with product packages, mobile banking and further development of card products will be produced in 2012.

The unfavourable economic trends that largely affected the corporate sector in 2010, continued also during the year 2011. Nevertheless the strategic focus of the **Corporate sector** in 2011 was on the acquisition of clients who had been least affected by adverse market developments. Significant activities were focused on collecting primary sources, the restructuring of the existing portfolio and on intensifying the cooperation with existing clients by providing comprehensive and more quality services in order to maximize new revenue potentials.

In 2011, in cooperation with the Croatian Bank for Reconstruction and Development (HBOR), Hypo Alpe-Adria-Bank took part in the implementation of HBOR's loan programs (total of 21 programs), and signed cooperation agreements for 8 new programs. The Bank specially emphasizes the participation in the Loan Program for Economic Recovery and Development Model A +, which is a continuation of the cooperation through the Model A from the previous year. The program is designed for financing the working capital through auctions, based on Government's Decision and the Agreement on the syndicated loan with 7 business banks. Hypo Alpe-Adria-Bank approved a total of HRK 330 million for more than 100 clients. The Bank also cooperates in financing of projects that are candidates for pre-accession funds from the IPARD programs: Measure 101 and 103. The cooperation in implementation of the IPARD Programme Measure 301 - Development of rural infrastructure and Measure 302 - Diversification and development of rural economic activities intensified in 2011.

The strategic orientation in the upcoming period of time will be further diversification of the existing portfolio through new acquisitions, collection of primary sources and increasing the quality of the existing portfolio.

With further development of retail and support of SME, one of the strategic priorities continued to be the development of the public finance sector. In 2011 the **Public Finance sector** continued its long-term trend of achieving excellent business results, acquired significant number of strategic clients, increased primary funding sources and participated in a number of major tenders that resulted with infrastructural development and investment projects so that today Hypo Alpe-Adria-Bank holds the third position on the market in this segment. The business result was achieved primarily due to providing quality services, with special emphasis on complete financial and advisory support to clients from the public sector (local and regional governments, public enterprises, public utility companies, non-profit organizations, etc.).

Aware that the environment in which it operates is very dynamic, the Bank constantly adjusts its products and services to the clients' needs and accordingly, in light of the forthcoming Croatian accession to the EU, the Bank established the EU Desk department in April, which, through various events and publications, educated a significant number of Bank's current and future clients on issues and possibilities of funding by EU pre-accession funds. In the time ahead the Bank will be a significant participant in new public sector investment cycles, and continued positive growth trend is expected as well as realization of ambitious plans.

Hypo Alpe-Adria-Bank's **Investment Banking sector** was very active in 2011 in implementing new processes and expanding the service portfolio activities which brought additional investment discipline and provided the sector with a greater leverage of core competence in managing CEE equities. The result being that two out of the four funds were ranked in top quartile of their respective categories, while one fund was ranked in the second quartile. The Bank was also focused on improving the quality of brokerage and custody services and among other achievements introduced a new functionality, the HYPOeTrade application for electronic trading of financial instruments for corporate clients, which resulted in a growing number of HYPOeTrade application users, whose number increased by 59% in 2011.

In terms of depositary bank and custody over financial instruments, Hypo Alpe-Adria-Bank d.d. maintained its position as the leading institution in Croatia, with assets under custody of more than HRK 23.5 billion.

In 2012 Hypo Alpe-Adria-Bank d.d. will assume the role of broker and custodian for the Alps-Adriatic region and will provide direct access to capital markets of Serbia, Bosnia and Herzegovina, Slovenia and Montenegro to its clients.

In the coming years of Croatian economy restructuring a lot is expected of the Corporate Finance Department in terms of the Investment Banking, with restructuring, financial advisory, consulting in mergers and acquisitions, structuring and implementation of joint investment projects, valuation of companies, various financial advisory services being some of the topics the newly-formed team deals with on a daily basis.

In 2011 **Hypo Alpe-Adria-Invest d.d.** was very active, primarily in implementing the investment and risk management processes adopted in late 2010. These brought considerable improvements in the way the company manages its funds. As a result, the funds under its management achieved the highest average rankings in terms of returns among all the other investment management companies in Croatia in 2011 (those which have at least one fund in each category). The HI-balanced fund stands out in particular as it achieved the highest returns in its category. In 2012 even more emphasis will be placed on selecting fundamentally soundest securities with ample liquidity for the company's investment funds.

The Assets Management and Treasury sector fulfilled all its strategic objectives in 2011 and in collaboration with the Economic Research Department and Hypo Alpe-Adria-Invest d.d. began organizing regional macroeconomic presentations for their clients. The sector also started developing a new product, the 'ProTrader' trading platform for clients. Following the successful optimization of cash management in the network, ATMs and regional treasuries, the sector went to the implementation of new software for cash management in the network.

In 2011 a new organisational structure for the purpose of more efficient management and compliance with Group standards was implemented and the sector continued with the implementation of internal training on Treasury products, which started in 2010 and significantly contributed to the increase of Bank's employees' education level and, in line with it, the higher level of service quality to customers.

Even in the challenging market conditions Hypo Alpe-Adria-Bank continuously worked on increasing the quality and accessibility to its clients and continued expanding its **Business network** by opening new branches and installing ATMs, thus demonstrating its commitment to business development in Croatia. During 2011 some branches were relocated to new locations, some were reconstructed, with the purpose of modernizing, increasing the speed and quality of service. The branch network was expanded by three new locations in Zagreb, so that the Bank operated in a total of 73 locations, while with new 32 ATMs their number increased to 240. The strategic decision of the Bank for 2012 is to continue with the expansion of branch network by opening new branches, reconstructing two major branches in Split and Rijeka, as well as installing 40 new ATMs in major Croatian cities.

Prospects for the Future

For the FY12, we forecast a -2.0% GDP contraction given prevalence of austerity measures and a reversal in credit origination. Namely, we see three external drags to dominate 2012: (i) the EMU fiscal tightening (especially in case of Italy as Croatia's key export market), (ii) bank de-leveraging/tighter credit, and (iii) poor conviction about the EMU crisis management. Imported risk-off will see the long overdue local austerity package (state-dependent business restructuring, entitlement reforms) frontloaded, which alongside soaring unemployment hits demand. Downside risks lie with the external funding struggle, risk-motivated CNB tightening and repercussions on capex, and the self-defeating character of fiscal austerity in the absence of pro-growth reforms. Credit activity will suffer this year as more restricted access to bank funding offsets benefits from the CBRD/IFI-supported credit schemes, and loan demand falters on dismal macro backdrop. Somewhat encouraging is the ECB's easing, with thus notably improved liquidity conditions abroad suggesting somewhat slower de-leveraging process. In times of occasional risk aversion which could affect dominantly unhedged corporate balance sheets, the best that the CNB can ensure is financial sector stability ie predictability. What would indeed allow a more comfortable monetary relaxation is sustained improvement in risk assessment externally, fiscal/structural reforms gaining traction domestically and that the carry on HRK can be reduced at limited or no cost to the currency.

All said, we do not, however, expect a replay of the 2008/09 slump given still decent global growth, potential for further ECB easing upon more clarity on the EMU fiscal compact union has emerged. Needless to say the augmented domestic political commitment and public support to reforms may play out crucial to investor sentiment. Against the backdrop of faltering demand, weak medium term growth prospects, unfavourable business climate and low capacity utilization, private sector refrains from investments. The announced public infrastructure investments are a move in a right direction in terms of structural changes (energy before highways), especially in case of more equity- and concession-based funding models instead of public borrowing.

In 2011 Hypo Alpe-Adria-Bank made important improvements in various segments and for the first time since operating in Croatian market became the bank number four, with the number of clients continuing to grow, with retail deposits being one of the fastest growing among all big banks on the market.

During the year, Hypo Alpe-Adria-Bank also implemented the new organisational structure that has been unified in all Hypo countries in order to facilitate a stronger market approach and a clearer business steering in the segments retail, corporate and public finance.

Accordingly, in 2012 Hypo Alpe-Adria-Bank will definitely continue implementing its growth strategy and focus on its key business segments - strong support to retail, SME and public finance sectors, with planned introduction of new services, products and new branches.

Management Board
HYPO ALPE-ADRIA-BANK d.d.

Mag. Markus Ferstl

Brane Golubić, B.Sc.

Ivo Bilić, B.Sc.

Tea Martinčić, B.Sc.

Tadija Vrdoljak, Ph.D

Hypo Alpe-Adria-Bank d.d. Zagreb and subsidiaries

Financial statements and independent auditor's report

for the year ended 31 December 2011

Responsibility for the Financial Statements

Pursuant to the Croatian Accounting Law (Official Gazette 109/07) and the Croatian Credit Institutions Act (Official Gazette 117/08), the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with the applicable legislation and regulatory requirements, which give a true and fair view of the financial position of Hypo Alpe-Adria-Bank d.d. Zagreb ("the Bank") and Group HYPO ALPE-ADRIA-BANK d.d. Zagreb ("the Group") and of the results of their operations, changes in equity and cash flows for that period.

After making enquiries, the Management Board has a reasonable expectation that the Bank and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Bank and the Group will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose, with reasonable accuracy at any time, the financial position of the Bank and the Group and must also ensure that the financial statements comply with the Croatian Accounting Law (Official Gazette 109/07) and the Croatian Credit Institutions Act (Official Gazette 117/08). The Management Board is also responsible for safeguarding the assets of the Bank and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These financial statements were authorized for issue by the Management Board on 28 February 2012 and were therefore signed on its behalf as follows:

Mag. Markus Ferstl

Brane Golubić, B.Sc.

Ivo Bilić, B.Sc.

Tea Martinčić, B.Sc.

Tadija Vrdoljak, Ph.D

HYPO ALPE-ADRIA-BANK d.d.
Slavonska avenija 6
10 000 Zagreb
Republic of Croatia

Independent Auditor's Report

To the Shareholders of HYPO ALPE-ADRIA-BANK d.d. Zagreb:

Report on the financial statements:
We have audited the accompanying unconsolidated and consolidated financial statements ("the financial statements") of HYPO ALPE-ADRIA-BANK d.d. Zagreb ("the Bank") and its subsidiaries (together "the Group"), which comprise the unconsolidated and consolidated statements of financial position as at 31 December 2011, the unconsolidated and consolidated income statements, unconsolidated and consolidated statements of comprehensive income, the unconsolidated and consolidated statement of changes in equity and the unconsolidated and consolidated cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory information (as set out on pages 6 to 109).

Management Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with statutory accounting requirements for banks in Croatia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion the financial statements present fairly, in all material respects, the financial position of the Bank and of the Group as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with statutory accounting requirements for banks in the Republic of Croatia.

Report on other legal and regulatory requirements
In accordance with the By-law on the structure and content of the annual financial statements (National Gazette no 62/08) (hereinafter „the By-Law"), the Bank's management has prepared forms which are presented on pages 110 to 121, and which contain a balance sheet as at 31 December 2011, profit and loss account, statement of changes in equity and cash flow statement for the year then ended together with notes on the reconciliation of the forms with the primary financial statements of the Group. This financial information is the responsibility of the Bank's management and is, pursuant to statutory accounting requirements for banks in Republic of Croatia, not a required part of the financial statements, but is required by the Bylaw.
Our responsibility with respect to this financial information is to perform the procedures we consider appropriate to conclude whether this financial information have been properly derived from the audited financial statements. In our opinion based on the procedures performed the financial information presented in the forms has been properly derived, in all material respects, from the audited financial statements of the Group which were prepared in accordance with statutory accounting requirements for banks in the Republic of Croatia as presented on pages 6 to 114 or are based on the underlying accounting records of the Group.

Željko Faber
CEO and certified auditor

Ernst & Young d.o.o.
Zagreb, 28 February 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Note	Unaudited* 2011 EUR '000	Unaudited* 2010 EUR '000	2011 HRK '000	2010 HRK '000
Interest and similar income	3	271,043	283,070	2,041,069	2,090,522
Interest expense and similar charges	4	(151,488)	(143,815)	(1,140,771)	(1,062,098)
Net interest income		**119,555**	**139,255**	**900,298**	**1,028,424**
Fee and commision income	5	41,305	48,764	311,046	360,134
Fee and commision expense	6	(9,603)	(9,526)	(72,314)	(70,351)
Net fee and commission income		**31,702**	**39,238**	**238,732**	**289,783**
Net trading (loss)/gain	7	7,933	(14,345)	59,738	(105,940)
Net foreign exchange differences	8	1,864	24,486	14,034	180,836
Other operating income	9	19,660	10,348	148,050	76,419
Total income		**180,714**	**198,982**	**1,360,852**	**1,469,522**
Personnel expenses	10	(43,866)	(41,527)	(330,329)	(306,684)
Depreciation	22	(12,508)	(9,406)	(94,189)	(69,466)
Amortization	23	(4,897)	(4,861)	(36,874)	(35,900)
Impairment losses	11	(62,152)	(66,562)	(468,028)	(491,574)
Other operating expenses	12	(49,703)	(44,195)	(374,287)	(326,388)
Total expenses		**(173,126)**	**(166,551)**	**(1,303,707)**	**(1,230,012)**
Profit before tax		**7,588**	**32,431**	**57,145**	**239,510**
Income tax	13	(1,656)	(7,248)	(12,469)	(53,528)
Net profit for the year		**5,932**	**25,183**	**44,676**	**185,982**
Attributable to:					
Owners of the Group		5,932	25,183	44,676	185,982

* Income Statement items reported in the audited financial statements, are translated into EUR using the middle exchange rate of the Croatian National Bank as at 31 December of the respective year and are given only for illustration and do not represent a part of the audited financial statements (see Note 2 for the information on exchange rates used).

Notes on pages 26 to 101 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	Unaudited* 2011 EUR '000	Unaudited* 2010 EUR '000	2011 HRK '000	2010 HRK '000
Net profit for the year		**5,932**	**25,183**	**44,676**	**185,982**
Other comprehensive income					
Net value gain/(loss) on available for sale financial assets		223	(1,534)	1,679	(11,330)
Net value gain on cash flow hedges		-	-	-	-
Gain/(loss) on revaluation of properties		-	(941)	-	(6,951)
Comprehensive income before tax		**223**	**(2,475)**	**1,679**	**(18,281)**
Income tax relating to components of other comprehensive income		(54)	302	(404)	2,229
Total comprehensive income for the year		**6,101**	**23,010**	**45,951**	**169,930**
Total comprehensive income attributable to:					
Owners of the Group		6,101	23,010	45,951	169,930

* Statement of Comprehensive Income items reported in the audited financial statements, are translated into EUR using the middle exchange rate of the Croatian National Bank as at 31 December of the respective year and are given only for illustration and do not represent a part of the audited financial statements (see Note 2 for the information on exchange rates used).

Notes on pages 26 to 101 form an integral part of these financial statements.

Signed on behalf of HYPO ALPE-ADRIA-BANK d.d. Zagreb on 28 February 2012:

Tadija Vrdoljak
Member of the Management Board

Brane Golubić
Member of the Management Board

Markus Ferstl
President of the Management Board

Consolidated Statement of Financial Position

As at 31 December 2011

	Note	Unaudited* 2011 EUR '000	Unaudited* 2010 EUR '000	2011 HRK '000	2010 HRK '000
Assets					
Cash and balances with Croatian National Bank	14	691,808	580,278	5,209,605	4,285,452
Financial assets at fair value through profit or loss	15	11,473	18,145	86,396	134,001
Derivative financial assets	34	242	40	1,822	295
Placements with and loans to other banks	16	62,770	107,328	472,683	792,635
Loans and receivables	17	3,952,108	3,820,608	29,761,034	28,215,848
Available for sale financial assets	18	567,609	554,020	4,274,337	4,091,536
Assets acquired in lieu of uncollected receivables	20	14,972	15,810	112,748	116,758
Property, plant and equipment	22	179,633	153,691	1,352,714	1,135,036
Intangible assets	23	11,209	9,700	84,411	71,636
Deferred tax assets	13	11,117	12,343	83,717	91,157
Current tax assets		9,166	-	69,024	-
Other assets	21	27,297	25,429	205,550	187,802
Total assets		**5,539,404**	**5,297,392**	**41,714,041**	**39,122,156**

Consolidated Statement of Financial Position

As at 31 December 2011

	Note	Unaudited* 2011 EUR '000	Unaudited* 2010 EUR '000	2011 HRK '000	2010 HRK '000
Liabilities					
Due to other banks	24	2,119,026	1,896,902	15,957,156	14,008,951
Due to customers	25	2,211,804	2,134,902	16,655,810	15,766,624
Finance lease liabilities	26	171	217	1,285	1,599
Derivative financial liabilities	34	13,167	36,546	99,153	269,895
Provisions for liabilities and charges	27	11,950	12,958	89,990	95,698
Current tax liabilities		923	5,070	6,954	37,443
Other liabilities	28	137,031	23,093	1,031,900	170,542
Subordinated debt	29	322,739	323,482	2,430,365	2,388,969
Total liabilities		**4,816,811**	**4,433,170**	**36,272,613**	**32,739,721**
Equity					
Share capital	30	691,696	806,999	5,208,760	5,959,830
Share premium		7,937	8,093	59,767	59,767
Unallocated profits		6,066	25,183	45,682	185,982
(Loss carried forward)/retained earnings		(1,990)	5,730	(14,984)	42,317
Reserves	31	18,884	18,217	142,203	134,539
Total equity		**722,593**	**864,222**	**5,441,428**	**6,382,435**
Total liabilities and equity		**5,539,404**	**5,297,392**	**41,714,041**	**39,122,156**
Commitments and contingent liabilities	32	567,696	582,157	4,274,991	4,299,328

* Statement of Financial Position items reported in the audited financial statements, are translated into EUR using the middle exchange rate of the Croatian National Bank as at 31 December of the respective year and are given only for illustration and do not represent a part of the audited financial statements (see Note 2 for the information on exchange rates used).

Notes on pages 26 to 101 form an integral part of these financial statements.

Signed on behalf of HYPO ALPE-ADRIA-BANK d.d. Zagreb on 28 February 2012:

Tadija Vrdoljak Member of the Management Board	Brane Golubić Member of the Management Board	Markus Ferstl President of the Management Board

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

HRK'000

	Share capital	Share premium	Reserves	Revaluation reserve	Fair value reserve	Retained earnings/ loss carried forward	Unallocated profits	Total
Balance at 1 January 2010	**5,959,830**	**59,767**	**135,365**	**51,193**	**(275)**	**12,148**	**151,381**	**6,369,409**
Total comprehensive income	-	-	-	(6,951)	(9,101)	-	185,982	169,930
Allocation of profit from 2009								-
Legal reserves	-	-	7,571	-	-	-	(7,571)	-
Retained earnings	-	-	-	-	-	(34)	34	-
Dividends	-	-	-	-	-	-	(143,844)	(143,844)
Dividend from other reserves	-	-	(41,417)	-	-	-	-	(41,417)
Other changes	**-**	**-**	**(992)**	**(855)**	**-**	**30,204**	**-**	**28,357**
Balance at 31 December 2010	**5,959,830**	**59,767**	**100,527**	**43,387**	**(9,376)**	**42,318**	**185,982**	**6,382,435**
Total comprehensive income	-	-	-	-	1,275	-	44,676	45,951
Acquired entity transferred balances	-	-	-	-	-	(16,957)	1,006	(15,951)
Allocation of profit from 2010								-
Legal reserves	-	-	11,357	-	-	-	(11,357)	-
Dividends	-	-	-	-	-	(41,155)	(174,625)	(215,780)
Share capital decrease	(751,070)	-	-	-	-	-	-	(751,070)
Other changes	-	-	-	(4,967)	-	810	-	(4,157)
Balance at 31 December 2011	**5,208,760**	**59,767**	**111,884**	**38,420**	**(8,101)**	**(14,984)**	**45,682**	**5,441,428**

Notes on pages 26 to 101 form an integral part of these financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 December 2011

HRK'000

	Note	2011	2010
Cash flow from operating activities:			
Net profit for the year		44,676	185,982
Adjustments for:			
Income tax recognized in profit or loss		12,469	53,528
Interest expense recognized in profit or loss		1,140,771	1,062,098
Interest income recognized in profit or loss		(1,966,561)	(2,020,899)
Depreciation and amortization		131,063	105,366
Gain on disposal of property, plant and equipment		(23,158)	(4,704)
Fair value adjustment of financial assets at fair value through profit or loss		4,280	(751)
Fair value adjustment of derivative financial instruments		56,080	204,932
Dividends received		(21)	(36)
Impairment of asses		468,028	491,574
Operating cash flow before working capital movements		*(132,373)*	*77,090*
(Increase)/decrease in balances with Croatian National Bank		(508,988)	691,761
Decrease/(increase) in placements with other banks		8,415	(229,189)
Increase in loans and receivables		(1,783,136)	(1,796,593)
Increase in other assets		(45,540)	(18,871)
Increase/(decrease) in due to other banks		1,647,015	(1,068,914)
Increase in term deposits		693,422	1,428,363
Increase in demand deposits		188,449	88,739
Decrease in provisions for liabilities and charges		(5,709)	(153,148)
(Decrease)/increase in other liabilities		(142,866)	166,855
Interest paid		(1,127,007)	(1,081,146)
Interest received		1,922,277	1,997,934
Income taxes paid		(111,495)	(45,961)
Net cash from operating activities		**602,464**	**56,920**
Cash flows from investing activities:			
Decrease/(increase) in financial assets at fair value through profit or loss		42,700	(11,919)
Decrease in available for sale financial assets		350,696	266,068
Dividends received		21	36
Liquidation of the subsidiary		20	-
Increase of property, plant and equipment and intangible assets		(87,548)	(115,324)
Net cash from investing activities		**305,889**	**138,861**
Cash flows from financing activities:			
Increase in subordinated debt		41,065	170,628
Decrease in borrowings		(111,310)	(849,217)
Dividends paid		(215,781)	(185,261)
Net cash from financing activities		**(286,026)**	**(863,850)**
Increase/(decrease) in cash and cash equivalents		**622,327**	**(668,069)**
Cash of acquired company		**10,769**	**-**
Cash and cash equivalents at the beginning of the year		2,543,690	3,211,759
Cash and cash equivalents at the end of the year	37	3,176,786	2,543,690

Notes on pages 26 to 101 form an integral part of these financial statements.

Unconsolidated Income Statement

For the year ended 31 December 2011

	Note	Unaudited* 2011 EUR '000	Unaudited* 2010 EUR '000	2011 HRK '000	2010 HRK '000
Interest and similar income	3	270,875	284,189	2,039,802	2,098,783
Interest expense and similar charges	4	(149,599)	(142,612)	(1,126,546)	(1,053,216)
Net interest income		**121,276**	**141,577**	**913,256**	**1,045,567**
Fee and commision income	5	40,810	48,276	307,319	356,527
Fee and commision expense	6	(9,521)	(9,431)	(71,696)	(69,652)
Net fee and commission income		**31,289**	**38,845**	**235,623**	**286,875**
Net trading gain/(loss)	7	7,912	(14,371)	59,578	(106,130)
Net foreign exchange differences	8	3,658	26,045	27,548	192,349
Other operating income	9	5,710	8,871	43,002	65,516
Total income		**169,845**	**200,967**	**1,279,007**	**1,484,177**
Personnel expenses	10	(41,899)	(40,054)	(315,520)	(295,804)
Depreciation	22	(6,225)	(6,689)	(46,880)	(49,399)
Amortization	23	(4,843)	(4,816)	(36,473)	(35,565)
Impairment losses	11	(63,101)	(66,431)	(475,178)	(490,601)
Other operating expenses	12	(46,484)	(45,190)	(350,045)	(333,737)
Total expenses		**(162,552)**	**(163,180)**	**(1,224,096)**	**(1,205,106)**
Profit before tax		**7,293**	**37,787**	**54,911**	**279,071**
Income tax	13	(1,667)	(7,032)	(12,550)	(51,934)
Net profit for the year		**5,626**	**30,755**	**42,361**	**227,137**

* Income Statement items reported in the audited financial statements, are translated into EUR using the middle exchange rate of the Croatian National Bank as at 31 December of the respective year and are given only for illustration and do not represent a part of the audited financial statements (see Note 2 for the information on exchange rates used).

Notes on pages 26 to 101 form an integral part of these financial statements.

Unconsolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Unaudited* 2011 EUR '000	Unaudited* 2010 EUR '000	2011 HRK '000	2010 HRK '000
Net profit for the year	**5,626**	**30,755**	**42,361**	**227,137**
Other comprehensive income				
Net value loss on available for sale financial assets	268	(1,509)	2,019	(11,145)
Net value gain on cash flow hedges	-	-	-	-
Gain/(loss) on revaluation of properties	-	(941)	-	(6,951)
Comprehensive income before tax	**268**	**(2,450)**	**2,019**	**(18,096)**
Income tax relating to components of other comprehensive income	(54)	302	(404)	2,229
Total comprehensive income for the year	**5,840**	**28,607**	**43,976**	**211,270**

* Statement of Comprehensive Income items reported in the audited financial statements, are translated into EUR using the middle exchange rate of the Croatian National Bank as at 31 December of the respective year and are given only for illustration and do not represent a part of the audited financial statements (see Note 2 for the information on exchange rates used).

Notes on pages 26 to 101 form an integral part of these financial statements.

Signed on behalf of HYPO ALPE-ADRIA-BANK d.d. Zagreb on 28 February 2012:

Tadija Vrdoljak
Member of the Management Board

Brane Golubić
Member of the Management Board

Markus Ferstl
President of the Management Board

Unconsolidated Statement of Financial Position

As at 31 December 2011

	Note	Unaudited* 2011 EUR '000	Unaudited* 2010 EUR '000	2011 HRK '000	2010 HRK '000
Assets					
Cash and balances with Croatian National Bank	14	691,807	580,277	5,209,600	4,285,444
Financial assets at fair value through profit or loss	15	11,473	18,145	86,396	134,001
Derivative financial assets	34	242	40	1,822	295
Placements with and loans to other banks	16	62,769	107,327	472,674	792,629
Loans and receivables	17	3,948,538	3,845,503	29,734,152	28,399,704
Available for sale financial assets	18	565,886	552,944	4,261,356	4,083,585
Investments in subsidiaries	19	32,433	29,686	244,234	219,234
Assets acquired in lieu of uncollected receivables	20	14,972	15,810	112,748	116,758
Property, plant and equipment	**22**	44,042	44,376	331,658	327,727
Intangible assets	23	11,000	9,616	82,831	71,013
Deferred tax assets	13	10,385	12,343	78,203	91,157
Current tax assets		8,697	-	65,492	-
Other assets	21	21,154	24,308	159,296	179,522
Total assets		**5,423,398**	**5,240,375**	**40,840,462**	**38,701,069**

Unconsolidated Statement of Financial Position
As at 31 December 2011

	Bilješka	Nerevidirano* 2011. EUR '000	Nerevidirano* 2010. EUR '000	2011. HRK '000	2010. HRK '000
Liabilities					
Due to other banks	24	2,003,458	1,836,588	15,086,882	13,563,521
Due to customers	25	2,220,958	2,138,975	16,724,745	15,796,699
Finance lease liabilities	26	171	217	1,285	1,599
Derivative financial liabilities	34	13,167	36,546	99,153	269,895
Provisions for liabilities and charges	27	11,876	12,942	89,434	95,576
Current tax liabilities		923	5,105	6,954	37,699
Other liabilities	28	125,523	22,160	945,239	163,657
Subordinated debt	29	322,740	323,482	2,430,365	2,388,969
Total liabilities		**4,698,816**	**4,376,015**	**35,384,057**	**32,317,615**
Equity					
Share capital	30	691,696	806,999	5,208,760	5,959,830
Share premium		7,937	8,093	59,767	59,767
Unallocated profits		5,625	30,755	42,361	227,137
Retained earnings		219	116	1,647	855
Reserves	31	19,105	18,397	143,870	135,865
Total equity		**724,582**	**864,360**	**5,456,405**	**6,383,454**
Total liabilities and equity		**5,423,398**	**5,240,375**	**40,840,462**	**38,701,069**
Commitments and contingent liabilities	32	568,682	583,088	4,282,417	4,306,205

* Statement of Financial Position items reported in the audited financial statements, are translated into EUR using the middle exchange rate of the Croatian National Bank as at 31 December of the respective year and are given only for illustration and do not represent a part of the audited financial statements (see Note 2 for the information on exchange rates used).

Notes on pages 26 to 101 form an integral part of these financial statements.

Signed on behalf of HYPO ALPE-ADRIA-BANK d.d. Zagreb on 28 February 2012:

Tadija Vrdoljak	Brane Golubić	Markus Ferstl
Member of the Management Board	Member of the Management Board	President of the Management Board

Unconsolidated Statement of Changes in Equity

For the year ended 31 December 2011

HRK'000

	Share capital	Share premium	Reserves	Revaluation reserve	Fair value reserve	Retained earnings	Unallocated profits	Total
Balance at 1 January 2010	**5,959,830**	**59,767**	**134,315**	**51,193**	**1,917**	**940**	**151,415**	**6,359,377**
Total comprehensive income	-	-	-	(6,951)	(8,916)	-	227,137	211,270
Allocation of profit from 2009								
Legal reserves	-	-	7,571	-	-	-	(7,571)	-
Dividends	-	-	-	-	-	-	(143,844)	(143,844)
Dividend from other reserves	-	-	(41,417)	-	-	-	-	(41,417)
Other changes	-	-	(992)	(855)	-	(85)	-	(1,932)
Balance at 31 December 2010	**5,959,830**	**59,767**	**99,477**	**43,387**	**(6,999)**	**855**	**227,137**	**6,383,454**
Total comprehensive income	-	-	-	-	1,615	-	42,361	43,976
Allocation of profit from 2010								
Legal reserves	-	-	11,357	-	-	-	(11,357)	-
Dividends	-	-	-	-	-	-	(215,780)	(215,780)
Share capital decrease	(751,070)	-	-	-	-	-	-	(751,070)
Other changes	-	-	-	(4,967)	-	792	-	(4,175)
Balance at 31 December 2011	**5,208,760**	**59,767**	**110,834**	**38,420**	**(5,384)**	**1,647**	**42,361**	**5,456,405**

Notes on pages 26 to 101 form an integral part of these financial statements.

Unconsolidated Statement of Cash Flows

For the year ended 31 December 2011

HRK'000

	Note	2011	2010
Cash flow from operating activities:			
Net profit for the year		42,361	227,137
Adjustments for:			
Income tax recognized in profit or loss		12,550	51,934
Interest expense recognized in profit or loss		1,126,546	1,053,216
Interest income recognized in profit or loss		(1,965,293)	(2,029,144)
Depreciation and amortization		83,353	84,964
Gain on disposal of property, plant and equipment		(4,886)	(4,704)
Fair value adjustment of financial assets at fair value through profit or loss		4,280	(751)
Fair value adjustment of derivative financial instruments		56,080	204,932
Dividends received		(21)	(32,306)
Impairment of asses		475,178	490,601
Operating cash flow before working capital movements		*(169,852)*	*45,879*
(Increase)/decrease in balances with Croatian National Bank		(508,988)	691,761
Decrease/(increase) in placements with other banks		4,570	(229,194)
Increase in loans and receivables		(1,741,950)	(1,978,448)
Increase in other assets		(48,149)	(51,647)
Increase/(decrease) in due to other banks		1,647,015	(1,068,914)
Increase in term deposits		701,672	1,397,488
Increase in demand deposits		218,975	86,494
Decrease in provisions for liabilities and charges		(6,142)	(152,853)
(Decrease)/increase in other liabilities		(135,571)	176,204
Interest paid		(1,114,951)	(1,072,310)
Interest received		1,923,532	2,004,168
Income taxes paid		(110,239)	(39,113)
Net cash from operating activities		**659,922**	**(190,485)**
Cash flows from investing activities:			
Decrease/(increase) in financial assets at fair value through profit or loss		42,700	(11,919)
Decrease in available for sale financial assets		356,065	261,834
Increase in investments in subsidiaries		(25,000)	(181,375)
Dividends received		21	32,306
Increase of property, plant and equipment and intangible assets		(98,391)	(90,262)
Net cash from investing activities		**275,395**	**10,584**
Cash flows from financing activities:			
Increase in subordinated debt		41,065	170,628
Decrease in borrowings		(127,511)	(473,537)
Dividends paid		(215,781)	(185,261)
Net cash from financing activities		**(302,227)**	**(488,170)**
Increase/(decrease) in cash and cash equivalents		**633,090**	**(668,071)**
Cash and cash equivalents at the beginning of the year		2,543,682	3,211,753
Cash and cash equivalents at the end of the year	37	**3,176,772**	**2,543,682**

Notes on pages 26 to 101 form an integral part of these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2011

1. GENERAL INFORMATION ABOUT THE BANK AND THE GROUP

a) History and Incorporation

HYPO ALPE-ADRIA-BANK d.d. Zagreb (hereinafter: the Bank), is a joint stock company registered in Croatia. The registered office of the Bank is located in Slavonska avenija 6.

The Bank is a fully owned subsidiary of HYPO ALPE-ADRIA-BANK INTERNATIONAL AG Klagenfurt.

The Bank is a member of the Hypo Group Alpe Adria, with HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt as the parent company. The shareholder of HYPO ALPE-ADRIA-BANK INTERNATIONAL AG is the Republic of Austria, and consequently the ultimate parent company of HYPO ALPE-ADRIA-BANK d.d. Zagreb.

During 2011 the operations were conducted through the Bank's head office located in Zagreb and through branches organized into regional centers Zagreb, Central Croatia, Dalmatia, Istria and Kvarner and Slavonia.

The companies, which are consolidated with the Bank (hereinafter: the Group), are presented below together with the percentage of ownership:

% vlasništva

	Nature of business	2011	2010
HYPO ALPE-ADRIA-INVEST d.d., Zagreb	Investment funds management	100%	100%
HYPO ALPE-ADRIA-NEKRETNINE d.o.o., Zagreb	Real estate business	100%	100%
PROJEKT NEKRETNINE d.o.o., Zagreb	Real estate business	-	100%
MAGUS d.o.o., Zagreb	Management of holding companies	-	100%
HYPO ALPE-ADRIA-LEASING d.o.o., Zagreb	Leasing	100%	-

Consolidated companies' contribution within the Group net profit after intercompany eliminations for the year:

HRK'000

	2011	2010
HYPO ALPE-ADRIA-BANK d.d. Zagreb	60,340	221,259
HYPO ALPE-ADRIA-INVEST d.d., Zagreb	556	853
HYPO ALPE-ADRIA-NEKRETNINE d.o.o., Zagreb	(22,771)	(36,163)
PROJEKT NEKRETNINE d.o.o., Zagreb	-	(1)
MAGUS d.o.o., Zagreb	-	34
HYPO ALPE-ADRIA-LEASING d.o.o., Zagreb	6,551	-
Total	**44,676**	**185,982**

Consolidated companies' contribution within the Group reserves:

HRK'000

	2011	2010
HYPO ALPE-ADRIA-BANK d.d. Zagreb	205,283	196,488
HYPO ALPE-ADRIA-INVEST d.d., Zagreb	4,307	34,662
HYPO ALPE-ADRIA-NEKRETNINE d.o.o., Zagreb	(5,647)	5,538
PROJEKT NEKRETNINE d.o.o., Zagreb	-	(11)
MAGUS d.o.o., Zagreb	-	(54)
HYPO ALPE-ADRIA-LEASING d.o.o., Zagreb	(16,957)	-
Total	**186,986**	**236,623**

b) Statutory changes

On 14 December 2011 Hypo Alpe-Adria-Nekretnine d.o.o. Zagreb, the owner of Magus d.o.o. Zagreb, performed the legal liquidation of the entity.

On 27 May 2011 Hypo Alpe-Adria-Bank d.d. Zagreb acquired Hypo Alpe-Adria-Leasing d.o.o. Zagreb from the previous owner Hypo-Leasing Kroatien d.o.o. Zagreb, also a member of the group Hypo Alpe Adria.

On 28 February 2011 Hypo Alpe-Adria-Nekretnine d.o.o. Zagreb performed the legal merger of Projekt Nekretnine d.o.o. Zagreb by transferring all assets and liabilities to its own balance sheet.

On 30 June 2010 Hypo Alpe-Adria-Nekretnine d.o.o. Zagreb performed the legal merger of Alpe Adria Centar d.o.o. Zagreb by transferring all assets and liabilities to its own balance sheet.

On 30 April 2010 Hypo Alpe-Adria-Nekretnine d.o.o. Zagreb performed the legal merger of Hypo Alpe-Adria-Ulaganje d.o.o. Zagreb by transferring all assets and liabilities to its own balance sheet.

On 30 March 2010 Alpe Adria Centar d.o.o. Zagreb performed the legal merger of Alpe-Adria Investments d.o.o. Zagreb by transferring all assets and liabilities to its own balance sheet.

Hypo Alpe-Adria-Nekretnine d.o.o. Zagreb became the legal successor of all merged companies.

c) Activity

The Bank was granted a full banking license by the Croatian National Bank ("CNB") in 1996 and started its banking activities in September 1997. This license includes, but is not limited to the following activities:

- taking deposits in local and foreign currencies,
- approving loans in local and foreign currencies,
- buying and selling of local and foreign currencies,
- opening nostro accounts abroad,
- transactions with securities, precious metals and bills of exchange, in Croatia and abroad,
- performing local and international payments, and
- issuing guarantees and letters of credit to customers.

The management considers that the Group operates in the segment of banking and related services in the Republic of Croatia.

d) Members of the Supervisory Board

The members of the Supervisory Board of the Bank during 2011 were as follows:

Gottwald Kranebitter	President	Appointed as at 27 April 2010
Wolfgang Edelmüller	Deputy President	Appointed as at 27 April 2010
Sebastian Firlinger	Member	Appointed as at 27 April 2010
Goran Radman	Member	Appointed as at 08 July 2009
Blaž Brodnjak	Member	Appointed as at 10 March 2011
Aleksandar Slana	Member	Recalled as at 10 March 2011

e) Members of the Management Board

The members of the Management Board of the Bank during 2011 were as follows:

Markus Ferstl	President	Appointed as at 14 December 2007
Tadija Vrdoljak	Member	Appointed as at 01 March 2009
Ivo Bilić	Member	Appointed as at 18 December 2009
Brane Golubić	Member	Appointed as at 10 March 2010
Tea Martinčić	Member	Appointed as at 20 October 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

The financial statements have been prepared in accordance with statutory accounting requirements for banks in Croatia. Banking operations in Croatia are subject to the Croatian Credit Institutions Act, in accordance with which financial reporting is regulated by the Accounting Act and the Croatian National Bank ("the CNB"). These financial statements have been prepared in accordance with the regulatory accounting requirements as defined by the CNB.

The statutory accounting regulations for Banks in Croatia are based on International Financial Reporting Standards ("IFRS") as adopted in Croatia and published in the National Gazette adjusted by any specific accounting related regulations brought by the CNB. The main difference between the accounting regulations of the CNB and International Financial Reporting Standards is in the assessment of collective impairment losses for balance sheet and off-balance sheet items not identified as impaired on an individual basis. The regulations require that provision is assessed on non-classified loans and some other financial assets on a portfolio basis, and is to be in a range from 0.85% to 1.20% of items qualifying for such impairment losses. As at 31 December 2011, the Bank recognized a portfolio based allowance for impairment losses in accordance with the CNB requirements of HRK 311,719 thousand which is 0.9% of items qualifying for such impairment losses (2010: HRK 303,288 thousand; 0.9%) and a related addition of provision for collective impairment in the income statement for 2011 of HRK 8,431 thousand (2010: release HRK 62,693 thousand).

IAS 39 requires that future cash flows in a group of financial assets that are collectively evaluated for impairment should be estimated on the basis of historical loss experience for such assets with credit risk characteristics similar to those in the group and these losses cannot be limited by any means. The Bank is in the process of collecting available historical data about unidentified existing losses in various portfolios, taking into account relevant economic conditions for which these historic data should be adjusted, as a basis for estimating the unidentified losses existing at the balance sheet date in accordance with IFRS.

Contrary to IFRS, the CNB rules require the amortisation of the discount calculated on impaired loans to be presented in the income statement within the movement on impairment losses on loans and advances to customers and other assets, rather than as interest income, as required by IFRS while collected interest on impaired loans is presented within interest income.

b) Adoption of new and revised International Financial Reporting Standards

The accounting policies adopted are consistent with those of the previous financial year. The Group adopted new and amended IFRS and IFRIC interpretations during the year. The impact of these standards and interpretations is described below:

Amendments to IAS 24 Related Party Disclosures (effective for financial years beginning on or after 1 January 2011)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In additions, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation – Amendment (effective for the financial years beginning from 1 February 2010)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rate to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these types of investments.

IFRIC 14 Prepayments of a Minimum Funding Requirement – Amendment (effective for the financial years from 1 January 2011)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The amendment has had no effect on the financial position or performance of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for the periods beginning on or after 1 July 2010)

On 26 November 2009, the IASB issued IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments which clarifies the requirements of International Financial Reporting Standards (IFRSs) when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The amendment has had no effect on the financial position or performance of the Group.

Changes in accounting policies and disclosures

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the below listed amendments resulting from Improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the Group:

- IAS 1 Presentation of Financial Statements: (possibility that entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements)
- IFRS 3 Business Combinations (contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 Business Combinations (un-replaced and voluntary replaced share-based payment awards)
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statements
- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)

Standards issued but not yet effective

The following IFRS standards, IAS/IFRS amendments and interpretations to existing standards have been issued, but are not yet effective up to the date of issuance of the Group financial statements. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosure, financial position or performance when applied at a future date.

IFRS 9 – Financial instruments: Classification and Measurement (effective from 1 January 2015)

On 12 November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied from 1 January 2015 with early adoption permitted. On 28 October 2010 the IASB issued amendments to IFRS 9 to address the requirements for classifying and measuring financial liabilities. Most of the requirements were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the problem of own credit risk. This completed the first phase of the Board's project to replace IAS 39. In the subsequent phases, the IASB will address impairment methodology and hedge accounting. The Group will quantify the effect of the first and other phases in the upcoming periods. The Group plans to adopt this new standard on its effective date.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point of time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment required disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

IAS 19 Employee Benefits (Amendment)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact of the remaining amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

For the following IFRS standards and IAS/IFRS amendments to existing standards that have been issued but are not yet effective the Group reasonably expects not to have an impact on disclosure, financial position or performance when applied at a future date:

International Financial Reporting Standards (IFRS)
IFRS 10 Consolidated Financial Statements, effective 1 January 2013
IFRS 11 Joint Arrangements, effective 1 January 2013
IFRS 12 Disclosure of Involvement with Other Entities, effective 1 January 2013
IFRS 13 Fair Value Measurement, effective 1 January 2013

International Accounting Standards (IAS)
IAS 12 Income Taxes – Recovery of Underlying Assets, effective 1 January 2012
IAS 27 Separate Financial Statements (as revised in 2011), effective 1 January 2013
IAS 28 Investments in Associates and Joint Ventures (as revised in 2011), effective 1 January 2013

c) Basis of Preparation
The financial statements are presented in the Croatian currency, Kuna (HRK), rounded to the nearest thousand, unless stated otherwise. The financial statements for the year ended 31 December 2011 have been prepared under the historical cost convention except for any financial assets and liabilities stated at fair value in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" and revalued non-current assets. The accounting policies have been consistently applied, except where disclosed otherwise.

The financial statements have been prepared under the assumption that the Group will continue to operate as a going concern.

In preparing the financial statements, the Group's management has made judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosure of commitments and contingent liabilities at the balance sheet date, as well as amounts of income and expenses for the period.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, as well as information available at the date of the preparation of the financial statements, forms the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Quality of the credit portfolio and appropriateness of related bad debt provisions are notably influenced by macroeconomic developments. Unexpected development of economic conditions, especially related to real estate market, cannot be excluded and could have significant impact on market value of the loan portfolio.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The accounting policies have been consistently applied by Group entities and are consistent with those applied in previous years.

d) Going concern assumption

The financial statements have been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The ability of the Group to continue as a going concern is dependent upon the continued funding and support from its shareholder Hypo Alpe-Adria-Bank International AG, Klagenfurt, Austria (the Parent) under the currently agreed financial terms. To this extent, the Parent has provided funding to the Group to support its operations. This support includes agreeing not to seek repayment, other than originally contracted, of intercompany loans made by them to the Group for a period of at least 12 months from the date of these financial statements.

Following the acquisition of 100% of the shares in the Hypo Alpe-Adria-Bank International AG by the Republic of Austria completed on 30 December 2009, Hypo Alpe-Adria-Bank International AG and its subsidiaries (together Hypo Alpe Adria or HAA) is currently in the process of restructuring.

The previous owner of HAA made contributions towards the restructuring as part of its disinvestment. Furthermore, the Republic of Austria announced another injection of capital. This took place through the subscription of the issue of EUR 450 m of share certificates late in June 2010.

The European Commission provisionally approved the measures put forward by the Republic of Austria on 23 December 2009 for a period of up to six months and instructed the Republic of Austria to present an in-depth restructuring plan for HAA in the first half of 2010. HAA fulfilled this requirement in April 2010.

Hypo Alpe-Adria-Bank International AG continued to strive for completion of the EU investigation into state aid in 2011. The current restructuring plan was presented to the European Commission in Brussels on 24 January 2011. The discussions and subsequent list of questions from the Commission suggest that the Commission is in basic agreement with the HAA new strategy. The results of these direct discussions and the answers to the questions subsequently submitted to obtain more in-depth information on aspects of the plan were incorporated into the revised version of the EU restructuring plan, which was submitted in April 2011.

The tightening of strategy was also reflected in the continuing dialogue with the EU Commission. In addition to submitting data to show the medium and long-term viability of Hypo Alpe-Adria-Bank International AG and its subsidiaries in South-Eastern Europe, the bank also produced a modified restructuring plan based on the forecast for the 2011 financial year. The document focuses the bank’s strategy on reprivatising all saleable units and was submitted by the owner to the authorities in Brussels at the turn of the year.

The European Commission will reach judgement on whether the state-aid measures are consistent with EU state aid rules and examine whether the planned measures can return HAA to long-term profitability, weather the support from the state is kept to the required minimum, weather the level of own contribution made will be appropriate and sufficient measures have been undertaken to limit the distortion to competition caused by the financial aid given. The European Commission has also announced that it will examine whether the previous owner has contributed sufficiently to the restructuring costs.

HAA will be redimensioned on the basis of this restructuring plan and this will lead to a significant number of the HAA member companies being relinquished. The current business plan for 2012–2016 has calculated in restructuring and exit costs in connection with this, which could have a negative effect on results for future periods, depending on when a given market is exited and the market conditions prevailing at the time. These expenses can only be accounted for when the specific criteria – in particular the probable exit within a period of 12 months – are met.

With its decision dated 4 August 2010, the EU approved the acquisition of Hypo Alpe Adria by the Republic of Austria in respect of merger control laws. The guarantee agreement concluded at the end of December 2010 with the Republic of Austria has been provisionally approved by the European Commission and the decision was published at the start of 2012. The approval was granted subject to the Commission agreeing to the bank's restructuring plan based on the state aid provided through the emergency nationalisation in 2009.

At the time of finalizing these financial statements, it cannot be estimated with any degree of certainty when the EU state-aid proceedings will be concluded and whether the European Commission will accept the restructuring plan for HAA.

Hypo Alpe-Adria-Bank International AG as the subject of the procedure stated that it is ready for a full cooperation with the Commission.

e) Basis of Consolidation

The financial statements are presented for the Bank and the Group. The Group's financial statements comprise the consolidated financial statements of the Bank and its subsidiary entities.

Subsidiaries are the enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the Group financial statements on a consolidated basis from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Acquisitions and mergers with companies under the group Hypo Alpe Adria common control are not treated as acquisitions in accordance with IFRS 3: Business Combinations.

f) Interest Income and Expense

Interest income and expense is recognized on the accrual basis, taking into account the effective yield of the asset and liability or an applicable floating rate. Interest income and expense include the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing financial instrument and its amount at maturity calculated on an effective interest rate basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Loan origination fees, generated after the approval of the loans are deferred, together with the related direct costs, and recognized as an adjustment to the effective yield of the loan over its life in "Interest and similar income" in profit or loss.

g) Fee and Commission Income and Expense

Fee and commission income arises on financial services provided by the Group and mainly comprises fees receivable from domestic and foreign payment transactions, fees receivable from customers for guarantees, letters of credit, foreign currency transactions and other services provided by the Group.

Fee and commission income is credited to the income, when the corresponding service is provided.

h) Retirement Benefit Costs

The Group does not have pension arrangements separate from the state pension system of the Republic of Croatia. This system requires that current contributions by the employer be calculated as a percentage of current gross salary payments; these expenses are charged to the income statement in the period the related compensation is earned by the employee.

No liabilities arise to the Group from the payment of pensions to employees in the future.

i) Foreign Currency Transactions

Transactions in foreign currencies are translated into HRK at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into HRK at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into the reporting currency at the foreign exchange rates ruling at the dates that the values were determined.

The principal rates of exchange set forth by the Croatian National Bank and used in the preparation of the balance sheet of the Bank and the Group at the reporting dates were as follows:

31 December 2011	1 EUR = HRK 7.530420
31 December 2011	1 CHF = HRK 6.194817
31 December 2010	1 EUR = HRK 7.385173
31 December 2010	1 CHF = HRK 5.929961

j) Financial Instruments

Financial assets held by the Group are categorized into portfolios in accordance with the Group's intent on the acquisition and pursuant to the Group's investment strategy. Financial assets and liabilities are classified as "At fair value through profit and loss", "Loans and receivables", "Held to maturity" or as "Assets available for sale". The principal difference among the portfolios relates to the measurement of financial assets and the recognition of their fair values in the financial statements.

Financial Assets at Fair Value through Profit or Loss

Financial instruments included in this portfolio are held for trading financial instruments, which were either acquired for generating a profit from short term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists.

These instruments are initially recognized at cost and subsequently stated at fair value which approximates the price quoted on recognized stock exchanges.

All related realized and unrealised gains and losses are included in "Net trading gain". Interest earned whilst holding these instruments is reported as "Interest and similar income".

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All loans and receivables are recognized when cash is advanced to customers. Loan and receivables are measured after initial recognition at amortized cost using the effective interest method, less any allowance for impairment.

Third party expenses, such as legal fees, incurred in securing a loan and other fees, such as loan origination fees are treated as part of the cost of the transaction. Loan origination fees are deferred (together with related direct costs) and recognized as an adjustment to the effective yield of the loan.

Loans and receivables are stated net of allowances for impairment losses. Allowances for impairment losses are established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the allowance for impairment losses is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans computed at initial recognition.

Specific allowances for impairment losses are assessed with reference to the credit worthiness and performance of the borrower and are taking into account the value of any collateral or third party guarantees.

When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off. If in a subsequent period, the amount of allowance decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through the income statement.

In addition to the above described impairment losses on assets identified as impaired, the Group recognizes impairment losses, in the income statement, on on- and off-balance-sheet credit risk exposures not identified as impaired at predefined rates, which range from 0.85 to 1.20%, in accordance with the accounting regulations of the Croatian National Bank (“CNB”).

Available for Sale Financial Assets

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit or loss or loans and receivables.

Financial instruments included in available for sale financial assets are initially recognized at cost and subsequently stated at fair value based on the quoted prices, or amounts derived from cash flow models. If estimated fair value is not reliable or its value significantly fluctuates, assets are recognized at cost.

For available for sale financial assets, gains and losses arising from changes in fair value are recognized in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in other comprehensive income is included in the income statement for the period.

Impairment losses recognized in the income statement for equity investments classified as available for sale are not subsequently reversed through the income statement. Impairment losses recognized in the income statement for debt instruments classified as available for sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Interest earned whilst holding available for sale securities is accrued on a daily basis and reported as “Interest and similar income” in the income statement.

Foreign exchange differences related to available for sale equity instruments held in foreign currency are reported together with fair value gains and losses in other comprehensive income until the financial asset is sold. Foreign exchange differences related to available for sale debt instruments held in foreign currency are reported in income statements.

Dividends on available for sale financial assets are recorded as declared and included as a receivable in the balance sheet line “Other assets” and in “Other operating income” in the income statement. Upon payment of the dividend, the receivable is offset against the collected cash.

k) Recognition and Derecognition of Financial Assets

Purchases and sales of financial assets at fair value through profit or loss and financial assets available for sale are recognised on the settlement date, which is the date when the financial instrument is delivered to or transferred from the Group.

Loans and receivables and financial liabilities at amortised cost are recognised when funds are advanced or received.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

l) Derivative Financial Instruments

In the normal course of business, the Group uses derivative financial instruments to manage its risks. The use of financial derivatives is governed by the Group's policies approved by the Supervisory Board, which provide written principles on the use of financial derivatives.

Derivative financial instruments are initially recognised at acquiring cost and subsequently remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. Fair value adjustments of derivative financial instruments are recognised in the income statement.

All derivatives are carried as assets, when the fair value is positive and as liabilities when the fair value is negative.

m) Property, Plant and Equipment

Property, plant and equipment, except land and buildings are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes the purchase price and directly associated cost of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Depreciation commences when the assets are ready for their intended use. Depreciation is calculated on all assets, except land and assets in construction, on a straight-line basis over the estimated useful life of the applicable assets.

The annual rates of depreciation are as follows:

	2011	2010
Buildings	2% - 5%	2% - 5%
Equipment and computers	25%	25%
Equipment bought after leasing contract maturity	50% - 100%	50% - 100%
Other	10% - 25%	10% - 25%

Land and buildings are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. The amount of the surplus transferred directly to "Retained earnings" is the difference between depreciation based on the revalued carrying amount of the building and depreciation based on the building's original cost. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss in the year of disposal.

n) Intangible Assets

Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized on a straight line basis over the best estimate of their useful lives. The amortization period and the amortization method are reviewed at each reporting period.

Intangible assets are amortized over a period of 4 years (2010: 4 years).

o) Impairment of Non-Financial Assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income statement for property, plant and equipment and intangible assets carried at cost and treated as a revaluation decrease for assets that are carried at their revalued amount, to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for the same asset. The recoverable amount is the higher of an asset's net selling price and its value in use.

p) Leases

Leases of assets in terms of which the Group retains all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Leases of assets under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating lease arrangements. Lease payments under operating lease are recognised as expenses on a straight-line basis over the lease term and included in other operating expenses.

Assets leased under operating lease arrangements where the Group is the lessor are included in tangible assets in the statement of financial position. They are depreciated over their expected useful lives which are based on the duration of the lease contracts. Initial direct costs incurred specifically to earn revenues from an operating lease are recognised as an expense in the income statement in the period in which they are incurred.

q) Sale and Repurchase Agreements

If a financial asset is sold under an agreement to repurchase it at a fixed price or at the sale price plus a lender's return or if it is loaned under an agreement to return it to the transferor, it is not derecognised, because the Group retains substantially all the risks and rewards of ownership.

Securities sold under sale and repurchase agreements ("repos") are recorded as assets in the balance sheet lines of assets in the original classification or the Group reclassifies the asset on its balance sheet. The counterparty liability is included in "Due to other banks" or "Due to customers", as appropriate.

Securities purchased under agreements to purchase and resell ("reverse repos") are not recognised in the balance sheet. The purchase consideration is recorded as increase of "Placements with and loans to other banks" or "Loans and receivables" as appropriate, with the corresponding decrease in cash. The difference between the sale and repurchase price is treated as interest and accrued evenly over the life of the repo agreement using the effective interest rate.

r) Provisions for Liabilities and Charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions for liabilities and charges are maintained at the level that the Group's management considers sufficient for absorption of incurred losses. The management determines the sufficiency of provisions on the basis of insight into specific items, current economic circumstances, risk characteristics of certain transaction categories, as well as other relevant factors.

Provisions are released only for expenditures in respect of which provisions are recognised at inception, and reversed if outflow of economic benefits to settle the obligation is no longer probable.

s) Off Balance Sheet Financial Commitments

In the ordinary course of business, the Group enters into credit related commitments, which are recorded in off-balance sheet accounts and primarily include guarantees, letters of credit and undrawn loan commitments. Such financial commitments are recorded in the Group's balance sheet if and when they become payable.

The provision for possible commitments and contingent liabilities losses is maintained at a level the Group management believes is adequate to absorb probable future losses. The Group Management Board determines the adequacy of the provision based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

t) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax expense is based on taxable income for the year. Taxable income differs from net income as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement and statement of the comprehensive income respectively.

The Group's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amount reported in the annual financial statements could be changed at a later date upon final determination by the tax authorities.

u) Cash and Cash Equivalents for the Purpose of Cash Flow Statement

For the purpose of reporting cash flows, cash and cash equivalents are defined as cash and cash equivalents with maturity up to 90 days, which comprise of cash and current accounts and placements with and loans to other banks, balances with Croatian National Bank (excluding the obligatory minimum reserve with the Croatian National Bank), and treasury bills.

Cash and cash equivalents exclude the obligatory minimum reserve with the Croatian National Bank as these funds are not available for the Group's day to day operations.

3. INTEREST AND SIMILAR INCOME

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Interest charged to companies	769,542	840,292	769,081	848,828
Interest charged to financial institutions	17,163	28,447	17,146	28,172
Interest charged to public sector	205,541	180,276	205,536	180,276
Interest charged to non-profit institutions	2,562	2,763	2,531	2,763
Interest charged to individuals	899,318	926,476	898,565	926,476
Interest charged to non-residents	146,943	112,268	146,943	112,268
Total	**2,041,069**	**2,090,522**	**2,039,802**	**2,098,783**

Interest income includes the amount of HRK 106,196 thousand (2010: HRK 105,652 thousand) of collected interest on impaired financial assets.

4. INTEREST EXPENSE AND SIMILAR CHARGES

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Interest charged by companies	63,314	79,645	63,988	80,148
Interest charged by financial institutions	110,947	128,483	111,858	130,188
Interest charged by public sector	9,897	19,218	9,897	19,218
Interest charged by non-profit institutions	1,626	1,616	1,626	1,616
Interest charged by individuals	395,401	388,992	395,401	388,992
Interest charged by non-residents	559,586	444,144	543,776	433,054
Total	**1,140,771**	**1,062,098**	**1,126,546**	**1,053,216**

5. FEE AND COMMISSION INCOME

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Fees from services to companies	166,972	214,591	163,108	210,863
Fees from financial institutions	26,769	24,486	26,906	24,607
Fees from public sector	3,656	10,073	3,656	10,073
Fees from non-profit institutions	2,014	1,884	2,014	1,884
Fees from services to individuals	102,421	100,197	102,421	100,197
Fees from services to non-residents	9,214	8,903	9,214	8,903
Total	**311,046**	**360,134**	**307,319**	**356,527**

Fees from services include fees for payment services, fees for approval of overdrafts, guarantees and letters of credit, fees for card business services and other fees.

6. FEE AND COMMISSION EXPENSE

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Commissions for services of other companies	1,585	1,627	1,254	1,309
Commissions for services of financial institutions	12,572	13,077	12,288	12,696
Commissions for services of FINA (clearing house)	28,218	32,033	28,215	32,033
Commissions for services of non-residents	29,939	23,614	29,939	23,614
Total	**72,314**	**70,351**	**71,696**	**69,652**

7. NET TRADING GAIN/(LOSS)

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Net (loss)/gain on foreign exchange transactions	(85,237)	176,931	(85,237)	176,931
Fair value adjustment of financial assets held for trading	(4,280)	751	(4,280)	751
Realized gains/(losses) from financial assets held for trading	(1,068)	3,679	(1,049)	3,679
Realized gains from available for sale financial assets	5,330	12,540	5,151	12,350
Gains/(losses) from trading in derivatives	144,993	(299,841)	144,993	(299,841)
Total	**59,738**	**(105,940)**	**59,578**	**(106,130)**

8. NET FOREIGN EXCHANGE DIFFERENCES

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Net "foreign currency clause" adjustments	441,994	1,016,178	443,726	1,016,178
Translation losses	(427,960)	(835,342)	(416,178)	(823,829)
Total	**14,034**	**180,836**	**27,548**	**192,349**

Common Croatian banking practice involves the pegging of HRK loans to a stable foreign currency, usually EUR or CHF. Any gain or loss as a result of the above noted pegging is shown as profit or loss, and is included in the net "foreign currency clause" adjustments caption.

9. OTHER OPERATING INCOME

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Dividends	21	36	21	32,306
Consultancy services income	1,691	1,880	885	165
Income from real estate estimation	4,244	4,818	1,844	-
Income from services to Group members	6,593	1,702	7,931	1,702
Income from cards business	7,326	7,507	7,326	7,507
Rental income	80,207	34,673	4,727	2,942
Income from sales of property	23,158	4,704	4,886	4,704
Reversal of provisions for employees and pending legal actions	10,678	10,464	10,774	10,464
Other income	14,132	10,635	4,608	5,726
Total	**148,050**	**76,419**	**43,002**	**65,516**

The majority of the Group's rental income is from Hypo Alpe-Adria-Nekretnine d.o.o. earned by renting business premises and Hypo Alpe-Adria-Leasing d.o.o. from operating lease.

Other income consists mostly of expenses refund, business premises cleaning services, real estate management and similar services.

10. PERSONNEL EXPENSES

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Net salaries	178,367	165,888	170,890	159,515
Pension insurance expenses	54,152	50,838	51,718	49,035
Tax and surtax expenses	42,736	38,010	40,290	36,793
Contributions on salaries	46,984	43,182	44,852	41,965
Other personnel expenses	8,090	8,766	7,770	8,496
Total	**330,329**	**306,684**	**315,520**	**295,804**

As at 31 December 2011 and 2010, the Group had 1,817 and 1,762 employees, respectively.
As at 31 December 2011 and 2010, the Bank had 1,739 and 1,696 employees, respectively.

11. IMPAIRMENT LOSSES

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Cash and balances with Croatian National Bank	8,088	(6,774)	8,088	(6,774)
Placements with and loans to other banks	(2,906)	(7,085)	(2,906)	(7,085)
Loans and receivables	440,802	673,951	445,730	673,503
Available for sale financial assets	-	(34,764)	-	(34,764)
Assets acquired in lieu of uncollected receivables	-	20,919	-	20,919
Property and land	-	1,205	-	1,205
Other equipment	(4,878)	-	-	-
Other assets	22,567	2,351	19,911	1,826
Guarantees and other contingent liabilities	4,355	(158,229)	4,355	(158,229)
Total	**468,028**	**491,574**	**475,178**	**490,601**

12. OTHER OPERATING EXPENSES

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Other taxes and contributions	4,937	5,263	4,305	4,858
Provisions for employee benefits and pending legal actions	614	6,733	276	6,846
Saving deposits insurance premium	24,085	20,533	24,085	20,533
Rental and lease charges	48,586	49,220	78,851	79,501
Material expenses and services	197,974	167,933	177,651	149,658
Marketing expenses	44,368	44,795	42,650	43,896
Sold and written-off assets expenses	24,871	348	480	348
Write-offs of receivables	2,777	6,156	2,777	6,156
Other expenses	26,075	25,407	18,970	21,941
Total	**374,287**	**326,388**	**350,045**	**333,737**

13. INCOME TAX

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Current income tax expense	116	85,046	-	83,452
Deferred income tax	12,353	(31,518)	12,550	(31,518)
Income tax expense	**12,469**	**53,528**	**12,550**	**51,934**

The reconciliation between tax expense and accounting profit is as follows:

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Net profit before tax	**57,145**	**239,510**	**54,911**	**279,071**
Tax at the statutory rate of 20%	11,429	47,902	10,982	55,814
Tax effect of non-taxable income	(4,648)	(7,542)	(676)	(7,538)
Tax effect of non-deductible costs	5,105	3,662	2,244	3,658
Tax effect of eliminated items	-	6,454	-	-
Tax effect of losses of consolidated companies	583	3,052	-	-
Income tax reported in the consolidated income statement	**12,469**	**53,528**	**12,550**	**51,934**
Effective tax rate	22%	22%	23%	19%

As at 31 December 2011 Hypo Alpe-Adria-Nekretnine d.o.o. had tax losses carried forward amounting to HRK 52,245 thousand (2010: HRK 31,276 thousand). Such tax losses may only be used by the company that incurred the loss to reduce taxable profits of the following five years. Deferred tax asset related to unused tax losses at subsidiaries has not been recognized as it is not probable that tax losses carried forward will be realised during the period of the next 5 years.

Movements in the Group deferred tax assets are as follows:

HRK '000

	Net deferred tax assets 2011.	Comprehensive income 2011.	Net deferred tax assets 2010.	Comprehensive income 2010.
Source:				
Deferred loan origination fees	37,575	(1,613)	35,603	(395)
Unrealized losses on financial assets at fair value through profit or loss	908	(588)	320	248
Unrealized losses on derivative financial instruments	20,214	30,352	50,566	(31,470)
Assets impairment	3,094	1,220	-	-
Depreciation cost exceeding prescribed rates	1,547	(796)	-	-
Employees provisions	1,300	1,618	2,918	99
Pending court actions provisions	859	(859)	-	-
Tax loss carried forward	16,874	(16,981)	-	-
Fair value of available for sale financial assets	1,346	404	1,750	(2,229)
Total deferred tax	**83,717**	**12,757**	**91,157**	**(33,747)**

Movements in the Bank deferred tax assets are as follows:

HRK '000

	Net deferred tax assets 2011.	Comprehensive income 2011.	Net deferred tax assets 2010.	Comprehensive income 2010.
Source:				
Deferred loan origination fees	37,162	(1,559)	35,603	(395)
Unrealized losses on financial assets at fair value through profit or loss	908	(588)	320	248
Unrealized losses on derivative financial instruments	20,214	30,352	50,566	(31,470)
Employees provisions	1,300	1,618	2,918	99
Pending court actions provisions	859	(859)	-	-
Tax loss carried forward	16,414	(16,414)	-	-
Fair value of available for sale financial assets	1,346	404	1,750	(2,229)
Total deferred tax	**78,203**	**12,954**	**91,157**	**(33,747)**

14. CASH AND BALANCES WITH CROATIAN NATIONAL BANK

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Cash in hand and on CNB accounts	1,718,302	1,252,446	1,718,297	1,252,438
Nostro accounts and balances with other banks	274,911	317,514	274,911	317,514
Total cash and accounts with banks	*1,993,213*	*1,569,960*	*1,993,208*	*1,569,952*
Obligatory reserve in domestic currency	2,603,897	2,230,554	2,603,897	2,230,554
Obligatory reserve in foreign currency	656,282	520,637	656,282	520,637
Total balances with Croatian National Bank	*3,260,179*	*2,751,191*	*3,260,179*	*2,751,191*
Impairment losses	(43,787)	(35,699)	(43,787)	(35,699)
Total	**5,209,605**	**4,285,452**	**5,209,600**	**4,285,444**

The Bank calculates obligatory reserves of the Croatian National Bank (the "CNB") in the amount of 14% (2010: 13%) of deposits. At least 70% (2010: 70%) of HRK obligatory reserves and 60% (2010: 60%) of foreign currency obligatory reserves have to be held with the CNB. The remaining amount can be held on accounts with the investment rated OECD banks and countries or as a balance in the settlement account and account for covering the negative balance in the clearing account with the National Clearing System.

The HRK component of obligatory reserve is not bearing remuneration according to the Decision on obligatory reserve from 9 March 2011 (2010: 0.25%). The foreign component of obligatory reserve is not bearing remuneration according to the Decision on interest rates and remunerations of the CNB from 11 November 2009.

Movement in impairment losses of cash and balances with the CNB:

HRK '000

	Group		Bank	
	2011	2010	2011	2010
		Unidentified		
Impairment losses at the beginning of the year	**35,699**	**42,473**	**35,699**	**42,473**
Net allowances/(releases) charged during the year	8,088	(6,774)	8,088	(6,774)
Impairment losses at the end of the year	**43,787**	**35,699**	**43,787**	**35,699**

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Financial assets held for trading:				
Bonds issued by Republic of Croatia	86,357	107,106	86,357	107,106
Bonds issued by local government	-	25,877	-	25,877
Commercial bills issued by companies	-	957	-	957
Equity securities	39	61	39	61
Total	**86,396**	**134,001**	**86,396**	**134,001**

The bonds issued by the Government of Republic of Croatia are financial instruments issued in HRK, EUR and USD with interest rates ranging from 4.5% to 6.75% and with maturities between 2013 and 2020..

Equity securities are related to investments in domestic company Hoteli Brela d.d..

16. PLACEMENTS WITH AND LOANS TO OTHER BANKS

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Loans	314,632	261,670	314,632	261,670
Deposits	162,344	538,163	162,335	538,157
Impairment losses	(4,293)	(7,198)	(4,293)	(7,198)
Total	**472,683**	**792,635**	**472,674**	**792,629**

Loans as presented in the table above include loans to domestic banks, as well as following repurchase agreements:

- As at 31 December 2011 the Bank had repurchase agreement with three Croatian banks. This agreement is collateralized with bonds issued by Republic of Croatia in the total amount of HRK 33,276 thousand.
- As at 31 December 2010 the Bank had repurchase agreement with one Croatian bank. This agreement is collateralized with bonds issued by Republic of Croatia in the total amount of HRK 14,911 thousand.

Position "Deposits" is related to the deposits with domestic banks and foreign banks all in countries that are members of OECD.

Movement in impairment losses of placements with other banks for the Bank and the Group:

HRK '000

	2011			2010		
	Specific	Unidentified	Total	Specific	Unidentified	Total
Impairment losses at the beginning of the year	**-**	**7,198**	**7,198**	**2,050**	**14,283**	**16,333**
Release of allowances during the year	-	(2,905)	(2,905)	-	(7,085)	(7,085)
Direct write off	-	-	-	(2,050)	-	(2,050)
Impairment losses at the end of the year	**-**	**4,293**	**4,293**	**-**	**7,198**	**7,198**

17. LOANS AND RECEIVABLES

a) By type of customer

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Individuals	12,252,079	12,257,389	12,243,789	12,257,389
Private companies and sole traders	17,002,615	16,278,972	16,971,060	16,462,380
Non-profit institutions	48,405	48,092	47,771	48,092
Public sector	3,282,473	2,021,037	3,282,154	2,021,037
Early repayments	(60,390)	(69,023)	(60,390)	(69,023)
Impairment losses	(2,764,148)	(2,320,619)	(2,750,232)	(2,320,171)
Total	**29,761,034**	**28,215,848**	**29,734,152**	**28,399,704**

Loans as presented in the table above include as follows:

- As at 31 December 2011 the Bank had outstanding repurchase agreements with various corporate clients. These agreements were collateralized with bonds issued by Republic of Croatia, treasury bills issued by Ministry of Finance and domestic corporate bonds in the total amount of HRK 145,515 thousand.
- As at 31 December 2010 the Bank had outstanding repurchase agreements with various corporate clients. These agreements were collateralized with domestic corporate bonds and listed shares and treasury bills issued by Ministry of Finance in the total amount of HRK 156,545 thousand.

Position "Early repayments" comprises of amounts paid by loan users, based on not-due receivables, that are used for closing receivables when due.

b) Loans to individuals by purpose

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Housing loans	8,848,763	8,892,581	8,848,763	8,892,581
Mortgage loans	184,070	177,967	184,070	177,967
Car loans	620,011	818,642	620,011	818,642
Loans based on credit cards	128,234	116,651	128,234	116,651
Overdrafts	629,505	624,631	629,505	624,631
Other loans	1,841,496	1,626,917	1,833,206	1,626,917
Total	**12,252,079**	**12,257,389**	**12,243,789**	**12,257,389**

c) By industrial sector

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Individuals	12,252,079	12,257,389	12,243,789	12,257,389
Wholesale and retail trade	3,780,871	3,233,676	3,750,110	3,233,676
Construction	2,701,387	2,104,376	2,677,768	2,104,376
Public administration and defense	2,760,600	1,798,636	2,760,281	1,798,636
Other personal service activities	1,494,888	1,488,908	1,429,538	1,488,908
Hotels and restaurants	1,539,752	1,328,054	1,530,269	1,328,054
Agriculture, hunting, forestry and fishing	1,896,563	1,283,308	1,890,939	1,283,308
Other manufacturing	1,249,500	1,133,831	1,239,229	1,133,831
Manufacturing of other transport equipment	808,921	1,022,804	808,921	1,022,804
Manufacturing of food products and beverages	774,062	711,077	774,062	711,077
Real estate business	484,551	511,287	664,303	694,695
Transport, storage and equipment	405,924	388,494	356,644	388,494
Manufacturing of chemicals	354,530	267,393	354,530	267,393
Manufacturing of other non-metallic mineral products	237,457	231,838	237,457	231,838
Education	273,449	222,482	272,341	222,482
Manufacturing of fabricated metal products	311,217	213,418	311,217	213,418
Health and social work	180,412	126,387	166,289	126,387
Manufacturing of wearing apparel, dressing and dying of fur	161,921	125,016	161,921	125,016
Financial intermediation	177,087	119,252	176,621	119,252
Electricity, gas and water supply	312,298	117,752	309,760	117,752
Other	428,103	1,920,112	428,785	1,920,112
Subtotal	*32,585,572*	*30,605,490*	*32,544,774*	*30,788,898*
Early repayments	(60,390)	(69,023)	(60,390)	(69,023)
Impairment losses	(2,764,148)	(2,320,619)	(2,750,232)	(2,320,171)
Total	**29,761,034**	**28,215,848**	**29,734,152**	**28,399,704**

Movement in impairment losses of loans and receivables:

HRK '000

	Group					
	2011			2010		
	Specific	Unidentified	Total	Specific	Unidentified	Total
Impairment losses at the beginning of the year	**2,098,736**	**221,883**	**2,320,619**	**1,470,059**	**222,573**	**1,692,632**
Acquired company's transferred balances	28,294	560	28,854	-	-	-
Transfers from available from sale assets	-	-	-	25,546	1,045	26,591
Net allowances/(releases) charged during the year	436,267	4,535	440,802	675,686	(1,735)	673,951
Foreign exchange differences	23,971	-	23,971	43,050	-	43,050
Direct write off	(50,098)	-	(50,098)	(115,605)	-	(115,605)
Impairment losses at the end of the year	**2,537,170**	**226,978**	**2,764,148**	**2,098,736**	**221,883**	**2,320,619**

HRK '000

	Bank					
	2011			2010		
	Specific	Unidentified	Total	Specific	Unidentified	Total
Impairment losses at the beginning of the year	**2,098,288**	**221,883**	**2,320,171**	**1,470,059**	**222,573**	**1,692,632**
Transfers from available from sale assets	-	-	-	25,546	1,045	26,591
Net allowances/(releases) charged during the year	441,619	4,111	445,730	675,238	(1,735)	673,503
Foreign exchange differences	23,971	-	23,971	43,050	-	43,050
Direct write off	(39,640)	-	(39,640)	(115,605)	-	(115,605)
Impairment losses at the end of the year	**2,524,238**	**225,994**	**2,750,232**	**2,098,288**	**221,883**	**2,320,171**

18. FINANCIJSKA IMOVINA RASPOLOŽIVA ZA PRODAJU

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Treasury bills of Ministry of Finance	932,461	706,421	932,461	706,421
Treasury bills of foreign governments	1,844,219	2,211,086	1,844,219	2,211,086
Commercial bills issued by companies	6,498	5,498	6,498	5,498
Bonds issued by the government	27,641	13,234	27,641	13,234
Bonds issued by the local governments	-	24,067	-	24,067
Bonds issued by foreign governments	463,237	155,640	463,237	155,640
Bonds issued by foreign banks	977,442	955,418	977,442	955,418
Participations in investment funds	17,236	11,621	5,147	5,012
Equity securities	7,375	10,323	6,483	8,981
Impairment losses	(1,772)	(1,772)	(1,772)	(1,772)
Total	**4,274,337**	**4,091,536**	**4,261,356**	**4,083,585**

The treasury bills issued by the Ministry of Finance are financial instruments with maturity up to one year and interest rates in the range of 4.4% to 5.75% (2010: from 3.1% to 4.9%).

The foreign governments treasury bills are financial instruments issued by German Republic and French Republic with maturity up to one year and interest rates in the range of 0% to 0.235% (2010: 0.32% to 0.608%).

Commercial bills issued by companies are financial instruments with maturity up to one year issued by domestic companies with yield rates ranging from 9% to 10.9% (2010: 9.3% to 10.9%).

The bonds issued by the Government of Republic of Croatia are financial instruments issued in HRK and EUR with interest rates from 4.5% to 6.75% and maturity in the year 2017 (2010: 4.75% to 6.25%).

The bonds issued by foreign governments are financial instruments issued in EUR by the German Republic with interest rates from 0.5% to 1% and maturity in 2012 (2010: 0.5% to 3.529%).

The bonds issued by foreign banks are financial instruments issued in EUR by German banks with interest rate from 0.873% to 4.985% and maturity from 2012 to 2015 (2010: 0.873% to 4.985%).

Participations in investment funds are related to investments in Allianz Cash and HI-Cash open investment funds.

Equity securities are related to investments in domestic companies such as Prvi maj d.d., Hoteli Brela d.d., Zagrebačka burza d.d. and similar.

The treasury bills issued by Ministry of Finance and foreign governments, as well as bonds issued by foreign governments and foreign banks in the total amount of HRK 2,606,413 thousand (2010: HRK 2,493,807 thousand) are given as the collateral for the payables under repurchase agreements (see Note 24).

Movements in unrealised (losses)/gains from financial assets available for sale value adjustment:

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Balance as at 1st January	**(9,376)**	**(275)**	**(6,999)**	**1,917**
Net unrealized gain/(loss) of the year	1,679	(11,330)	2,019	(11,145)
Net deferred tax	(404)	2,229	(404)	2,229
Balance as at 31st December	**(8,101)**	**(9,376)**	**(5,384)**	**(6,999)**

Movement in impairment losses of financial assets available for sale for the Bank and the Group:

HRK '000

	2011			2010		
	Specific	Unidentified	Total	Specific	Unidentified	Total
Impairment losses at the beginning of the year	**1,772**	**-**	**1,772**	**27,318**	**35,809**	**63,127**
Transfer to loans and receivables	-	-	-	(25,546)	(1,045)	(26,591)
Release of allowances during the year	-	-	-	-	(34,764)	(34,764)
Impairment losses at the end of the year	**1,772**	**-**	**1,772**	**1,772**	**-**	**1,772**

19. INVESTMENTS IN SUBSIDIARIES

	Nature of business	Country of incorporation	Bank 2011 HRK '000	Bank 2010 HRK '000
Hypo Alpe-Adria-Nekretnine d.o.o.	Real estate business	Croatia	214,575	214,575
Hypo Alpe-Adria-Invest d.d.	Establishing and managing investment funds	Croatia	4,659	4,659
Hypo Alpe-Adria-Leasing d.o.o.	Leasing	Croatia	25,000	-
Total			**244,234**	**219,234**

At 31 December 2011 and 31 December 2010 the Bank was the sole owner of subsidiaries.

20. ASSETS ACQUIRED IN LIEU OF UNCOLLECTED RECEIVABLES

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Land and buildings	129,409	135,253	129,409	135,253
Equipment	3,670	3,670	3,670	3,670
Impairment losses	(20,331)	(22,165)	(20,331)	(22,165)
Total	**112,748**	**116,758**	**112,748**	**116,758**

Movement in impairment losses of assets acquired in lieu of uncollected receivables:

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Impairment losses at the beginning of the year	**22,165**	**6,872**	**22,165**	**6,872**
Allowances charged during the year	-	20,919	-	20,919
Transfer to Bank's property and equipment	-	(5,399)	-	(5,399)
Disposals	(1,834)	(227)	(1,834)	(227)
Impairment losses at the end of the year	**20,331**	**22,165**	**20,331**	**22,165**

21. OTHER ASSETS

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Fees and commissions receivables	70,919	67,106	70,586	66,784
Receivables based on card business	69,697	66,480	69,704	66,490
Receivables from clients based on court expenses paid	12,741	10,728	12,741	10,728
Receivables from buyers	39,753	19,957	10,542	9,513
Insurance receivables	1,851	1,881	1,649	1,718
Receivables for sold securities	1,287	4,256	1,287	4,256
Receivables for sold domestic currency	10,148	4,589	10,148	4,589
Receivables for sold foreign currency	4,789	27,217	4,789	27,217
Other advances	3,271	4,350	2,944	4,322
Deferred expenses	10,851	9,355	9,485	8,909
Inventories of assets	39,292	4,382	3,574	4,334
Other assets	29,095	15,131	24,319	15,103
Impairment losses	(88,144)	(47,630)	(62,472)	(44,441)
Total	**205,550**	**187,802**	**159,296**	**179,522**

Movement in impairment losses of other assets:

HRK '000

	Group 2011			Group 2010		
	Specific	Unidentified	Total	Specific	Unidentified	Total
Impairment losses at the beginning of the year	**46,871**	**759**	**47,630**	**49,549**	**1,654**	**51,203**
Transferred balances of acquired company	19,664	370	20,034	-	-	-
Net allowances/(releases) charged during the year	21,931	636	22,567	3,247	(895)	2,352
Foreign exchange differences	80	-	80	32	-	32
Direct write off	(2,167)	-	(2,167)	(5,957)	-	(5,957)
Impairment losses at the end of the year	**86,379**	**1,765**	**88,144**	**46,871**	**759**	**47,630**

HRK '000

	Bank 2011			Bank 2010		
	Specific	Unidentified	Total	Specific	Unidentified	Total
Impairment losses at the beginning of the year	**43,682**	**759**	**44,441**	**46,063**	**1,654**	**47,717**
Net allowances/(releases) charged during the year	19,098	813	19,911	2,721	(895)	1,826
Foreign exchange differences	60	-	60	32	-	32
Direct write off	(1,940)	-	(1,940)	(5,134)	-	(5,134)
Impairment losses at the end of the year	**60,900**	**1,572**	**62,472**	**43,682**	**759**	**44,441**

22. PROPERTY, PLANT AND EQUIPMENT

HRK '000

	Group			
	Land and buildings	Computers and other equipment	Assets in construction	Total
Acquisition cost/revalued amount				
At 1 January 2011	**1,172,013**	**309,262**	**26,962**	**1,508,237**
Transferred balances of acquired company	-	429,267	9	429,276
Additions	13,302	74,691	23,497	111,490
Transfer from assets in construction	2,322	15,633	(17,955)	-
Disposals	(1,437)	(111,355)	-	(112,792)
At 31December 2011	**1,186,200**	**717,498**	**32,513**	**1,936,211**
Accumulated depreciation				
At 1 January 2011	**124,627**	**222,352**	**-**	**346,979**
Transferred balances of acquired company	-	169,533	-	169,533
Depreciation for the year 2011	23,320	70,869	-	94,189
Disposals	(9)	(61,859)	-	(61,868)
At 31December 2011	**147,938**	**400,895**	**-**	**548,833**
Impairment				
At 1 January 2011	**26,222**	**-**	**-**	**26,222**
Transferred balances of acquired company	-	9,821	-	9,821
Impairment for the year 2011	4,175	(4,878)	-	(703)
Disposals	-	(676)	-	(676)
At 31December 2011	**30,397**	**4,267**	**-**	**34,664**
Book value				
1 January 2011	1,021,164	86,910	26,962	1,135,036
31 December 2011	**1,007,865**	**312,336**	**32,513**	**1,352,714**

HRK '000

	Group			
	Land and buildings	Computers and other equipment	Assets in construction	Total
Acquisition cost/revalued amount				
At 1 January 2010	**1,124,564**	**284,559**	**12,632**	**1,421,755**
Transfer from assets acquired in lieu of uncollected receivables	12,790	-	-	12,790
Transfer from intangible assets	1,521	329	-	1,850
Additions	28,588	25,756	35,213	89,557
Transfer from assets in construction	15,966	4,917	(20,883)	-
Disposals	(11,416)	(6,299)	-	(17,715)
At 31December 2010	**1,172,013**	**309,262**	**26,962**	**1,508,237**
Accumulated depreciation				
At 1 January 2010	**103,274**	**181,470**	**-**	**284,744**
Transfer from intangible assets	879	207	-	1,086
Depreciation for the year 2010	22,805	46,661	-	69,466
Depreciation for prior years charged to retained earnings	628	-	-	628
Disposals	(2,959)	(5,986)	-	(8,945)
At 31December 2010	**124,627**	**222,352**	**-**	**346,979**
Impairment				
At 1 January 2010	**19,618**	**-**	**-**	**19,618**
Transfer from assets acquired in lieu of uncollected receivables	5,399	-	-	5,399
Impairment for the year 2010	1,205	-	-	1,205
At 31December 2010	**26,222**	**-**	**-**	**26,222**
Book value				
1 January 2010	1,001,672	103,089	12,632	1,117,393
31 December 2010	**1,021,164**	**86,910**	**26,962**	**1,135,036**

HRK '000

	Bank			
	Land and buildings	Computers and other equipment	Assets in construction	Total
Acquisition cost/revalued amount				
At 1 January 2011	**295,643**	**295,703**	**26,547**	**617,893**
Additions	13,036	21,747	21,967	56,750
Transfer from assets in construction	2,190	15,411	(17,601)	-
Disposals	(1,436)	(6,234)	-	(7,670)
At 31December 2011	**309,433**	**326,627**	**30,913**	**666,973**
Accumulated depreciation				
At 1 January 2011	**58,095**	**212,882**	**-**	**270,977**
Depreciation for the year 2011	6,056	40,824	-	46,880
Disposals	(9)	(5,897)	-	(5,906)
At 31December 2011	**64,142**	**247,809**	**-**	**311,951**
Impairment				
At 1 January 2011	**19,189**	**-**	**-**	**19,189**
Impairment for the year 2011	4,175	-	-	4,175
At 31December 2011	**23,364**	**-**	**-**	**23,364**
Book value				
1 January 2011	218,359	82,821	26,547	327,727
31 December 2011	**221,927**	**78,818**	**30,913**	**331,658**

HRK '000

	Bank			
	Land and buildings	Computers and other equipment	Assets in construction	Total
Acquisition cost/revalued amount				
At 1 January 2010	**274,550**	**271,689**	**12,146**	**558,385**
Transfer from assets acquired in lieu of uncollected receivables	12,790	-	-	12,790
Additions	3,824	25,226	35,213	64,263
Transfer from assets in construction	15,895	4,917	(20,812)	-
Disposals	(11,416)	(6,129)	-	(17,545)
At 31December 2010	**295,643**	**295,703**	**26,547**	**617,893**
Accumulated depreciation				
At 1 January 2010	**55,485**	**174,818**	**-**	**230,303**
Depreciation for the year 2010	5,569	43,830	-	49,399
Disposals	(2,959)	(5,766)	-	(8,725)
At 31December 2010	**58,095**	**212,882**	**-**	**270,977**
Impairment				
At 1 January 2010	**12,585**	**-**	**-**	**12,585**
Transfer from assets acquired in lieu of uncollected receivables	5,399	-	-	5,399
Impairment for the year 2010	1,205	-	-	1,205
At 31December 2010	**19,189**	**-**	**-**	**19,189**
Book value				
1 January 2010	206,480	96,871	12,146	315,497
31 December 2010	**218,359**	**82,821**	**26,547**	**327,727**

The amount of fully depreciated Bank property, plant and equipment at 31 December 2011 amounts to HRK 153,345 thousand (2010: HRK 124,283 thousand).

The last revaluation of land and buildings was performed on 31 December 2011.

If the land and buildings were measured by acquisition cost, the book value would be as follows:

HRK '000

	2011	2010
Acquisition cost	264,669	246,704
Accumulated depreciation	(57,798)	(52,543)
Impairment	(23,364)	(19,189)
Net book value	**183,507**	**174,972**

23. INTANGIBLE ASSETS

HRK '000

	Group			
	Software	Leasehold improvements	Assets in construction	Total
Acquisition cost				
At 1 January 2011	**179,504**	**77,195**	**22,751**	**279,450**
Transferred balances of acquired company	-	-	187	187
Additions	4,602	3,853	41,110	49,565
Transfer from assets in construction	18,710	10,352	(29,062)	-
Disposals	(142)	-	-	(142)
At 31 December 2011	**202,674**	**91,400**	**34,986**	**329,060**
Accumulated amortization				
At 1 January 2011	**142,782**	**65,032**	**-**	**207,814**
Transferred balances of acquired company	-	-	-	-
Amortization for the year 2011	28,174	8,700	-	36,874
Disposals	(39)	-	-	(39)
At 31 December 2011	**170,917**	**73,732**	**-**	**244,649**
Book value				
1 January 2011	36,722	12,163	22,751	71,636
31 December 2011	**31,757**	**17,668**	**34,986**	**84,411**

HRK '000

	Group			
	Software	Leasehold improvements	Assets in construction	Total
Acquisition cost				
At 1 January 2010	**163,701**	**77,299**	**17,088**	**258,088**
Transfer to property, plant and equipment	-	(1,850)	-	(1,850)
Additions	457	1,412	23,769	25,638
Transfer from assets in construction	15,488	2,618	(18,106)	-
Disposals	(142)	(2,284)	-	(2,426)
At 31 December 2010	**179,504**	**77,195**	**22,751**	**279,450**
Accumulated amortization				
At 1 January 2010	**115,379**	**59,935**	**-**	**175,314**
Transfer to property, plant and equipment	-	(1,086)	-	(1,086)
Amortization for the year 2010	27,434	8,466	-	35,900
Disposals	(31)	(2,283)	-	(2,314)
At 31 December 2010	**142,782**	**65,032**	**-**	**207,814**
Book value				
1 January 2010	48,322	17,364	17,088	82,774
31 December 2010	**36,722**	**12,163**	**22,751**	**71,636**

HRK '000

	Bank			
	Software	Leasehold improvements	Assets in construction	Total
Acquisition cost				
At 1 January 2011	**177,374**	**77,196**	**22,749**	**277,319**
Additions	3,407	3,853	41,031	48,291
Transfer from assets in construction	18,520	10,351	(28,871)	-
Disposals	-	-	-	-
At 31 December 2011	**199,301**	**91,400**	**34,909**	**325,610**
Accumulated amortization				
At 1 January 2011	**141,274**	**65,032**	**-**	**206,306**
Amortization for the year 2011	27,773	8,700	-	36,473
Disposals	-	-	-	-
At 31 December 2011	**169,047**	**73,732**	**-**	**242,779**
Book value				
1 January 2011	36,100	12,164	22,749	71,013
31 December 2011	**30,254**	**17,668**	**34,909**	**82,831**

HRK '000

	Bank			
	Software	Leasehold improvements	Assets in construction	Total
Acquisition cost				
At 1 January 2010	**161,886**	**75,426**	**17,089**	**254,401**
Additions	-	1,413	23,767	25,180
Transfer from assets in construction	15,488	2,619	(18,107)	-
Disposals	-	(2,262)	-	(2,262)
At 31 December 2010	**177,374**	**77,196**	**22,749**	**277,319**
Accumulated amortization				
At 1 January 2010	**114,063**	**58,940**	**-**	**173,003**
Amortization for the year 2010	27,211	8,354	-	35,565
Disposals	-	(2,262)	-	(2,262)
At 31 December 2010	**141,274**	**65,032**	**-**	**206,306**
Book value				
1 January 2010	47,823	16,486	17,089	81,398
31 December 2010	**36,100**	**12,164**	**22,749**	**71,013**

The amount of fully amortised Bank intangible assets at 31 December 2011 amounts to HRK 107,517 thousand (2009: HRK 119,625 thousand).

24. DUE TO OTHER BANKS

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Deposits	10,958,202	9,311,696	10,958,202	9,311,696
Borrowings	4,998,954	4,697,255	4,128,680	4,251,825
Total	**15,957,156**	**14,008,951**	**15,086,882**	**13,563,521**

In the total amount of "Due to other banks" of the Group the amount of HRK 11,734,719 thousand (2010: HRK 9,661,469 thousand) relates to loans and deposits from HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt.

Borrowings in foreign currencies include payables under a repurchase agreement to foreign banks in the total amount of HRK 2,527,966 thousand (2010: HRK 2,718,196 thousand) which are collateralised with treasury bills of Ministry of Finance and foreign governments, as well as foreign governments and foreign banks bonds in the amount of HRK 2,606,413 thousand (2010: HRK 2,493,807 thousand).

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25. DUE TO CUSTOMERS

Demand deposits and term deposits from other customers as at 31 December can be shown as follows:

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Deposits from individuals	11,809,094	10,515,499	11,809,094	10,515,499
Deposits from corporate clients	4,471,209	4,609,883	4,540,144	4,639,958
Deposits from non-profit institutions	102,441	95,880	102,441	95,880
Deposits from public sector	273,066	545,362	273,066	545,362
Total	**16,655,810**	**15,766,624**	**16,724,745**	**15,796,699**

26. FINANCE LEASE LIABILITIES

Maturity of liabilities based on finance lease is as follows:

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Not later than 1 year	362	340	362	340
Later than 1 year but not later than 5 years	923	1,259	923	1,259
Total	**1,285**	**1,599**	**1,285**	**1,599**

27. PROVISIONS FOR LIABILITIES AND CHARGES

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Provisions for commitments and contingent liabilities	59,848	55,493	59,848	55,493
Provisions for pending legal actions	13,944	16,542	13,737	16,420
Employee retirement provisions	7,788	15,687	7,777	15,687
Provisions for employee vacations	8,410	7,976	8,072	7,976
Total	**89,990**	**95,698**	**89,434**	**95,576**

The Management valued all litigations in which the Group is involved as defendant. The Management does not expect additional losses for the Group.

The Group accrues for legally required minimum retirement severance payments and for unused vacation days.

Movement in provisions for liabilities and charges:

HRK '000

	Group 2011				
	Contingent liabilities	Legal cases	Retirement	Unused vacations	Total
Provisions at the beginning of the year	**55,493**	**16,542**	**15,687**	**7,976**	**95,698**
Net allowances/(releases) charged/ (credited) to the income statement	4,355	(2,598)	(7,899)	434	(5,708)
Provisions at the end of the year	**59,848**	**13,944**	**7,788**	**8,410**	**89,990**

HRK '000

	Group 2010				
	Contingent liabilities	Legal cases	Retirement	Unused vacations	Total
Provisions at the beginning of the year	**213,728**	**10,128**	**16,047**	**8,944**	**248,847**
Net allowances/(releases) charged/ (credited) to the income statement	(158,229)	6,414	(360)	(968)	(153,143)
Foreign exchange differences	(6)	-	-	-	(6)
Provisions at the end of the year	**55,493**	**16,542**	**15,687**	**7,976**	**95,698**

HRK '000

	Bank 2011				
	Contingent liabilities	Legal cases	Retirement	Unused vacations	Total
Provisions at the beginning of the year	**55,493**	**16,420**	**15,687**	**7,976**	**95,576**
Net allowances/(releases) charged/ (credited) to the income statement	4,355	(2,683)	(7,910)	96	(6,142)
Provisions at the end of the year	**59,848**	**13,737**	**7,777**	**8,072**	**89,434**

HRK '000

	Bank 2010				
	Contingent liabilities	Legal cases	Retirement	Unused vacations	Total
Provisions at the beginning of the year	**213,728**	**9,710**	**16,047**	**8,944**	**248,429**
Net allowances/(releases) charged/ (credited) to the income statement	(158,229)	6,710	(360)	(968)	(152,847)
Foreign exchange differences	(6)	-	-	-	(6)
Provisions at the end of the year	**55,493**	**16,420**	**15,687**	**7,976**	**95,576**

28. OTHER LIABILITIES

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Liabilities to suppliers	65,663	51,994	61,112	49,175
Due to employees	24,326	26,193	23,030	25,405
Unallocated foreign currency receipts	16,265	13,242	16,265	13,242
Payables based on card business	34,587	32,632	34,587	32,632
Payables based on securities trading	12,797	17,457	12,797	17,457
Temporary deposits made as investments in domestic companies	30,049	10,499	30,049	10,499
Guarantee funds received	61,353	-	-	-
Liabilities to shareholders based on decrease of share capital	751,070	-	751,070	-
Other	35,790	18,525	16,329	15,247
Total	**1,031,900**	**170,542**	**945,239**	**163,657**

29. SUBORDINATED DEBT

		Group		Bank	
Currency	Interest rate	2011 Amount in Currency '000	2011 Amount in HRK '000	2011 Amount in Currency '000	2011 Amount in HRK '000
EUR	3-month EURIBOR+1.33%	33,020	248,524	33,020	248,524
EUR	3-month EURIBOR+2.00%	37,027	278,653	37,027	278,653
EUR	3-month EURIBOR+2.00%	100,074	753,116	100,074	753,116
EUR	3-month EURIBOR+2.00%	28,021	210,873	28,021	210,873
CHF	6-month LIBOR+7.00%	151,769	939,199	151,769	939,199
Total			**2,430,365**		**2,430,365**

		Group		Bank	
Currency	Interest rate	2010 Amount in Currency '000	2010 Amount in HRK '000	2010 Amount in Currency '000	2010 Amount in HRK '000
EUR	3-month EURIBOR+0.83%	3,770	27,841	3,770	27,841
EUR	3-month EURIBOR+1.33%	33,000	243,711	33,000	243,711
EUR	3-month EURIBOR+2.00%	37,000	273,251	37,000	273,251
EUR	3-month EURIBOR+2.00%	100,000	738,517	100,000	738,517
EUR	3-month EURIBOR+2.00%	28,000	206,785	28,000	206,785
CHF	6-month LIBOR+7.00%	151,580	898,864	151,580	898,864
Total			**2,388,969**		**2,388,969**

Subordinated debt is from HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt with maturity of up to 6 years. Repayment of these instruments is not possible before the redemption date. Repayment of these funds in case of liquidation is subordinated to all other deposits and liabilities.

Subordinated debt with remaining maturity over one year can be used, with Croatian National Bank permission, as supplementary capital for the purpose of calculation of regulatory capital and capital adequacy.

30. SHARE CAPITAL

The immediate parent bank of the Group is HYPO ALPE-ADRIA-BANK INTERNATIONAL AG Klagenfurt, Austria. Shareholders of the Group as at 31 December are as follows:

	2011		2010	
	HRK '000	%	HRK '000	%
HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt	5,208,760	100.00	5,959,830	100.00
Total	**5,208,760**	**100.00**	**5,959,830**	**100.00**

The movement in the number of shares was as follows:

	2011		2010	
	Shares	HRK '000	Shares	HRK '000
Balance as at 01 January	1,514,865	5,959,830	1,514,865	5,959,830
Decrease of share capital by shares withdrawal	(212,675)	(751,070)	-	-
Balance as at 31 December	**1,302,190**	**5,208,760**	**1,514,865**	**5,959,830**

Based on the Bank General Assembly decision from 12 December 2011 decrease of share capital amounting to HRK 751,070 thousands was conducted by withdrawing 185,000 ordinary shares of nominal value HRK 4,000 and 27,675 ordinary shares of nominal value HRK 400.

At the end of 2011 Hypo Alpe-Adria-Bank d.d. had 1,101,441 issued ordinary shares of nominal value HRK 4,000 and 200,749 issued preference shares of nominal value HRK 4,000.

Preference shares are not redeemable, are entitled to receive a discretionary 6% non cumulative preference dividend before any dividends are declared to the ordinary shareholders and carry no voting rights.

The dividends are declared by the General Assembly. For the year 2010 Bank has paid the dividend in the amount of HRK 127.54 (2009: HRK 104.31) per ordinary share and HRK 240.00 (2009: HRK 240.00) per preference share.

31. RESERVES

Movement in Group reserves was as follows:

HRK '000

	Legal reserve	Revaluation reserve	Fair value reserve	Other reserve	Total
At 1 January 2010	**91,956**	**51,193**	**(275)**	**43,409**	**186,283**
Net unrealised losses on available for sale financial assets	-	-	1,210	-	1,210
Net realised gains on available for sale financial asset	-	-	(12,540)	-	(12,540)
Income tax relating to components of other comprehensive income	-	-	2,229	-	2,229
Disposal of revaluated buildings and land	-	(7,806)	-	-	(7,806)
Allocation of profit for 2009	7,571	-	-	-	7,571
Transfer from retained earnings	-	-	-	940	940
Dividend from other reserves	-	-	-	(41,417)	(41,417)
Other changes	-	-	-	(1,932)	(1,932)
At 31 December 2010	**99,527**	**43,387**	**(9,376)**	**1,000**	**134,538**
Net unrealised losses on available for sale financial assets	-	-	7,009	-	7,009
Net realised gains on available for sale financial asset	-	-	(5,330)	-	(5,330)
Income tax relating to components of other comprehensive income	-	-	(404)	-	(404)
Revaluation of buildings and land	-	(4,175)	-	-	(4,175)
Allocation of profit for 2010	11,357	-	-	-	11,357
Transfer to retained earnings	-	(792)	-	-	(792)
At 31 December 2011	**110,884**	**38,420**	**(8,101)**	**1,000**	**142,203**

Movement in Bank reserves was as follows:

HRK '000

	Legal reserve	Revaluation reserve	Fair value reserve	Other reserve	Total
At 1 January 2010	**91,906**	**51,193**	**1,917**	**42,409**	**187,425**
Net unrealised losses on available for sale financial assets	-	-	1,205	-	1,205
Net realised gains on available for sale financial asset	-	-	(12,350)	-	(12,350)
Income tax relating to components of other comprehensive income	-	-	2,229	-	2,229
Disposal of revaluated buildings and land	-	(7,806)	-	-	(7,806)
Distribution of profit for 2009	7,571	-	-	-	7,571
Transfer from retained earnings	-	-	-	940	940
Dividend from other reserves	-	-	-	(41,417)	(41,417)
Other changes	-	-	-	(1,932)	(1,932)
At 31 December 2010	**99,477**	**43,387**	**(6,999)**	**-**	**135,865**
Net unrealised losses on available for sale financial assets	-	-	7,170	-	7,170
Net realised gains on available for sale financial asset	-	-	(5,151)	-	(5,151)
Income tax relating to components of other comprehensive income	-	-	(404)	-	(404)
Revaluation of buildings and land	-	(4,175)	-	-	(4,175)
Allocation of profit for 2010	11,357	-	-	-	11,357
Transfer to retained earnings	-	(792)	-	-	(792)
At 31 December 2011	**110,834**	**38,420**	**(5,384)**	**-**	**143,870**

The legal reserve has been created in accordance with the Croatian Company Act, which requires 5% of the net profit for the year of the Group to be transferred to this reserve, until it reaches 5% of issued share capital of the Group. Legal reserve can be used for covering prior period losses if the losses are not covered by current year profits or if other reserves are not available. The legal reserve is not distributable to the shareholders.

The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings.

The fair value reserve includes unrealised gains or losses on changes in the fair value of financial assets available for sale, net of income tax.

Other reserves are designed in accordance to the General assembly decision and can be used for purposes defined by the law or the General assembly decision.

The Bank's equity reserves, including retained earnings and profit for the year, distributable to the shareholders at 31 December 2011 amounted to HRK 41,890 thousand (2010: HRK 216,635 thousand).

32. COMMITMENTS AND CONTINGENT LIABILITIES

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Commitments and contingent liabilities				
Guarantees and letters of credit	2,004,377	2,602,107	2,004,377	2,601,706
Unutilised credit lines	2,270,614	1,697,221	2,278,040	1,704,499
Total	**4,274,991**	**4,299,328**	**4,282,417**	**4,306,205**

Provisions for liabilities and charges are presented in the Note 27.

33. LEASES

Minimum future lease payments based on lease arrangements where the Group is a lessee were as follows:

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Not later than 1 year	31,689	35,035	68,236	72,296
Later than 1 year but not later than 5 years	108,225	117,746	254,412	267,317
Later than 5 years	66,945	93,425	505,505	579,998
Total	**206,859**	**246,206**	**828,153**	**919,611**

Minimum future lease receipts based on lease arrangements where the Group is a lessor were as follows:

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Not later than 1 year	38,894	33,510	2,787	2,982
Later than 1 year but not later than 5 years	73,150	70,873	2,103	4,018
Later than 5 years	65,903	84,377	-	-
Total	**177,947**	**188,760**	**4,890**	**7,000**

34. DERIVATIVE FINANCIAL INSTRUMENTS

HRK '000

	Group 2011			Bank 2011		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivative financial instruments held for trading						
Foreign exchange forward contracts	1,784	7	-	1,784	7	-
Foreign exchange swaps	558,477	1,226	-	558,477	1,226	-
Cross currency swaps	5,316,913	589	99,153	5,316,913	589	99,153
Total	**5,877,174**	**1,822**	**99,153**	**5,877,174**	**1,822**	**99,153**

HRK '000

	Group 2010			Bank 2010		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivative financial instruments held for trading						
Foreign exchange forward contracts	204,957	186	242	204,957	186	242
Foreign exchange swaps	1,717,301	109	13,067	1,717,301	109	13,067
Cross currency swaps	5,696,716	-	256,586	5,696,716	-	256,586
Total	**7,618,974**	**295**	**269,895**	**7,618,974**	**295**	**269,895**

35. RELATED PARTY TRANSACTIONS

HYPO ALPE-ADRIA-BANK d.d., Zagreb and its subsidiaries are ultimately owned by HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, to whom and to whose affiliates, the Group provides banking services.

Balances with related parties at 31 December were as follows:

HRK '000

	Group 2011			
	Assets	Liabilities	Contingent liabilities	Collaterals received
Parent company	35,044	14,676,309	10,900	10,900
Parent group	27,762	1,159,883	42,226	22,839
Key management	28,977	19,032	1,695	17,881
Other	81	46,668	-	-
Total	**91,864**	**15,901,892**	**54,821**	**51,620**

HRK '000

	Group 2010			
	Assets	Liabilities	Contingent liabilities	Collaterals received
Parent company	3,349	11,433,047	10,900	10,900
Parent group	27,581	169,315	39,647	22,407
Key management	23,390	15,029	1,618	14,403
Other	639	12,148	-	-
Total	**54,959**	**11,629,539**	**52,165**	**47,710**

HRK '000

	Bank 2011			
	Assets	Liabilities	Contingent liabilities	Collaterals received
Parent company	35,044	14,676,309	10,900	10,900
Parent group	27,508	289,376	42,226	22,839
Subsidiaries	424,894	69,369	7,443	-
Key management	23,628	18,869	1,448	16,044
Other	81	46,668	-	-
Total	**511,155**	**15,100,591**	**62,017**	**49,783**

HRK '000

	Bank 2010			
	Assets	Liabilities	Contingent liabilities	Collaterals received
Parent company	3,269	11,877,699	10,900	10,900
Parent group	27,294	169,319	39,647	22,407
Subsidiaries	403,129	30,380	7,278	-
Key management	22,417	14,557	1,474	13,974
Other	639	12,148	-	-
Total	**456,748**	**12,104,103**	**59,299**	**47,281**

Transactions with related parties were as follows:

HRK '000

	Group 2011				
	Interest income	Other income	Interest expenses	Rental expenses	Other expenses
Parent company	107,298	220,667	493,123	-	320,746
Parent group	1,230	27,380	20,953	23,770	2,966
Key management	889	80	795	-	195
Other	-	966	121	-	-
Total	**109,417**	**249,093**	**514,992**	**23,770**	**323,907**

HRK '000

	Group 2010				
	Interest income	Other income	Interest expenses	Rental expenses	Other expenses
Parent company	81,451	39,740	389,169	338	158,310
Parent group	575	1,845	41,793	21,444	876
Key management	857	56	667	-	0
Other	-	1,393	638	-	17
Total	**82,883**	**43,034**	**432,267**	**21,782**	**159,204**

HRK '000

	Bank 2011				
	Interest income	Other income	Interest expenses	Rental expenses	Other expenses
Parent company	107,298	220,667	493,123	-	320,746
Parent group	1,230	18,454	2,094	23,705	1,953
Subsidiaries	9,765	2,810	1,702	38,811	2,824
Key management	705	62	789	-	195
Other	-	966	121	-	-
Total	**118,998**	**242,959**	**497,829**	**62,516**	**325,718**

HRK '000

	Bank 2010				
	Interest income	Other income	Interest expenses	Rental expenses	Other expenses
Parent company	81,451	39,863	378,079	-	158,646
Parent group	575	13,252	41,793	21,183	876
Subsidiaries	8,535	32,484	1,939	18,356	1,541
Key management	820	46	647	-	0
Other	-	1,393	638	-	17
Total	**91,381**	**87,038**	**423,096**	**39,539**	**161,081**

Key management compensation

The Group considers that the key management personnel include Management Board and Supervisory Board members, as well as executive directors directly responsible to the Management Board.

The following table summarizes remuneration paid to the key management personnel:

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Salaries and other short-term benefits				
Net salaries	14,116	11,269	12,755	10,182
Pension insurance expenses	4,664	3,952	4,174	3,544
Tax and surtax expenses	8,628	7,069	7,859	6,493
Contributions on salaries	4,714	3,834	4,264	3,478
	32,122	26,124	29,052	23,697
Termination benefits				
Net salaries	360	567	172	567
Pension insurance expenses	147	305	79	305
Tax and surtax expenses	273	654	145	654
Contributions on salaries	126	263	68	263
	906	1,789	464	1,789
Total	**33,028**	**27,913**	**29,516**	**25,486**

Compensation to the Supervisory Board members for the year 2011 amounted to HRK 194 thousand (2010: HRK 200 thousand).

36. BUSINESS COMBINATIONS

On 27 May 2011 the Bank acquired 100% ownership of Hypo Alpe-Adria-Leasing d.o.o. Zagreb by purchasing participation from the previous owner for HRK 1.

As the company was under the common control before acquisition, IFRS 3: Business Combinations has not been applied. The acquired company was consolidated using book values as of acquisition date. Assets have been consolidated on a gross basis along with applicable depreciation or impairment in accordance with the Croatian legal requirements. Income statement items related to acquired entity were included from the acquisition date with no restatement of financial information related to prior periods.

The activity of the acquired company is financing all types of assets through financial and operative leasing. The main reason for acquisition is joint management of banking and financial operations under a single management structure of the Bank. Economic reasons and justification of the acquisition are expected increase of revenue through cross-selling of banking and leasing products through Bank's sales channels while increasing the number of clients and access to the Group's products in one place. A further objective is to achieve a unified control and optimise business risk through a common risk management.

Net cash inflow on acquisition of subsidiary:

HRK'000

	Hypo Alpe-Adria-Leasing d.o.o.
Consideration paid in cash	-
Cash and cash equivalent balances acquired	10,769
Total	**10,769**

The following table presents Income Statement of Hypo Alpe-Adria-Leasing d.o.o. from 1 January to 31 May 2011:

HRK'000

	1 January to 31 May 2011
Interest and similar income	6,076
Interest expense and similar charges	(3,055)
Net interest income	**3,021**
Fee and commission income	36
Fee and commission expense	(26)
Net fee and commission income	**10**
Net foreign exchange differences	(4,519)
Other operating income	43,459
Total income	**41,971**
Personnel expenses	(2,831)
Depreciation	(21,423)
Impairment losses	816
Other operating expenses	(17,419)
Total expenses	**(40,857)**
Profit before tax	**1,114**
Income tax	(108)
Net profit for the period	**1,006**

The following table presents Statement of Financial Position of Hypo Alpe-Adria-Leasing d.o.o. as at 31 May 2011:

HRK'000

	31 May 2011
Assets	
Cash	10,769
Deposits with banks	3,839
Loans and receivables	162,102
Property, plant and equipment	249,921
Intangible assets	187
Deferred tax assets	5,424
Current tax assets	2,994
Other assets	43,489
Total assets	**478,725**
Liabilities	
Due to banks	406,390
Current tax liabilities	108
Other liabilities	88,178
Total liabilities	**494,676**
Equity	
Share capital	31,000
Net profit for the period	1,006
Loss carried forward	(47,957)
Total equity	**(15,951)**
Total liabilities and equity	**478,725**

The fair value of the loans and receivables amounts to HRK 162,102 thousand. The gross amount of loans and receivables is HRK 191,650 thousand.

37. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statements, cash and cash equivalents comprise of the following balances with remaining maturity up to 90 days at most:

HRK '000

	Group		Bank	
	2011	2010	2011	2010
Cash in hand, nostros and funds on CNB accounts	1,993,213	1,569,960	1,993,208	1,569,952
Treasury bills due in 3 months	931,105	402,595	931,105	402,595
Placements with and loans to other banks due in 3 months	252,468	571,135	252,459	571,135
Total	**3,176,786**	**2,543,690**	**3,176,772**	**2,543,682**

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value represents the amount at which an asset could be exchanged or a liability settled in an arm's length transactions.

The carrying values of cash and balances with the central bank are generally deemed to approximate their fair value.

Financial instruments at fair value through profit or loss and financial instruments available for sale are measured at fair value. Loans and receivables are measured at amortized cost less impairment.

As market prices are not available for a significant proportion of the Group's financial assets and liabilities, fair values for these items have been based on the management assumptions. In the opinion of the management, fair values are not significantly different from book values for all asset and liability categories.

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments:

The fair value of securities (financial assets at fair value through profit or loss and available for sale financial assets) is based on market prices, or amortized cost which approximates fair value, with the exception of unquoted equity investments the fair value of which is based on the latest available financial statements of the issuer.

The fair value of loans and receivables is calculated based on discounted expected future principal and interest cash flows. Loan repayments are assumed to occur at contractual repayment dates. Expected future cash flows are estimated considering risk and any indication of impairment. The estimated fair values of loans reflect changes in credit status since the loans were made and changes in interest rates in the case of fixed rate loans. The fair value of non-performing loans to customers is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral, where available.

For demand deposits and deposits with no defined maturity, the fair value is taken to be the amount payable on demand at the balance sheet date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rates currently offered for deposits of similar remaining maturity. The value of long-term relationships with depositors is not taken into account in estimating fair values. As most of the Group's deposits are given with variable rates, being the market rates, there is no significant difference between the fair value of these deposits and their carrying value.

Group's long-term debt has no quoted market prices and the fair value is estimated as the present value of future cash flows, discounted at interest rates available at the balance sheet date to the Group for new debt of similar type and remaining maturity. Again, as the Group's long-term debt is with variable interest, there is no significant difference between its carrying and fair value.

The following table presents the comparison of the consolidated carrying amounts and fair values as at 31 December 2011 and 31 December 2010:

HRK '000

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables	29,761,034	29,481,069	28,215,848	28,187,399
Due to customers	16,655,810	16,181,680	15,766,624	15,816,819

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables present Fair value measurements recognised in the statement of financial position as at 31 December 2011 and 31 December 2010:

HRK '000

	2011			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Financial assets held for trading	86,396	-	-	86,396
Derivative financial assets	-	1,822	-	1,822
Available for sale financial assets				
Securities available for sale	3,312,593	950,589	11,155	4,274,337
Total financial assets	**3,398,989**	**952,411**	**11,155**	**4,362,555**
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	-	(99,153)	-	(99,153)
Total financial liabilities	**-**	**(99,153)**	**-**	**(99,153)**

HRK '000

	2010			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Financial assets held for trading	133,044	-	957	134,001
Derivative financial assets	-	295	-	295
Available for sale financial assets				
Securities available for sale	3,360,872	718,042	12,622	4,091,536
Total financial assets	**3,493,916**	**718,337**	**13,579**	**4,225,832**
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	-	(269,895)	-	(269,895)
Total financial liabilities	**-**	**(269,895)**	**-**	**(269,895)**

The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets which are recorded at fair value:

HRK '000

	At 1 January 2011	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	Purchases	Sales	Transfers between categoriis	At 31 December 2011
Financial assets held for trading:							
Commercial bills issued by companies	957	(20)	-	921	(941)	(917)	-
Available for sale financial assets:							
Commercial bills issued by companies	5,498	616	18	5,431	(5,982)	917	6,498
Equity securities	7,124	4,356	(2,467)	-	(4,356)	-	4,657
Total level 3 financial assets	**13,579**	**4,952**	**(2,449)**	**6,352**	**(11,279)**	**-**	**11,155**

HRK '000

	At 1 January 2010	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	Purchases	Sales	Settlements	Impairment	At 31 December 2010
Financial assets held for trading:								
Commercial bills issued by companies	2,988	130	-	893	(923)	(2,131)	-	957
Available for sale financial assets:								
Commercial bills issued by companies	13,793	1,024	(1)	5.404	(968)	(13,754)	-	5,498
Bonds issued by the government	13,553	-	-	-	-	(13,553)	-	-
Bills of exchange	123,265	2,712	-	28,976	-	(153,448)	(1,505)	-
Equity securities	11,104	-	618	-	(4,598)	-	-	7,124
Total level 3 financial assets	**164,703**	**3,866**	**617**	**35,273**	**(6,489)**	**(182,886)**	**(1,505)**	**13,579**

39. RISK MANAGEMENT

Risk management is recognised as an essential element of management of the Bank. The main risks inherent to the Bank's operations are those arising from economic trends and the bank is faced with them in the form of credit, market, liquidity and foreign currency risks. A detailed description of the risk management policies and methods applied to identify, measure and manage those risks, follows further in the text. Within all further reported risk analysis analytical data based on internal assumptions of risk management are used.

39.1. Credit Risk

The Group takes on exposure to credit risk, and categorizes it by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Such risks are monitored on an ongoing basis and subject to the monthly review.

Exposure to credit risk is managed through regular analysis of the borrowers and potential borrowers ability to meet interest and capital repayment obligations and by changing these lending limits where needed, according to internal procedures and regulatory requirements of CNB. Besides that, exposure to credit risk is additionally managed by obtaining collaterals, and by corporate and personal guarantees.

Types and amounts of collaterals depend on estimation of credit risk of the particular customer. Their acceptability and evaluation methods are regulated by the internal rulebooks "Handbook on the collateral evaluation" and "Collateral monitoring policy of Hypo Alpe-Adria Bank d.d.".

Group is monitoring market values of accepted collaterals on an ongoing basis and requests additional ones if necessary and stipulated by the contract.

In the case when the counterparty is not able to pay the outstanding amounts due, Group sells received collaterals and does not use them for conducting its regular business.

Analysis of type of collaterals and credit risk exposures secured with those collaterals are presented in the following tables. Amounts of collaterals are presented at the value more conservative than the estimated value, i.e. estimated value decreased by certain percentage, depending on the type of collateral.

Presented guarantees in the following table include government guarantees, provinces and local authorities guarantees and banking guarantees.

Exposures and collaterals at 31 December 2011 and 31 December 2010 were as follows:

HRK '000

Type of exposure	2011		2010	
	Exposure amount	Collateral amount	Exposure amount	Collateral amount
Loans to corporate clients				
Investment loans	4,400,817	3,048,748	4,391,801	3,245,653
Working capital loans	4,958,284	1,935,840	3,863,266	2,356,811
Project finance loans	834,903	691,561	797,089	677,267
Lombard loans	32,497	28,047	32,187	30,624
Restructuring loans	2,882,281	1,859,814	2,407,228	1,711,426
Subsidized loans	592,082	504,435	649,970	598,057
Tourism financing loans	71,209	61,136	76,411	74,608
Agriculture financing loans	192,120	134,899	260,126	184,974
Loans from CBRD funds	1,432,410	1,176,601	1,444,590	1,327,727
Utilized credit lines	209,047	105,555	218,593	105,773
Other loans	10,892,833	1,305,104	6,577,516	965,095
Purchased receivables	75,474	956	147,896	5,917
Subtotal	*26,573,956*	*10,852,695*	*20,866,672*	*11,283,931*
Loans to retail clients				
Housing loans	8,956,419	7,119,824	8,967,328	7,117,499
Loans for cars purchasing	629,730	555,351	835,141	405,387
Non-purpose loans	1,736,895	436,723	1,557,103	408,275
Other loans	1,203,998	207,681	1,192,577	223,197
Subtotal	*12,527,043*	*8,319,579*	*12,552,149*	*8,154,358*
Card products	524,318	1,959	491,770	1,827
Guarantees	3,237,861	1,887,081	3,766,512	2,424,237
Letters of credit	68,080	24,805	60,768	28,790
Unutilised credit lines	753,883	182,647	452,004	145,292
Total	**43,685,141**	**21,268,766**	**38,189,877**	**22,038,436**

Types of collaterals at 31 December 2011 and 31 December 2010 considered in the analysis above were as follows:

HRK '000

	2011	2010
Real estate and land mortgages	18,275,605	19,119,220
Liens over movables	337,869	854,758
Cash deposits	487,876	497,852
Guarantees	1,705,231	1,556,711
Insurance policies	455,815	9,496
Other collaterals	6,371	398
Total	**21,268,766**	**22,038,436**

Credit quality at 31 December 2011 was as follows:

HRK '000

Type of exposure	Neither past due nor impaired	Exposure in delay	Exposure in delay less than 30 days	Exposure in delay 31 to 60 days	Exposure in delay 61 to 90 days	Exposure in delay more than 91 days	Individually impaired	Total exposure
Loans to corporate clients								
Investment loans	2,708,389	422,905	77,277	124,505	1,022	220,100	1,269,523	4,400,817
Working capital loans	3,543,604	315,326	80,466	53,238	1,585	180,037	1,099,353	4,958,284
Project finance loans	275,815	61,116	23,084	0	0	38,032	497,972	834,903
Lombard loans	32,372	125	0	105	0	20	0	32,497
Restructuring loans	1,160,780	291,949	37,375	96,807	7,932	149,835	1,429,552	2,882,281
Subsidized loans	394,828	68,349	12,613	10,939	790	44,006	128,905	592,082
Tourism financing loans	29,746	30,939	0	24,083	0	6,856	10,524	71,209
Agriculture financing loans	120,919	19,515	2,084	7,300	1,037	9,094	51,686	192,120
Loans from CBRD funds	741,531	239,872	6,842	28,527	11,650	192,853	451,006	1,432,410
Utilized credit lines	2	15,437	853	2,303	494	11,786	193,609	209,047
Other loans	10,600,459	20,068	1,612	9,909	793	7,755	272,307	10,892,833
Purchased receivables	53,522	2,552	347	471	0	1,734	19,400	75,474
Subtotal	*19,661,966*	*1,488,152*	*242,554*	*358,188*	*25,303*	*862,107*	*5,423,838*	*26,573,956*
Loans to retail clients								
Housing loans	7,831,855	469,028	49,778	187,199	85,114	146,937	655,536	8,956,419
Loans for cars purchasing	582,475	31,849	1,356	14,581	7,410	8,501	15,407	629,730
Non-purpose loans	1,449,246	95,041	12,945	42,420	9,842	29,834	192,609	1,736,895
Other loans	936,812	59,275	18,139	18,738	5,692	16,706	207,910	1,203,998
Subtotal	*10,800,388*	*655,193*	*82,218*	*262,937*	*108,059*	*201,979*	*1,071,462*	*12,527,043*
Card products	487,613	15,849	11,093	1,956	884	1,917	20,855	524,318
Guarantees	1,766,458	127,929	15,165	40,326	5,780	66,657	1,343,475	3,237,861
Letters of credit	47,733	9,711	3,563	4,879	558	711	10,636	68,080
Unutilised credit lines	613,010	45,444	23,338	4,720	3	17,382	95,429	753,883
Total	**33,377,169**	**2,342,277**	**377,931**	**673,006**	**140,587**	**1,150,753**	**7,965,695**	**43,685,141**

Credit quality at 31 December 2010 was as follows:

HRK '000

Type of exposure	Neither past due nor impaired	Exposure in delay	Exposure in delay less than 30 days	Exposure in delay 31 to 60 days	Exposure in delay 61 to 90 days	Exposure in delay more than 91 days	Individually impaired	Total exposure
Loans to corporate clients								
Investment loans	2,624,962	711,425	12,418	332,850	92,692	273,465	1,055,414	4,391,801
Working capital loans	2,474,736	411,878	13,734	212,645	80,874	104,624	976,652	3,863,266
Project finance loans	455,900	77,484	-	26,425	5,305	45,754	263,705	797,089
Lombard loans	32,013	17	-	-	-	17	157	32,187
Restructuring loans	1,265,128	300,814	3,974	170,998	40,743	85,100	841,285	2,407,227
Subsidized loans	439,467	108,867	1,330	35,885	9,311	62,341	101,637	649,971
Tourism financing loans	60,619	9,103	3,587	260	3,653	1,603	6,689	76,411
Agriculture financing loans	175,172	37,017	-	17,210	2,873	16,934	47,938	260,127
Loans from CBRD funds	886,548	143,863	11,796	35,084	46,508	50,475	414,179	1,444,590
Utilized credit lines	1	41,715	8,254	2,108	2,529	27,824	177,877	219,593
Other loans	6,216,712	62,145	889	7,826	26,675	26,755	298,659	6,577,516
Purchased receivables	123,731	1,423	183	52	-	1,188	22,742	147,896
Subtotal	*14,754,989*	*1,905,751*	*56,165*	*841,343*	*311,163*	*696,080*	*4,206,934*	*20,867,674*
Loans to retail clients								
Housing loans	7,731,486	642,944	28,046	285,036	131,383	198,479	592,899	8,967,329
Loans for cars purchasing	774,071	45,807	997	22,140	10,254	12,415	15,263	835,141
Non-purpose loans	1,295,492	94,334	7,148	36,762	15,408	35,016	167,276	1,557,102
Other loans	932,333	85,959	21,485	29,864	7,615	26,994	174,285	1,192,577
Subtotal	*10,733,382*	*869,044*	*57,676*	*373,802*	*164,660*	*272,904*	*949,723*	*12,552,149*
Card products	457,081	14,865	9,305	3,094	799	1,666	19,824	491,770
Guarantees	2,166,995	308,254	17,813	110,313	135,780	44,349	1,291,263	3,766,512
Letters of credit	34,449	17,644	15,667	1,049	928	-	8,675	60,768
Unutilised credit lines	418,413	23,961	21,306	2,183	-	473	9,630	452,004
Total	**28,565,309**	**3,139,519**	**177,932**	**1,331,784**	**613,330**	**1,015,472**	**6,486,049**	**38,190,877**

The primary purpose of credit related commitments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans or guarantees. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The credit risk concentration is controlled by monitoring of exposure to individual client, to region and to industrial sector. The maximum exposure to individual client at 31 December 2011 excluding Republic of Croatia amounts to HRK 741,147 thousand (2010: HRK 803,875 thousand), without taking account of the amounts decreasing the total Bank's exposure or estimated values of collaterals obtained.

The exposure to any one borrower (including banks) is further restricted by sublimits covering on- and off-balance sheet exposures which are set by the Credit Committee. The maximum credit risk exposure, ignoring the fair value of any collateral, in the event other parties fail to meet their obligations under financial instruments is equal to the carrying value of financial assets as presented in the accompanying financial statements and the disclosed financial commitments.

Majority of Bank's operations are performed in the Republic of Croatia, thus majority of credit risk is limited to the Republic of Croatia.

Credit risk by the type of financial assets

Credit risk by the type of financial assets for loans and similar receivables is monitored using internal classification of credit risk, required by the CNB. Category A includes all receivables for which the Bank expects to collect full contracted amounts, including principle and interest. Category B includes receivables for which the Bank expects collection of up to 90% of the contracted amounts. Category C includes receivables for which the Bank does not expect collections.

At 31 December 2011 in the total amount of placements classified into risk categories of HRK 47,195,488 thousand (2010: HRK 44,640,496 thousand) the amount of HRK 34,610,946 thousand (2010: HRK 33,698,865 thousand) relates to placements of category A.

39.2. Market Risk

Market risk arises from open positions in market instruments that are linked to interest rates, different underlying currencies, and equities, all of which are exposed to general and specific market movements. The Bank manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions, and through establishing and maintaining appropriate limits.

All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. The instruments are recognized at fair value, and all changes in market conditions directly affect net trading income. The Bank manages its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed by buying or selling instruments in accordance with risk limits approved by the Management Board.

39.2.1. Value at Risk (VaR) Analysis

The VaR risk measure estimates the potential loss over the given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Bank reflects the 99% probability that the daily loss should not exceed the reported VaR.

VaR methodology employed to calculate daily risk numbers is a Monte Carlo simulation used in order to determine potential future exposure to risk. The Bank uses VaR to capture: exposure to Bank Book (99% confidence; 1 day holding horizon), exposure to Trade Book (99% confidence; 1 day horizon) portfolios and exposure to daily open FX position of the Bank. Methodology used is a structured Monte Carlo simulation with 10,000 runs and 99% confidence interval based on exponentially weighted volatilities and correlations of the Bank´s own time series (250 day's).

For the calculation of VaR for interest rate risk measurement in Bank book the variance-covariance method is used, based on the JPMorgan Risk Metrics approach. The approach is based on the assumption of a normal distribution of logarithmic interest rate returns. The volatility of the risk factors defines the VaR and in the next calculation step in combination with the correlation matrix the correlated VaR results.

As euro is a base currency for all calculations, VaR calculation is modeled and reported via Hypo Alpe Adria Group internal application "Portfolio Management System" ("PMS") that covers group exposure and monitors risk from a Group perspective.

The following table presents VaR trends of specific risk factors during the year 2011:

HRK '000

Value at Risk				
Risk category	**Minimum**	**Maximum**	**Average**	**End of year**
Interest rate risk – trading book	208	2,997	744	1,090
Interest rate risk – banking book	1,897	8,951	4,327	3,580
Equity risk	2	5	3	2
Currency risk	87	1,464	727	682
Total*	**2,194**	**13,417**	**5,801**	**5,354**

The following table presents VaR trends of specific risk factors during the year 2010:

HRK '000

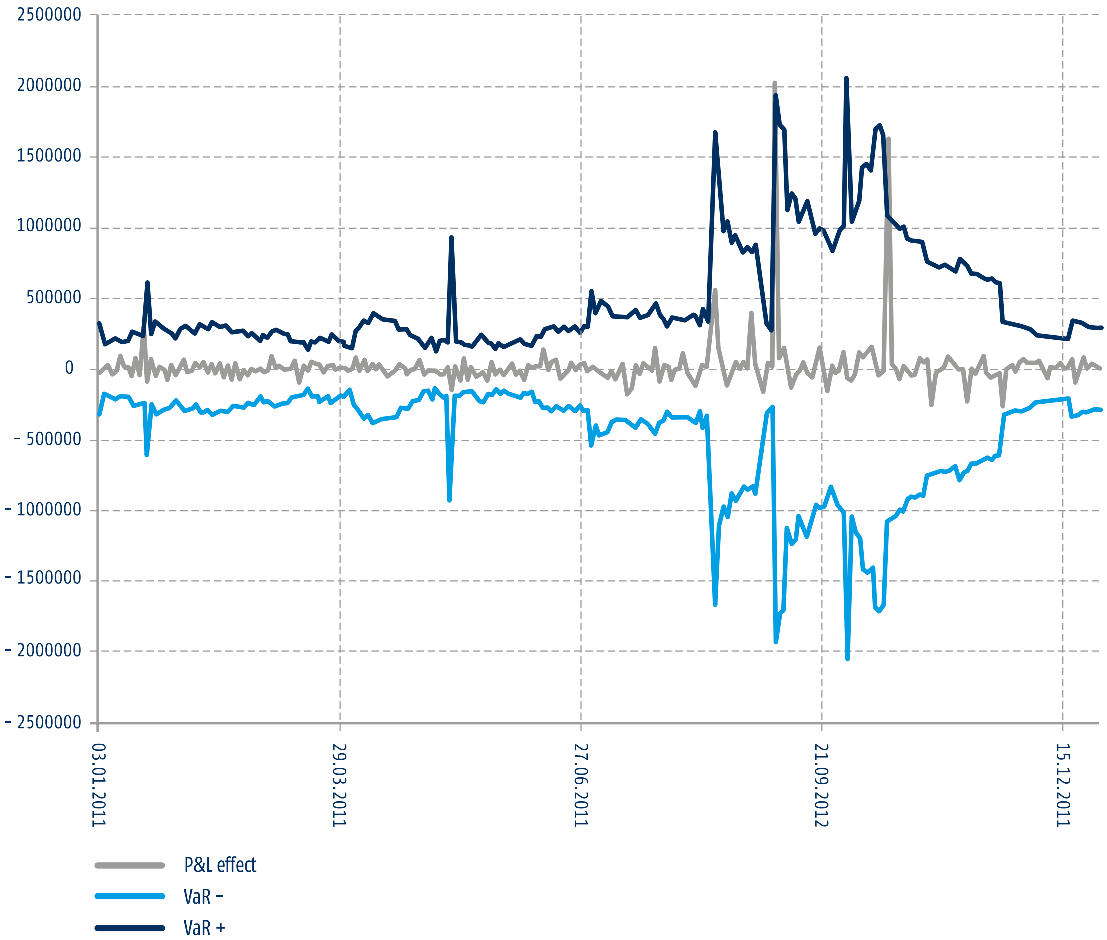
Value at Risk				
Risk category	**Minimum**	**Maximum**	**Average**	**End of year**
Interest rate risk – trading book	560	2,326	1,192	1,217
Interest rate risk – banking book	1,403	5,258	2,742	3,207
Equity risk	2	6	3	6
Currency risk	335	1,384	738	1,086
Total*	**2,300**	**8,974**	**4,675**	**5,516**

* correlation effects are not considered in the above analysis.

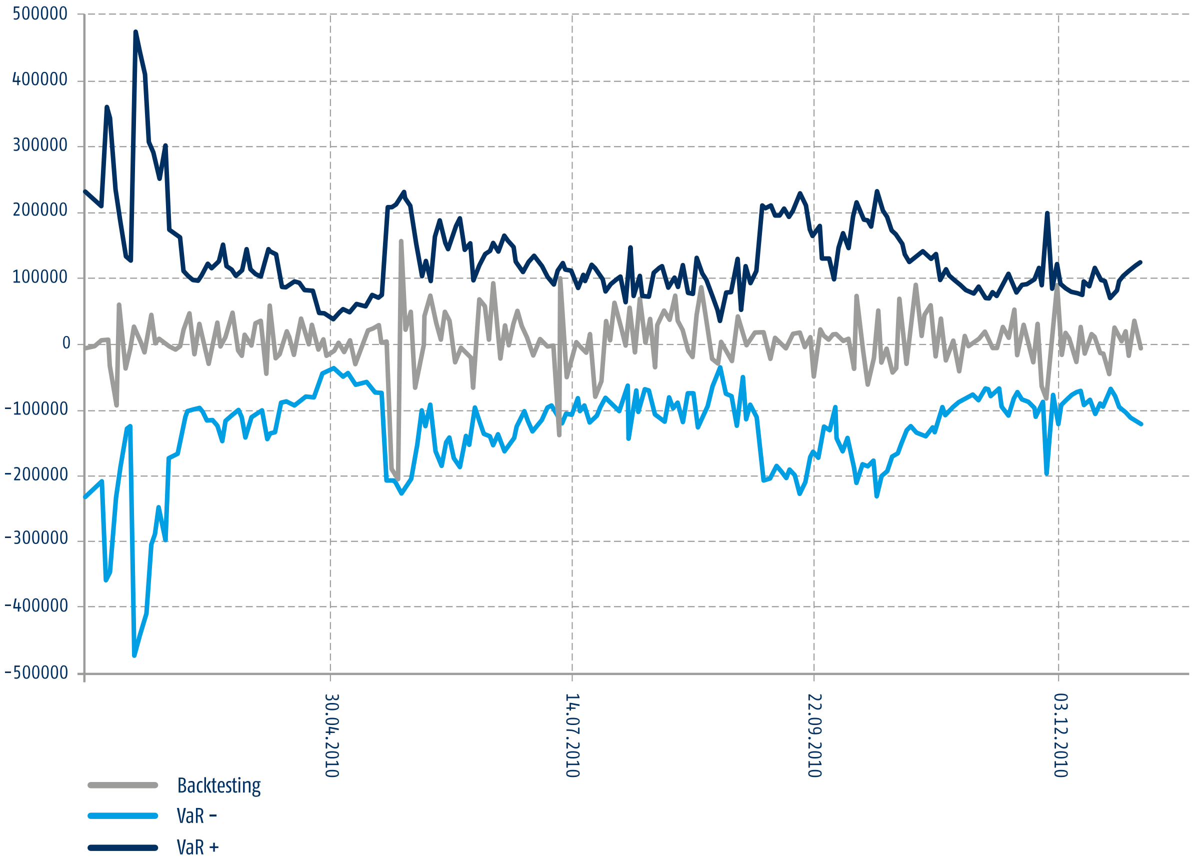
39.2.2. Backtesting

Backtesting is an evaluation process of VaR model by its application on a historical dataset. By performance of back testing, bank determines how much figures given by model itself differs from real ones, i.e. from daily change in P/L. Testing is based on trading book dataset in order to determine predictive power of VaR model. Backtesting is performed on yearly frequency, retrospectively for the previous year.

Following graph shows backtesting of VaR model in relation to daily changes of P/L in trading book for 2011:



Following graph shows backtesting of VaR model in relation to daily changes of P/L in trading book for 2010:



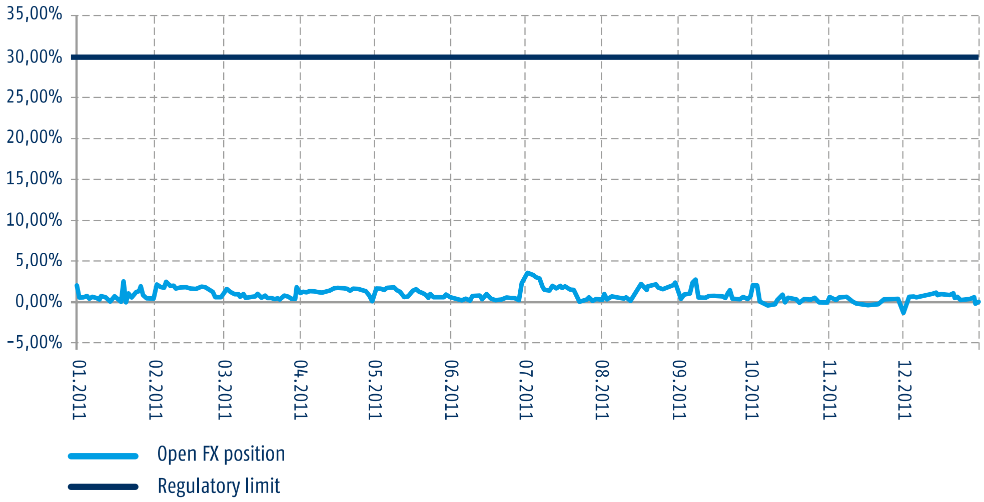
Backtesting results of VaR model show that two outliers were shown during the 2011. Fact that model was underestimated only two times in 365 days period represents statistically acceptable amount of dissipation from model prediction.

39.2.3. Foreign currency risk

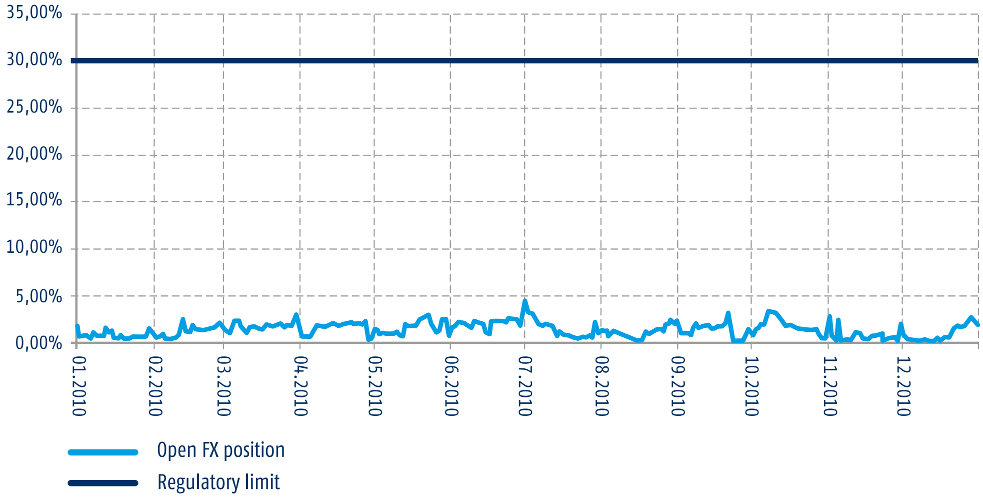
Bank is exposed to changes of existing foreign currency rates which have influenced to its financial situation and to its cash flows. Foreign currency risk exposures emerge out of credit, deposit and investment activities as well as out of trading activities. Foreign currency risk is controlled daily by regulatory requirement and by internally established limits toward particular currencies for assets and liabilities and off balance positions denominated in foreign currencies or in value clause.

Management Board establishes limits on exposure level per particular currency. Such determined internal limits are in line with minimal regulatory requirements of CNB regarding exposure to foreign currency risk (maximum exposure of 30% of liable capital).

Following graph shows movement of open foreign currency position related to regulatory capital for 2011:



Following graph shows movement of open foreign currency position related to regulatory capital for 2010:



The Group is mainly exposed to the Euro (EUR) and the Swiss Frank (CHF). The following tables detail the Bank sensitivity to a 10% increase and decrease in the HRK against the relevant foreign currencies.

The sensitivity analysis includes all foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the HRK strengthens 10% against the relevant currency. For a 10% weakening of the HRK against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

The following table presents the net FX position with the net P/L effect as at 31 December 2011:

HRK '000

	EUR	CHF	USD	GBP	Other
Open FX position	65,749	(71,369)	2,414	(420)	2,419
Net P/L effect	(6,575)	7,137	(241)	42	(242)

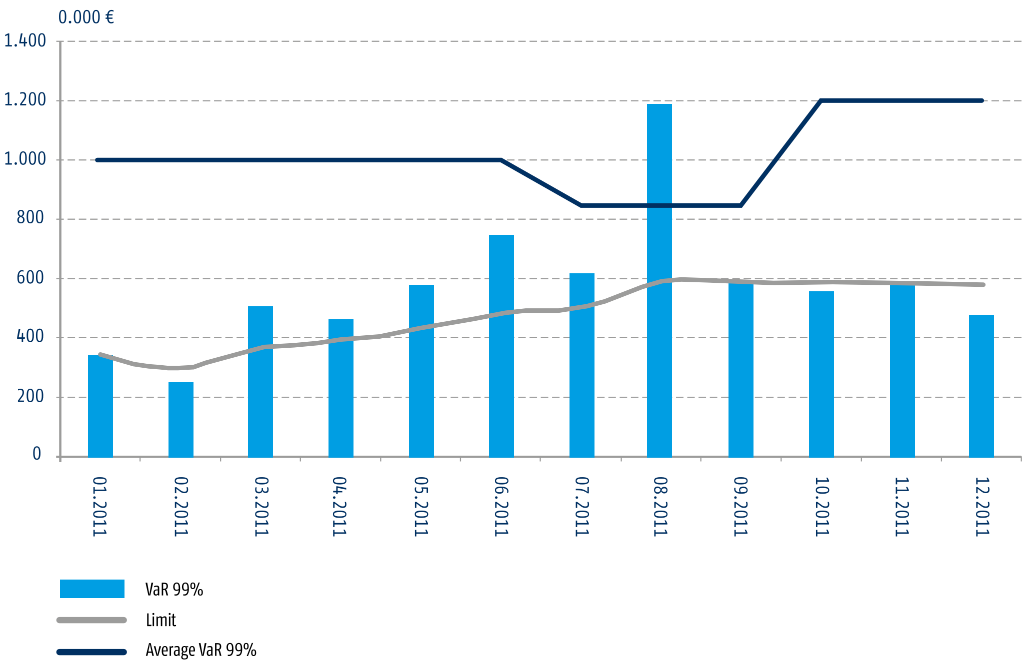
The following table presents the net FX position with the net P/L effect as at 31 December 2010:

HRK '000

	EUR	CHF	USD	GBP	Other
Open FX position	144,781	50,500	7,721	(1,549)	2,951
Net P/L effect	(14.478)	(5.050)	(772)	155	(295)

39.2.4. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. VaR limit monitoring and average usage of given limits for interest rate risk for 2011 is given in graph below:



Management of interest rate risk is performed through Interest GAP report, where internally acceptable limits for each time band are set and approved by the Management Board, and based on this report interest rate position steering within limits is performed through local and group Asset Liability Committees. Due receivables are taken into account in following manner; receivables that are due and not impaired are distributed in 1 month time period and impaired receivables that are due are included in 2 Year period under assumption that payment out of collaterals will on average occur in that time.

Interest GAP Balance as at 31 December 2011 is as follows:

HRK Mio

	Up to 1 day	1 day to 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	No Effect*	Total
Assets	2,170	7,429	19,480	7,576	3,098	197	424	689	41,063
Liabilities	(47)	(7,704)	(12,830)	(8,097)	(847)	(1,467)	(3,991)	(6,080)	(41,063)
Interest GAP	**2,123**	**(275)**	**6,650**	**(521)**	**2,251**	**(1,270)**	**(3,567)**	**(5,391)**	**-**
Interest GAP (%)	**5.17%**	**(0.67%)**	**16.19%**	**(1.27%)**	**5.48%**	**(3.09%)**	**(8.69%)**	**(13.13%)**	**0.00%**

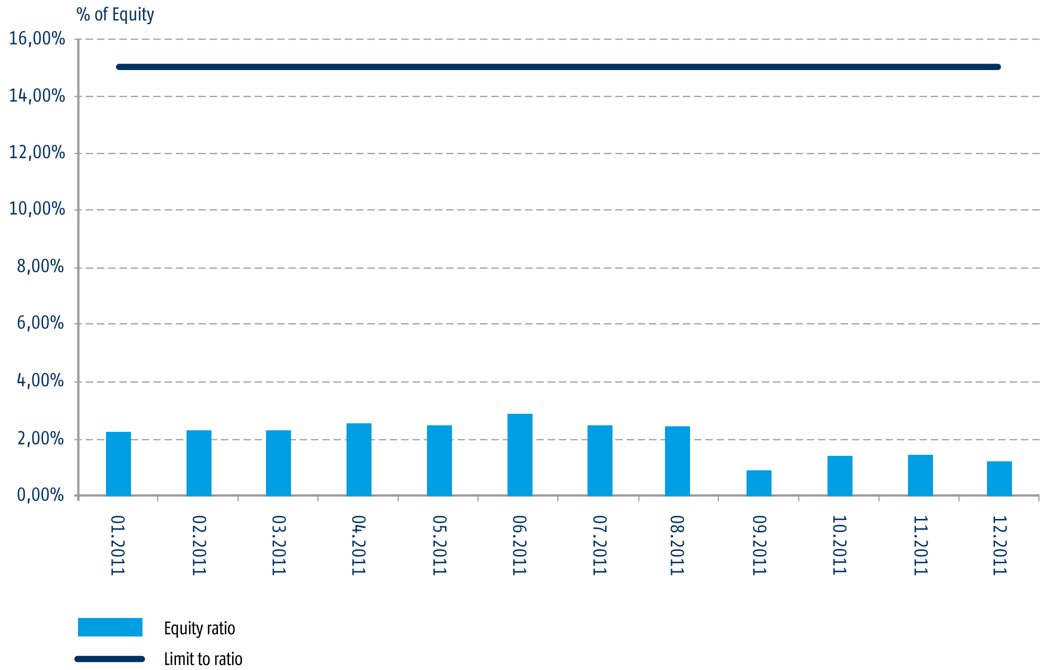
Interest GAP Balance as at 31 December 2010 is as follows:

HRK Mio

	Up to 1 day	1 day to 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	No Effect*	Total
Assets	1,622	8,290	18,938	5,999	2,367	452	578	690	38,936
Liabilities	(102)	(10,442)	(10,862)	(6,303)	(680)	(421)	(3,127)	(6,999)	(38,936)
Interest GAP	**1,520**	**(2,152)**	**8,076**	**(304)**	**1,687**	**31**	**(2,549)**	**(6,309)**	**-**
Interest GAP (%)	**3.90%**	**(5.53%)**	**20.74%**	**(0.78%)**	**4.33%**	**0.08%**	**(6.55%)**	**(16.20%)**	**0.00%**

* “No Effect” position represents Share capital on Liability side and Tangible asset on Asset side.

Movement of Equity ratio which represents interest rate risk calculated as 200 basis points interest rate shock in relation with regulatory capital as well as movement of internally given limit of 15% of regulatory capital for 2011 is given in graph as follows:



The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability shown at the balance sheet date was existing for the whole year.

A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents Management Board's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the impact on Bank's income statement will be as shown in the following tables.

Interest GAP sensitivity as at 31 December 2011:

HRK Mio

	Up to 1 day	1 day to 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	No Effect	Total
Interest GAP	2,123	(275)	6,650	(521)	2,251	(1,270)	(3,567)	(5,391)	-
50 BP parallel shift	0.00%	0.02%	0.08%	0.31%	0.69%	1.13%	3.58%	0.00%	0.00%
P/L effect	**0.00**	**(0.06)**	**5.32**	**(1.62)**	**15.53**	**(14.35)**	**(127.70)**	**0.00**	**(122.87)**

Interest GAP sensitivity as at 31 December 2010:

HRK Mio

	Up to 1 day	1 day to 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	No Effect	Total
Interest GAP	1,520	(2,152)	8,075	(305)	1,688	32	(2,549)	(6,309)	-
50 BP parallel shift	0.00%	0.02%	0.08%	0.31%	0.69%	1.13%	3.58%	0.00%	-
P/L effect	**0.00**	**(0.43)**	**6.46**	**(0.94)**	**11.65**	**0.36**	**(91.27)**	**0.00**	**(74.17)**

Sensitivity analysis is based on principle described in Basel Committee on Banking Supervision “Principles for the Management and Supervision of Interest Rate Risk“, July 2004, Annex 3 - The standardized interest rate shock.

The Bank’s sensitivity to interest rates has increased during the current period mainly due to fixing of interest rates on liability side.

39.2.5. Liquidity risk

Liquidity risk is a measure of the extent up to which the Bank may be required to raise funds to meet its commitments associated with financial instruments. Bank is obliged to continuously ensure sufficient amount of liquid assets in order to cover all demands that arise from maturity of their obligations.

Bank has a clearly defined tolerance towards liquidity risk exposure which is determined in accordance with adopted strategy and business plans. In order to meet all regulatory requirements, to achieve and comply with security principles, to maintain stability and achievement of planned profitability, systematical measurement, limitation and reporting of liquidity risk is applied within the institution. Bank maintains its liquidity compliant to regulations given by CNB, starting from 31st March 2010 since which date new Credit Institution Act came into a force. Bank has applied measurement and reporting of minimum liquidity ratio in accordance with regulatory Decision on liquidity risk management.

Following table represents minimum liquidity ratios up to one week and one month period in domestic and convertible (foreign) currencies for the year 2011:

HRK '000

	Kuna	Kuna	Convertible currencies	Convertible currencies
	1 week	1 month	1 week	1 month
Year End	3.01	2.14	4.10	1.77
Maximum	5.39	3.30	7.00	2.44
Minimum	1.69	1.61	1.42	1.17
Average	3.60	2.48	2.91	1.61

Minimum liquidity ratios for year 2010 up to one week and one month period in domestic and convertible (foreign) currencies are represented in the following table:

HRK '000

	Kuna	Kuna	Convertible currencies	Convertible currencies
	1 week	1 month	1 week	1 month
Year End	2.47	1.95	2.21	1.36
Maximum	7.96	4.93	5.42	2.52
Minimum	1.80	1.72	1.52	1.09
Average	4.46	3.05	2.85	1.67

During 2011 Bank has successfully maintained obligatory amount of foreign currency claims in relation to foreign currencies obligation (so called A/L ratio), according to related Decision given by the regulator, which minimum level was 17.5%.

The following table shows the level of A/L ratio in 2011 and 2010:

%

	2011	2010
Year End	17.81	20.81
Maximum	22.95	23.52
Minimum	17.50	20.38
Average	18.90	21.05

The minimum required A/L ratio has been decreased during the year 2011 from the required level of 20% to the level of 17% and that is the reason for the decrease of ratios presented in the table above.

Furthermore, Bank has set internal limitations and limits which represent constitutional part of Liquidity Risk Policy. Ratios which Bank uses in liquidity risk management and which represent tolerance toward liquidity risk are:

- Current liquidity ratio
- Loans to Deposits ratio
- Short term assets to short term Liabilities ratio (up to 1 Year).

TThe following table shows the level of Liquidity ratios in 2011 and 2010:

%

	2011	2010
Current liquidity ratio:		
Year End	10.72	10.27
Maximum	12.60	15.01
Minimum	9.04	10.27
Average	11.45	12.96
Loans to Deposits ratio:		
Year End	141.20	140.06
Maximum	146.40	148.09
Minimum	137.50	138.40
Average	143.00	143.78
Short term assets to short term Liabilities ratio:		
Year End	77.43	79.52
Maximum	86.44	92.91
Minimum	77.43	76.48
Average	82.05	83.66

Bank has also developed a system of liquidity risk management which ensures continuous maintenance of sufficient liquidity assets (reserve) in form of additional, high quality, unpledged liquid instruments as insurance in case of unexpected events. System conducts liquidity risk measurement and monitoring on weekly level, measure used is the ratio which opposes sufficient liquidity reserves versus projected outflows, also known as „Time to wall“ ratio. This ratio is defined for variety of scenarios. Through this, liquidity risk measurement for several different predefined liquidity crisis, starting from moderate to severe, is achieved. Aside from, above the Bank has established a liquidity contingency plan which comprises a variety of measures and regulates procedures in case of particular crisis.

Liquidity crisis declaration criteria consist of several quantitative and qualitative ratios which are monitored and reported weekly and monthly. In case that crisis declaration criteria are fulfilled Risk Controlling department is obliged to inform Management Board, ALCO and LICO which is than in charge for further actions.

Bank has given special focus on term structure of assets and liabilities in scope of its liquidity risk management. The following table details the remaining contractual maturity for Bank financial assets and liabilities as of 31 December 2011. The table has been drawn up based on the discounted cash flows of financial instruments.

Retail clients have the possibility to withdraw their term deposits prior to their contractual maturity date. However, historical experience shows that this is not very likely. As of 31 December 2011 the balance of term deposits from customers was HRK 9,951 million and as of 31 December 2010 HRK 8,797 million.

HRK Mio

	Up to 1 day	1 day to 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	No Effect	Total
Assets									
Cash	1,616	102	-	-	-	-	-	-	1,718
Balances with Croatian National Bank	-	656	-	2,604	-	-	-	-	3,260
Financial assets at fair value through P/L and available for sale	76	67	1,389	2,148	212	118	549	-	4,559
Placements with and loans to other banks	251	399	1	-	225	-	-	-	876
Loans and receivables	17	1,031	1,141	3,886	5,978	2,688	14,596	-	29,337
Other assets	-	1,065	-	-	-	-	-	-	1,065
Investments in subsidiaries	-	-	-	-	-	-	244	-	244
Property, plant and equipment and intangible assets	-	-	-	-	-	-	517	-	517
Total assets	**1,960**	**3,320**	**2,531**	**8,638**	**6,415**	**2,806**	**15,906**	**-**	**41,576**
Liabilities									
Due to other banks	(18)	(2,457)	(3,652)	(1,733)	(2,256)	(1,755)	(7,193)	-	(19,064)
Deposits from customers	(272)	(1,772)	(2,316)	(7,215)	(1,339)	(1,010)	(1,096)	-	(15,020)
Deferred items	-	(20)	(30)	(136)	-	-	-	-	(186)
Provisions for liabilities and charges	-	(17)	(7)	(30)	-	-	-	-	(54)
Other liabilities	(17)	(1,497)	(63)	(110)	-	(73)	-	-	(1,760)
Capital	-	(7)	(12)	(55)	-	-	(5,418)	-	(5,492)
Total liabilities and equity	**(307)**	**(5,770)**	**(6,080)**	**(9,279)**	**(3,595)**	**(2,838)**	**(13,707)**	**-**	**(41,576)**
Gap per time band	**1,653**	**(2,450)**	**(3,549)**	**(641)**	**2,820**	**(32)**	**2,199**	**-**	**-**
Gap in % of total assets	**3.98%**	**(5.89%)**	**(8.54%)**	**(1.54%)**	**6.78%**	**(0.08%)**	**5.29%**	**0.00%**	**0.00%**

The following table details the remaining contractual maturity for its financial assets and liabilities as at 31 December 2010.

HRK Mio

	Up to 1 day	1 day to 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	No Effect	Total
Assets									
Cash	1,150	102	-	-	-	-	-	-	1,252
Balances with Croatian National Bank	-	550	413	550	275	275	688	-	2,751
Financial assets at fair value through P/L and available for sale	127	50	433	2,878	204	165	626	-	4,483
Placements with and loans to other banks	313	714	-	-	1	229	-	-	1,257
Loans and receivables	-	1,251	927	4,108	4,973	2,859	13,865	-	27,983
Other assets	-	474	-	-	-	-	-	-	474
Investments in subsidiaries	-	215	-	-	-	-	5	-	220
Property, plant and equipment and intangible assets	-	-	-	1	-	-	515	-	516
Total assets	**1,590**	**3,356**	**1,773**	**7,537**	**5,453**	**3,528**	**15,699**	**-**	**38,936**
Liabilities									
Due to other banks	(11)	(4,105)	(596)	(1,188)	(2,526)	(2,498)	(6,695)	-	(17,619)
Deposits from customers	(310)	(1,989)	(2,004)	(6,713)	(1,162)	(891)	(1,103)	-	(14,172)
Deferred items	-	(20)	(29)	(129)	-	-	-	-	(178)
Provisions for liabilities and charges	-	(33)	(4)	(20)	-	-	-	-	(57)
Other liabilities	(12)	(475)	-	-	-	-	(1)	-	(488)
Capital	-	(24)	(43)	(193)	-	-	(6,162)	-	(6,422)
Total liabilities and equity	**(333)**	**(6,646)**	**(2,676)**	**(8,243)**	**(3,688)**	**(3,389)**	**(13,961)**	**-**	**(38,936)**
Gap per time band	**1,257**	**(3,290)**	**(903)**	**(706)**	**1,765**	**139**	**1,738**	**-**	**-**
Gap in % of total assets	**3.23%**	**(8.45%)**	**(2.32%)**	**(1.81%)**	**4.54%**	**0.36%**	**4.45%**	**0.00%**	**(0.00%)**

39.3. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed functioning of business processes or systems, intentional or unintentional human actions or from external events. The definition includes legal risk.

As operational risk is inherent in all business activities, the Group seeks to manage its operational risk by including all organizational units in operational risk management according to defined policies and procedures. Roles of all employees in operational risk management are defined. Standards for operational risk management are in compliance with the Croatian National Bank regulations.

Under the operational risk management loss events data related to operational risk are collected, risk estimations and business processes controls are performed as well as analysis of scenarios for low frequency and high severity events.

39.4. Derivative Financial Instruments

Credit exposure or replacement cost of financial derivative instruments represents the Group's credit exposure from contracts with a positive fair value, that is, it indicates the estimated maximum potential losses of the Group in the event that counterparties fail to perform their obligations. This is usually a small fraction of the notional amounts of the contracts. The credit exposure of each contract is indicated by the credit equivalent calculated pursuant to generally applicable methodology using the current exposure method and involves the fair market value of the contract (only if positive, otherwise a zero value is taken into account) and a portion of nominal value, which indicates the potential change in fair market value over the term of the contract. The credit equivalent is established depending on the type of contract and its maturity. The Group periodically assesses credit risks of all financial instruments.

Derivative financial instruments used by the Group include interest, cross-currency and currency swaps and forwards whose value changes in response to changes in interest rates and foreign exchange rates. Derivatives are either standardized contracts transacted through regulated exchanges or individually negotiated contracts. Swap arrangements are used for hedging of exposure resulting from adverse movements in interest and exchange rates, as well as for transformation of currency liquidity.

40. CAPITAL MANAGEMENT

The Bank maintains an actively managed capital level to cover risks inherent in the business. The capital adequacy is monitored using, among other measures, the rules and ratios established by the Croatian National Bank. During the year 2011 the Bank has complied in full with all imposed capital requirements.

The capital adequacy ratio is calculated as the ratio between regulatory capital and credit risk-weighted assets increased by the overall foreign exchange position exposure to currency risk, exposure to position risks, exposure to operational risk, exposure to settlement and counterparty risk and increased by exceeding the permissible exposure limits.

The following table presents regulatory capital and capital adequacy ratio as at 31 December 2011 and 31 December 2010:

HRK '000

	Bank	
	2011	2010
Regulatory capital:		
Core capital	5,366,756	6,107,808
Supplementary capital	2,430,034	2,361,128
Deduction items	(29,659)	(4,659)
Total regulatory capital	**7,767,131**	**8,464,277**
Credit risk-weighted assets and other risk exposures	**29,747,597**	**29,649,361**
Core capital adequacy ratio	18.04%	20.60%
Total regulatory capital adequacy ratio	26.11%	28.55%
Required regulatory capital adequacy ratio	12.00%	12.00%

Appendix to the Financial Statements
For the year ended 31 December 2011

Pursuant to the Croatian Accounting Law (Official Gazette 109/07) Croatian National Bank issued the Decision on structure and contents of annual financial statement of the banks (Official Gazette 62/08). The following tables present financial statements in accordance to the above mentioned decision:

Consolidated Income Statement

HRK '000

	2011	2010
1. Interest income	2,049,997	2,095,396
2. (Interest expenses)	(1,167,805)	(1,082,625)
3. Net interest income	**882,192**	**1,012,771**
4. Commission and fee income	311,077	360,135
5. (Commission and fee expenses)	(72,335)	(70,349)
6. Net commission and fee income	**238,742**	**289,786**
7. Gain/(loss) from investments in subsidiaries, affiliated companies and joint ventures	-	-
8. Gain/(loss) from trading activities	54,407	(118,481)
9. Gain/(loss) from embedded derivatives	-	-
10. Gain/(loss) from financial assets not traded on active markets at fair value through profit or loss	-	-
11. Gain/(loss) from financial assets available for sale	5,330	12,541
12. Gain/(loss) from financial assets held to maturity	-	-
13. Gain/(loss) from hedging transactions	-	-
14. Income from investments in subsidiaries, affiliated companies and joint ventures	-	-
15. Income from other equity investments	21	36
16. Gain/(loss) from foreign exchange differences	30,589	219,029
17. Other income	179,940	74,884
18. Other expenses	89,075	69,319
19. General and administrative expenses, depreciation and amortization	759,673	669,246
20. Net income before value adjustments and provisions for losses	**542,473**	**752,001**
21. Expenses from value adjustments and provisions for losses	484,215	512,491
22. Profit/(loss) before tax	**58,258**	**239,510**
23. Income tax	12,576	53,528
24. Current year profit/(loss)	**45,682**	**185,982**
25. Earnings per share	4	105

Appendix to the Income Statement

HRK '000

	2011	2010
Current year profit/(loss)	45,682	185,982
Distributable to the parent company shareholders	45,682	185,982
Minority participation	-	-

Signed on behalf of HYPO ALPE-ADRIA-BANK d.d. Zagreb on 28 February 2012:

Tadija Vrdoljak
Member of the Management Board

Brane Golubić
Member of the Management Board

Markus Ferstl
President of the Management Board

Consolidated Balance Sheet

HRK '000

	2011	2010
Assets		
1. Cash and deposits with CNB	4,937,168	3,970,795
1.1. Cash	388,150	354,557
1.2. Deposits with CNB	4,549,018	3,616,238
2. Deposits with banking institutions	433,314	847,964
3. Treasury bills of Ministry of Finance and treasury bills of CNB	932,461	706,421
4. Securities and other financial instruments held for trading	84,953	131,933
5. Securities and other financial instruments available for sale	3,335,601	3,382,147
6. Securities and other financial instruments held to maturity	-	-
7. Securities and other financial instruments that are not traded on active markets at fair value through profit or loss	-	-
8. Derivative financial assets	1,822	295
9. Loans to financial institutions	485,874	417,023
10. Loans to other clients	29,593,188	28,076,984
11. Investments in subsidiaries, affiliated companies and joint ventures	-	-
12. Repossessed assets	112,748	116,758
13. Tangible and intangible assets (minus depreciation and amortization)	1,386,751	1,142,965
14. Interests, fees and other assets	656,355	569,250
A. Total assets	**41,960,235**	**39,362,535**
Liabilities and equity		
1. Borrowings from financial institutions	1,735,717	1,716,042
1.1. Short-term borrowings	473,984	373,000
1.2. Long-term borrowings	1,261,733	1,343,042
2. Deposits	27,331,695	24,759,777
2.1. Deposits on giro-accounts and current accounts	2,184,127	1,991,544
2.2. Savings deposits	1,400,661	1,343,522
2.3. Term deposits	23,746,907	21,424,711
3. Other borrowings	3,252,815	2,977,405
3.1. Short-term borrowings	2,666,845	2,520,393
3.2. Long-term borrowings	585,970	457,012
4. Derivative financial liabilities and other trading financial liabilities	99,153	269,895
5. Issued debt securities	-	-
5.1. Issued short-term debt securities	-	-
5.2. Issued long-term debt securities	-	-
6. Issued subordinated instruments	-	-
7. Issued subordinated debt	2,430,034	2,388,969
8. Interests, fees and other liabilities	1,669,393	868,013
B. Total liabilities	**36,518,807**	**32,980,101**

Consolidated Balance Sheet – continued

HRK '000

	2011	2010
Equity		
1. Share capital	5,252,167	6,003,237
2. Current year gain/loss	45,682	185,982
3. Retained earnings/(loss)	(14,985)	42,317
4. Legal reserves	110,884	99,527
5. Statutory and other capital reserves	57,126	62,497
6. Unrealised gain /(loss) from available for sale fair value adjustment	(9,446)	(11,126)
C. Total equity	**5,441,428**	**6,382,434**
D. Total liabilities and equity	**41,960,235**	**39,362,535**

Appendix to the Balance Sheet

HRK '000

	2011	2010
Total equity	5,441,428	6,382,434
Equity distributable to parent company shareholders	5,441,428	6,382,434
Minority participation	-	-

Signed on behalf of HYPO ALPE-ADRIA-BANK d.d. Zagreb on 28 February 2012:

Tadija Vrdoljak
Member of the Management Board

Brane Golubić
Member of the Management Board

Markus Ferstl
President of the Management Board

Consolidated Cash Flow Statement

HRK '000

	2011	2010
Operating activities		
1.1. Gain/(loss) before tax	58,258	239,510
1.2. Value adjustments and provisions for losses	467,212	491,574
1.3. Depreciation and amortization	152,487	105,366
1.4. Net unrealised (gain)/loss from financial assets and liabilities at fair value through profit or loss	60,359	204,181
1.5. Gain/(loss) from tangible assets sale	30,396	4,704
1.6. Other (gains)/losses	(21)	(36)
1. Operating cash flow before operating assets movements	**707,899**	**1,035,891**
2.1. Deposits with CNB	(455,768)	737,238
2.2. Treasury bills of Ministry of Finance and treasury bills of CNB	(110,904)	171,107
2.3. Deposits with banking institutions and loans to financial institutions	9,514	(388,512)
2.4. Loans to other clients	(1,162,417)	(230,340)
2.5. Securities and other financial instruments held for trading	45,017	(12,018)
2.6. Securities and other financial instruments available for sale	528,491	118,000
2.7. Securities and other financial instruments that are not traded on active markets at fair value through profit or loss	-	-
2.8. Other operating assets	(32,419)	(17,749)
2. Net (increase)/decrease in operating assets	**(1,178,486)**	**377,726**
Increase/(decrease) in operating liabilities		
3.1. Demand deposits	162,808	40,677
3.2. Savings and term deposits	1,809,832	(733,871)
3.3. Derivative financial liabilities and other trading liabilities	(225,490)	180,200
3.4. Other liabilities	76,658	(170,753)
3. Net increase/(decrease) in operating liabilities	**1,823,808**	**(683,747)**
4. Net cash flow form operating activities before profit tax paying	**1,353,221**	**729,870**
5. Paid profit tax	(111,495)	(45,961)
6. Net inflows/(outflows) of cash from operating activities	**1,241,726**	**683,909**
Investing activities		
7.1. Receipts from sale/(payments for purchasing) tangible and intangible assets	(111,690)	(115,324)
7.2. Receipts from sale /(payments for buying) investments in subsidiaries, affiliated companies and joint ventures	-	-
7.3. Receipts from collection/(payments for buying) securities and other financial instruments held to maturity	-	-
7.4. Received dividends	21	36
7.5. Other receipts/(payments) form investment activities	20	-
7. Net cash flow from investing activities	**(111,649)**	**(115,288)**

Consolidated Cash Flow Statement – continued

HRK '000

	2011	2010
Financial activities		
8.1. Net increase/(decrease) in borrowings	(176,613)	(875,089)
8.2. Net increase/(decrease) in issued debt securities	-	-
8.3. Net increase/(decrease) in subordinated and subordinated debt	(29,214)	-
8.4. Receipts from issued share capital	-	-
8.5. (Dividends paid)	(215,781)	(185,261)
8.6. Other receipts/(payments) from financial activities	9,763	-
8. Net cash flow from financial activities	**(411,845)**	**(1,060,350)**
9. Net increase/(decrease) in cash and cash equivalents	**718,232**	**(491,729)**
10. Effects from foreign exchange rates changes on cash and cash equivalents	**(85,136)**	**(176,340)**
11. Net increase/(decrease) in cash and cash equivalents	**633,096**	**(668,069)**
12. Cash and cash equivalents at the beginning of the year	**2,543,690**	**3,211,759**
13. Cash and cash equivalents at the and of the year	**3,176,786**	**2,543,690**

Consolidated Statement of Changes in Equity

HRK '000

	Share capital	Treasury shares	Legal, statutory and other reserves	Retained earnings/ (loss)	Current year profit/ loss	Unrealised gain/ losses from available for sale financial assets fair value adjustment	Minority Partici-pation	Total capital and reserves
1. Balance at 1 January 2011	**6,003,237**	**-**	**162,024**	**42,317**	**185,982**	**(11,126)**	**-**	**6,382,434**
2. Changes of Accounting policies and error corrections	-	-	-	-	-	-	-	-
3. Restated current year balance	**6,003,237**	**-**	**162,024**	**42,317**	**185,982**	**(11,126)**	**-**	**6,382,434**
4. Sale of financial assets available for sale	-	-	-	-	-	(5,330)	-	(5,330)
5. Fair value changes of financial assets available for sale	-	-	-	-	-	7,010	-	7,010
6. Tax on items directly recognised or transferred from capital and reserves	-	-	(404)	-	-	-	-	(404)
7. Other gains or losses directly recognised in capital and reserves	-	-	-	-	-	-	-	-
8. Net gains/losses directly recognised in capital and reserves	**-**	**-**	**(404)**	**-**	**-**	**1,680**	**-**	**1,276**
9. Current year gain/(loss)	-	-	-	-	45,682	-	-	45,682
10. Total income and expenses recognised for the current year	**-**	**-**	**(404)**	**-**	**45,682**	**1,680**	**-**	**46,958**
11. Increase/ (decrease) in share capital	(751,070)	-	-	-	-	-	-	(751,070)
12. Buying/(sale) of treasury shares	-	-	-	-	-	-	-	-
13. Other changes	-	-	(4,967)	(16,147)	-	-	-	(21,114)
14. Transfer to reserves	-	-	11,357	-	(11,357)	-	-	-
15. Dividends paid	-	-	-	(41,155)	(174,625)	-	-	(215,780)
16. Distribution of profit	**-**	**-**	**11,357**	**(41,155)**	**(185,982)**	**-**	**-**	**(215,780)**
17. Balance at 31 December 2011	**5,252,167**	**-**	**168,010**	**(14,985)**	**45,682**	**(9,446)**	**-**	**5,441,428**

Consolidated Statement of Changes in Equity – continued

HRK '000

	Share capital	Treasury shares	Legal, statutory and other reserves	Retained earnings/ (loss)	Current year profit/ loss	Unrealised gain/ losses from available for sale financial assets fair value adjustment	Minority Partici-pation	Total capital and reserves
1. Balance at 1 January 2010	**6,003,237**	**-**	**202,439**	**12,148**	**151,381**	**204**	**-**	**6,369,409**
2. Changes of Accounting policies and error corrections	-	-	-	-	-	-	-	-
3. Restated current year balance	**6,003,237**	**-**	**202,439**	**12,148**	**151,381**	**204**	**-**	**6,369,409**
4. Sale of financial assets available for sale	-	-	-	-	-	(12.540)	-	(12,540)
5. Fair value changes of financial assets available for sale	-	-	-	-	-	1.210	-	1,210
6. Tax on items directly recognised or transferred from capital and reserves	-	-	2,229	-	-	-	-	2,229
7. Other gains or losses directly recognised in capital and reserves	-	-	(7,806)	-	-	-	-	(7,806)
8. Net gains/losses directly recognised in capital and reserves	**-**	**-**	**(5,577)**	**-**	**-**	**(11,330)**	**-**	**(16,907)**
9. Current year gain/(loss)	-	-	-	-	185,982	-	-	185,982
10. Total income and expenses recognised for the current year	**-**	**-**	**(5,577)**	**-**	**185,982**	**(11,330)**	**-**	**169,075**
11. Increase/ (decrease) in share capital	-	-	-	-	-	-	-	-
12. Buying/(sale) of treasury shares	-	-	-	-	-	-	-	-
13. Other changes	-	-	(992)	30,169	34	-	-	29,211
14. Transfer to reserves	-	-	7,571	-	(7,571)	-	-	-
15. Dividends paid	-	-	(41,417)	-	(143,844)	-	-	(185,261)
16. Distribution of profit	**-**	**-**	**(33,846)**	**-**	**(151,415)**	**-**	**-**	**(185,261)**
17. Balance at 31 December 2010	**6,003,237**	**-**	**162,024**	**42,317**	**185,982**	**(11,126)**	**-**	**6,382,434**

As data in financial statements prepared in accordance with the Croatian National Bank ("CNB") decision are classified differently from those in financial statements prepared according to the statutory accounting requirements for banks in Croatia the following tables present comparatives.

Comparatives for the income statement ended 31 December 2011 and 31 December 2010:

HRK '000

	2011			2010		
	Croatian National Bank Decision	Accounting Requirements for banks in Croatia	Difference	Croatian National Bank Decision	Accounting Requirements for banks in Croatia	Difference
Interest and interest similar income	2,049,997	2,041,069	8,928	2,095,396	2,090,522	4,874
Interest and interest similar expenses	(1,167,805)	(1,140,771)	(27,034)	(1,082,625)	(1,062,098)	(20,527)
Net interest income	**882,192**	**900,298**	**(18,106)**	**1,012,771**	**1,028,424**	**(15,653)**
Commission and fee income	311,077	311,046	31	360,135	360,134	1
Commission and fee expenses	(72,335)	(72,314)	(21)	(70,349)	(70,351)	2
Net commission and fee income	**238,742**	**238,732**	**10**	**289,786**	**289,783**	**3**
Net trading gain	54,407	59,738	(5,331)	(118,481)	(105,940)	(12,541)
Gain from financial assets available for sale	5,330	-	5,330	12,541	-	12,541
Income from other equity investments	21	-	21	36	-	36
Net foreign exchange differences	30,589	14,034	16,555	219,029	180,836	38,193
Other operating income	179,940	148,050	31,890	74,884	76,419	(1,535)
Total other income	**270,287**	**221,822**	**48,465**	**188,009**	**151,315**	**36,694**
General and administrative expenses, depreciation and amortization	(759,673)	(131,063)	(628,610)	(669,246)	(105,366)	(563,880)
Personnel expenses	-	(330,329)	330,329	-	(306,684)	306,684
Expenses from value adjustments and provisions for losses	(484,215)	(468,028)	(16,187)	(512,491)	(491,574)	(20,917)
Other operating expenses	(89,075)	(374,287)	285,212	(69,319)	(326,388)	257,069
Total other expenses	**(1,332,963)**	**(1,303,707)**	**(29,256)**	**(1,251,056)**	**(1,230,012)**	**(21,044)**
Profit before tax	**58,258**	**57,145**	**1,113**	**239,510**	**239,510**	**-**
Income tax	(12,576)	(12,469)	(107)	(53,528)	(53,528)	-
Net profit for the year	**45,682**	**44,676**	**1,006**	**185,982**	**185,982**	**-**
Earnings per share (HRK)	**4**	**4**	**-**	**105**	**105**	**-**

The difference in Profit before tax, Income tax and Net profit for the year between the Income Statement according to CNB Decision and according to statutory accounting requirements for banks in Croatia arises from the fact that amounts calculated according to the CNB guideline include revenues and expenses of acquired company Hypo Alpe-Adria-Leasing d.o.o. Zagreb for the whole year 2011, while amounts reported according to statutory accounting requirements for banks in Croatia include revenues and expenses of acquired company from the day of acquisition.

The difference in position "Interest and interest similar income" of HRK 5,959 thousand relates to revenues of acquired company until the date of acquisition. The difference of HRK 2,969 thousand relates to foreign exchange differences presented in "Net foreign exchange differences" in the income statement in accordance with statutory accounting requirements for banks in Croatia.

The difference in position "Interest and interest similar expenses" of HRK 2,938 thousand relates to expenses of acquired company until the date of acquisition. The difference of HRK 24,085 thousand relates to savings deposits insurance premium expenses presented in "Other operating expenses" in accordance with statutory accounting requirements for banks in Croatia. The difference of HRK 11 thousand relates to foreign exchange differences presented in "Net foreign exchange differences" in the income statement in accordance with statutory accounting requirements for banks in Croatia.

The difference in position "Commission and fee income" of HRK 30 thousand relates to revenues of acquired company until the date of acquisition. The difference of HRK 1 thousand is the amount relating to foreign exchange differences on non-interest receivables presented in "Net foreign exchange differences" in accordance with statutory accounting requirements for banks in Croatia.

The difference in position "Commission and fee expenses" of HRK 21 thousand relates to expenses of acquired company until the date of acquisition.

The difference in position "Gain from financial assets available for sale" of HRK 5,330 thousand relates to income from trading in assets available for sale presented in "Net trading gain" in accordance with statutory accounting requirements for banks in Croatia.

The difference in position "Income from other equity investments" of HRK 21 thousand relates to income from dividends presented in "Other operating income" in accordance with statutory accounting requirements for banks in Croatia.

The difference in position "Net foreign exchange differences" of HRK 4,519 thousand relates to expenses of acquired company until the date of acquisition. The difference of HRK 24,032 thousand relates to foreign exchange differences on impairment items presented in "Expenses from value adjustments and provisions for losses" in accordance with CNB decision. The difference of HRK 2,958 is relates to above listed foreign exchange differences on interest and non-interest receivables and payables.

The difference in position "Other operating income" of HRK 42,614 thousands relates to income of acquired company until the date of acquisition. The difference of HRK 10,674 thousand relates to income from reversal of personnel provisions presented in "Other expenses" in accordance with CNB decision. The difference of HRK 21 thousand relates to income from dividends presented in "Income from other equity investments" in accordance with CNB decision. The difference of HRK 29 thousand relates to income from collected written-off receivables presented in "Expenses from value adjustments and provisions for losses" in accordance with CNB decision.

The difference in position "General and administrative expenses, depreciation and amortization" of HRK 27,531 thousand relates to expenses of acquired company until the date of acquisition. The difference of HRK 5,642 thousand relates to property impairment losses, presented in "Expenses from value adjustments and provisions for losses" in accordance with statutory accounting requirements for banks in Croatia. The difference of HRK 330,329 thousand relates to personnel expenses presented in "Personnel expenses" in accordance with statutory accounting requirements for banks in Croatia. The difference of HRK 265,108 thousand is relating to material and services expenses and other expenses presented in "Other operating expenses" in accordance with statutory accounting requirements for banks in Croatia.

The difference in position "Expenses from value adjustments and provisions for losses" of HRK 2,173 relates to income from provisions reversal of acquired company until the date of acquisition. The difference of HRK 5,642 thousand relates to property impairment losses presented in "General and administrative expenses, depreciation and amortization" in accordance with CNB decision. The difference of HRK 24,032 thousand relates to foreign exchange differences on impairment items presented in "Net foreign exchange differences" in accordance with statutory accounting requirements for banks in Croatia. The difference of HRK 29 thousand relates to income from collected written-off receivables presented in "Other operating income" in accordance with statutory accounting requirements for banks in Croatia.

The difference in position "Other operating expenses" of HRK 14,655 thousand relates to expenses of acquired company until the date of acquisition. The difference of HRK 24,085 thousand relates to savings deposits insurance premium expenses presented in "Interest and interest similar expenses" in accordance with CNB decision. The difference of HRK 10,674 thousand relates to income from reversal of personnel provisions presented in "Other operating income" in accordance with statutory accounting requirements for banks in Croatia. The difference of HRK 265,108 relates to material and services expenses and other expenses presented in "General and administrative expenses, depreciation and amortization" in accordance with CNB decision.

Comparatives for the balance sheet at 31 December 2011 and 31 December 2010:

HRK '000

	2011			2010		
	Croatian National Bank Decision	Accounting Requirements for banks in Croatia	Difference	Croatian National Bank Decision	Accounting Requirements for banks in Croatia	Difference
Assets						
Cash and deposits with CNB	4,937,168	5,209,605	(272,437)	3,970,795	4,285,452	(314,657)
Treasury bills of Ministry of Finance and treasury bills of CNB	932,461	-	932,461	706,421	-	706,421
Financial assets at fair value through profit or loss	84,953	86,396	(1,443)	131,933	134,001	(2,068)
Placements with and loans to other banks	919,188	472,683	446,505	1,264,987	792,635	472,352
Loans and receivables	29,593,188	29,761,034	(167,846)	28,076,984	28,215,848	(138,864)
Available for sale financial assets	3,335,601	4,274,337	(938,736)	3,382,147	4,091,536	(709,389)
Repossessed assets	112,748	112,748	-	116,758	116,758	-
Property, plant and equipment and intangible assets	1,386,751	1,437,125	(50,374)	1,142,965	1,206,672	(63,707)
Derivative financial assets	1,822	1,822	-	295	295	-
Other assets	656,355	358,291	298,064	569,250	278,959	290,291
Total assets	**41,960,235**	**41,714,041**	**246,194**	**39,362,535**	**39,122,156**	**240,379**
Liabilities						
Due to other banks and due to customers	32,320,227	32,612,966	(292,739)	29,453,224	29,775,575	(322,351)
Finance lease liabilities	-	1,285	(1,285)	-	1,599	(1,599)
Provisions for liabilities and charges	-	89,990	(89,990)	-	95,698	(95,698)
Derivative financial liabilities and other trading financial liabilities	99,153	99,153	-	269,895	269,895	-
Other liabilities	1,669,393	1,038,854	630,539	868,013	207,985	660,028
Total liabilities	**34,088,773**	**33,842,248**	**246,525**	**30,591,132**	**30,350,752**	**240,380**
Subordinated debt	2,430,034	2,430,365	(331)	2,388,969	2,388,969	-
Equity						
Share capital	5,252,167	5,208,760	43,407	6,003,237	5,959,830	43,407
Share premium	-	59,767	(59,767)	-	59,767	(59,767)
Net profit for the year	45,682	44,676	1,006	185,982	185,982	-
Retained earnings/(loss carried forward)	(14,985)	(13,978)	(1,007)	42,317	42,317	-
Unrealised gain /(loss) from available for sale fair value adjustment	(9,446)	-	(9,446)	(11,126)	-	(11,126)
Reserves	168,010	142,203	25,807	162,025	134,539	27,486
Total equity	**5,441,428**	**5,441,428**	**-**	**6,382,434**	**6,382,435**	**-**
Total liabilities and equity	**41,960,235**	**41,714,041**	**246,194**	**39,362,535**	**39,122,156**	**240,379**

The difference in total assets and total liabilities of HRK 246,194 thousand between the balance sheet presented according to the CNB decision and the balance sheet presented in accordance with statutory accounting requirements for banks in Croatia arises from different classification of deferred loan origination fees, liabilities based on the early repayment of loans and deferred prepaid interest on term deposits. In statements according to CNB decision deferred origination fees, as well as liabilities based on the early repayment of loans, are included in the position " Interests, fees and other liabilities" in "Total liabilities", while in the financial statements according to the statutory accounting requirements for banks in Croatia they are recognized as an adjustment in the position "Loans and receivables" in "Total assets".

Deferred prepaid interest on term deposits is recognised in position "Other assets" in "Total assets" in statements according to CNB decision whereas in the financial statements according to the statutory accounting requirements for banks in Croatia it is recognized as an adjustment in position "Due to customers" in "Total liabilities".

Differences in other positions arise from different classification of interest receivables and interest payables. In statements according to CNB decision interest receivables and interest payables are presented in "Other assets" and "Other liabilities" respectively, while in the financial statements according to the statutory accounting requirements for banks in Croatia they are presented in assets or liabilities positions they are related to, as an adjustment to their amortised cost.

Cash and Deposits with the Croatian National Bank are disclosed as separate positions according to CNB decision, while in the financial statements according to the statutory accounting requirements for banks in Croatia they are included in "Cash and current accounts with other banks" and "Balances with the Croatian National Bank".

Ministry of Finance treasury bills are separately disclosed according to the CNB decision, but in the financial statements these securities are part of "Financial assets available for sale".

Company organs
1 January 2011 to 31 December 2011

Supervisory Board:

Dr. Gottwald Kranebitter, president
Hypo Alpe Adria, Klagenfurt

Mag. Wolfgang Edelmüller, vice president
Hypo Alpe Adria, Klagenfrut

Dr. Sebastian Firlinger, member
Hypo Alpe Adria, Klagenfrut
(from 27th April 2011)

Goran Radman, member
Veleučilište Vern, Zagreb

Dr. Alexander Slana, member
Hypo Alpe Adria, Klagenfrut
(until 10th March 2011)

Management Board:

Mag. Markus Ferstl,
President

Brane Golubić, B.Sc.
Member

Ivo Bilić, B.Sc.
Member

Tea Martinčić, B.Sc.
Member

Tadija Vrdoljak, Ph.D
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Important notice:
This annual report has been prepared with great care and the information it contains has been checked. The possible occurrence of rounding errors, typesetting and printing errors, and errors in expression can however not be precluded. The English language report is a translation; the Croatian is the authentic language version.