



HYPO ALPE ADRIA
SUPPORTIVE. FRIENDLY. FAIR.

Annual report for the year 2011

Hypo Alpe-Adria-Bank a.d. Beograd

Summary of key data

RSD '000

	2011	2010	2009	2008	2007	2006	Change 2010-2011
Total assets	146,716,143	144,597,751	139,110,485	114,398,731	133,458,508	112,118,443	2,118,392
Liabilities to clients	68,284,756	60,636,685	64,060,985	52,076,478	41,252,607	23,744,084	7,648,071
Receivables from clients	115,974,856	103,476,808	90,288,454	72,037,116	65,401,993	55,289,249	12,498,048
Capital	33,011,260	31,616,735	31,374,466	26,408,315	18,460,662	14,639,415	1,394,525
<i>(of which: basic capital)</i>	<i>30,731,463</i>	<i>30,644,889</i>	<i>29,374,418</i>	<i>26,021,853</i>	<i>16,568,888</i>	<i>14,208,186</i>	<i>86,574</i>
Net interest income	5,881,525	5,477,757	5,350,141	5,145,008	3,380,455	2,645,310	403,768
Operational income	9,106,107	8,363,268	9,018,773	7,826,020	4,887,691	3,337,562	742,839
Operational expenditure	4,278,293	4,002,704	3,991,327	3,716,841	3,222,978	2,482,982	275,589
Operational result	4,827,814	4,360,564	5,027,446	4,109,179	1,664,712	854,580	467,250
Result of regular operations	1,498,366	384,506	1,827,484	2,472,210	1,526,978	798,467	1,113,860
Operational expenditure / Operational income (CIR)	46.98%	47.86%	45.10%	47.49%	65.94%	74.40%	-0.88%
ROE	3.96%	1.09%	6.11%	9.92%	8.37%	7.78%	2.87%
ROA	0.88%	0.24%	1.34%	1.80%	1.13%	0.88%	0.64%
Employees	872	816	851	871	803	718	56

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* **Note:** as part of the project "Organization Optimization and Governance" complete organization of Hypo Alpe-Adria-Bank a.d. Beograd was changed, with purpose of compliance with target organization defined at the level of Hypo Alpe Adria Group, and implementation of new organizational principles. This decision was adopted on 20 December 2011. Since this decision practically came into effect at the beginning of 2012 by amendments to the Rulebook on systematization of work positions, all elements of the Annual report for 2011 of Hypo Alpe-Adria-Bank a.d. Beograd were made pursuant to organization effective during the most part of 2011. All changes that occurred in view of organization were stated in individual chapters.

Overview of changes in bank's organization in 2011:

- Procurement and Services Division was transformed into two new organizational units, Real Estate Management Division and Procurement Department
- By taking the Collection Department out of the Rehabilitation Division a new division was formed – Collection Division
- Risk Controlling Division was formed by taking a part of operations of the Credit Risk Management Division out and its joining with the Risk Controlling Department
- Task Force Rehabilitation Department was taken out of the Rehabilitation Division, becoming an independent organizational unit
- "Organization Optimization and Governance" project made the largest changes in the following organizational units:
 - A new Operations Division was formed by taking over all tasks of the Transactions Banking and a part of tasks of the Credit Processing Division, Retail and Private Banking Division – network, and Real Estate Management Division
 - Retail and Private Banking Division was transformed into five new independent organizational units: Sales Management Division, including the branch network, Private Clients and Retail Products Department, SME Team, Distribution Channels Team and Affluent Team, while regional branches were closed
 - Sales control and planning were taken out of the Corporate Finance Division, forming a new independent unit – Sales Planning and Control Team
 - A new division was formed – Retail Risk Management Division, by taking out a part of tasks from the Credit Risk Management Division
 - Anti Money Laundering and Counter Terrorism Financing Team and Compliance Team became two independent units
 - Marketing and PR Department was transformed into two new units – Staff function: Corporate Communications and Marketing Team.

Members of the Executive Board*



Vladimir Čupić

Chairman of the Executive Board

Responsibilities:

- Corporate Finance Division
- Public Finance Department
- Sales Planning and Control Team
- Internal Audit Department
- Legal Team
- Compliance Team
- AML and CFT Team
- Security and Fraud Prevention Team
- Human Resources Department
- Board Assistance Department
- Staff function: Advisor
- Staff function: Economic Research
- Staff function: Corporate Communications



Zoran Vojnović

Deputy Chairman of the Executive Board

Responsibilities:

- Risk Controlling Division
- Credit Risk Management Division
- Retail Credit Risk Management Division
- Credit Processing Division
- Credit Rehabilitation Division
- Task Force Rehabilitation Team



Rade Vojnović
Member of the Executive Board

Responsibilities:

- Accounting and Reporting Department
- Financial Controlling Department
- Treasury and Balance Sheet Management Department



Mirko Španović
Member of the Executive Board

Responsibilities:

- Organization and Information Technology Division
- Real Estate Management Division
- Procurement Team
- Collection Division
- Operations Division



Oliver Klesinger
Member of the Executive Board

Responsibilities:

- Distribution Channels team
- Sales Management Division
- Private Clients and Retail Products Department
- Affluent Team
- SME Team
- Marketing Team

Note:

- Internal Audit Department and Compliance Team are responsible to the Bank's Board of Directors for their work
- Organizational tasks and activities related to labour relations of the Internal Audit Department are performed by Rade Vojnović, Member of the Executive Board
- Organizational tasks and activities related to labour relations of the Compliance Team are performed by Vladimir Čupić, Chairman of the Executive Board
- Organizational tasks and activities related to labour relations of the Board Assistance Department are performed by Vladimir Čupić, Chairman of the Executive Board

* Stated responsibilities of each of the Executive Board members were established by the Decision of the Board of Directors of Hypo Alpe-Adria-Bank a.d. Beograd on 20 December 2011, pursuant to Art. 73 Par. 3 Items 9 and 16a of the Law on banks (Official gazette of the Republic of Serbia nos. 107/2005 and 91/2010), Art. 19 Par. 1 Items 9 and 17 of the Articles of Association of Hypo Alpe-Adria-Bank a.d. Beograd (no. 08462/11 on 24 March 2011) and Art. 4 Par. 5 of the Rules of procedure of the Board of Directors of Hypo Alpe-Adria-Bank a.d. Beograd (no. 22089/09-2 on 17 August 2009).

Letter of the Executive Board

Dear Sir or Madam,

we have left behind 2011, another year of slow economic recovery, fall of domestic demand, volume of foreign direct investments and citizens' standard, on one hand, and increase of unemployment on the other, according to estimates of analysts and the public. However, in spite of challenges it faced, Hypo Alpe-Adria-Bank a.d. Beograd managed to keep stability of its operations.

Decreased credit capacity of the local economy inevitably influenced a slump in general level of business activities, but Hypo Alpe-Adria-Bank a.d. Beograd managed to keep one of the leading positions in the corporate sector as well.

In the course of 2011 we achieved progress in collecting deposits. Retail clients' deposits base increased its market share by 0.7% (from 3.7 to 4.4%).

Excellent results were also achieved in overall placements to the Serbian public sector, increasing market share of Hypo Alpe-Adria-Bank a.d. Beograd to 7.8 percent. The most important in this area was intensification of cooperation with the City of Belgrade, involving not only increased volume of business, but also in the area of corporate social responsibility, with the Bank supporting the project of the City of Belgrade for improvement of the birth rate in the city.

In course of the previous year we implemented several very important projects and ideas, among whom "Sales Force

Effectiveness” and “Affluent Banking” projects, which resulted in increase in sales, quality of services and client satisfaction in the first stages already.

We continued professional education of our employees, and improving processes, thus achieving a rise in productivity and efficiency of services.

The year before us is very important for further economic, political and social prosperity of our country. In 2012 we will continue following demands and possibilities of our clients, in order to respond flexibly and timely to the needs of the market and offer the best possible solutions.

We would like to thank our colleagues, partners, associates and clients, with whom we achieved many projects in 2011, and realized good-quality and constructive cooperation. We believe that in 2012, in spite of challenges before us, we will succeed in achieving even better business results, keep strengthening our client relations and improve our business in compliance with the banking market trends.

Your sincerely,

Executive Board of Hypo Alpe-Adria-Bank a.d. Beograd

Members of the Executive Board of Hypo Alpe-Adria-Bank a.d. Beograd

Vladimir Čupić

Zoran Vojnović

Rade Vojnović

Mirko Španović

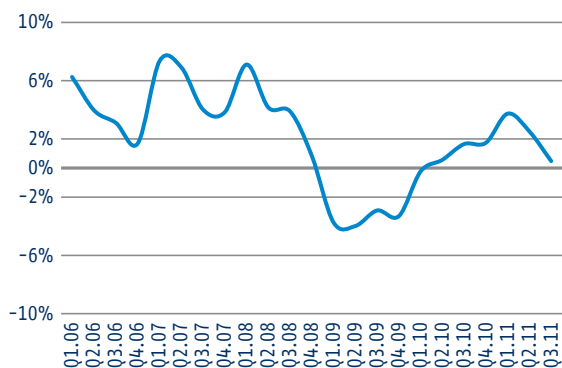
Oliver Klesinger

Business report

1. Macroeconomic environment and the banking sector

GDP growth in 2011 amounted to 1.6% (1% in 2010), with economic activity slowdown in Q3, after accelerated recovery in H1, Chart 1. Largest contribution to growth in 2011 was made by investment aggregate, while net exports made slightly negative, and dropping local demand significantly negative contribution. Mining, information and communication, energy and construction were sectors with the largest growth rates in Q1-Q3 2011. Agriculture production was almost stable, while retail and wholesale trade dropped.

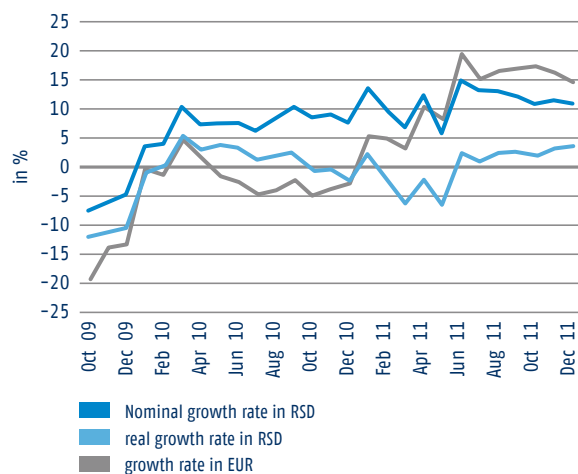
Total production, real GDP growth



Total goods exports in 2011 stood at EUR 8.4 billion (14.1% growth y-o-y), and goods imports EUR 14.4 billion (14.5% growth y-o-y), resulting in the foreign trade deficit of EUR 6 billion (15% more relative to 2010). The largest positive contribution to exports growth in 2011 was made by agriculture (23.6% y-o-y), and within the processing industry, motor vehicles and trailers (43% y-o-y) and rubber and plastics production (22.1% y-o-y).

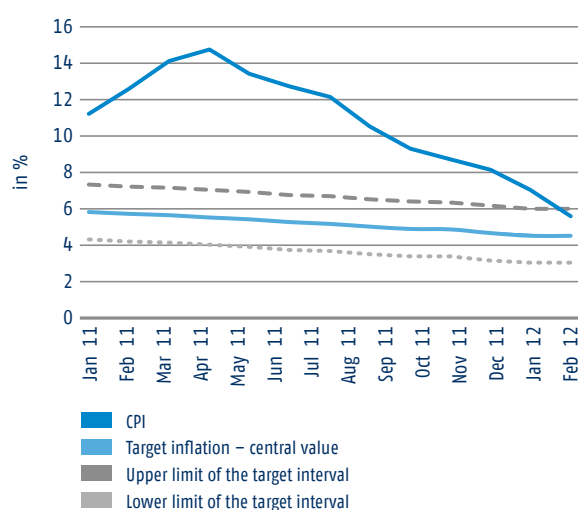
In the past year unemployment kept growing, rising to the level of 23.7% in October 2011, from 22.2% in April 2011, i.e. 19.2% in October 2010. Number of unemployed in October 2011 reached 691,841 people. Average monthly net salary in 2011 amounted to RSD 37,976, i.e. EUR 372. Salaries were nominally higher by 11.2%, really by 4%, and in amount in EUR recorded 12.3% growth.

Average monthly net salary, growth y-o-y

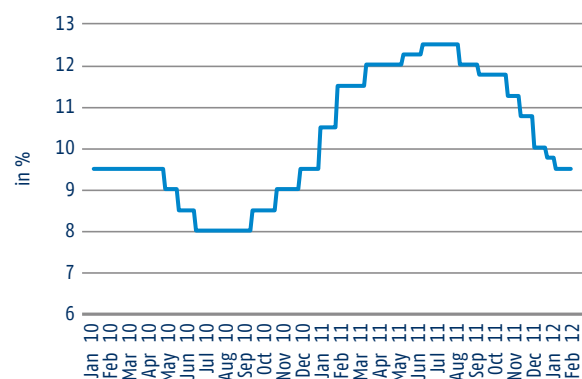


In 2011 two periods in process growth dynamics differ. The first period was from January to April, when price growth y-o-y accelerated, reaching 14.7%. As the year continued, inflation measured by consumer price index assumed a downward trend, so that price growth amounted to 7% y-o-y in December 2011. During the year price growth was above the upper limit of the targeted corridor (4.5±1,5%), Chart 3. Within total inflation in 2011, the largest contribution to price growth was made by prices of bread and cereals (14.11%), electric energy (13.5%) and fuel (13.32%).

Consumer price index



Repo rate

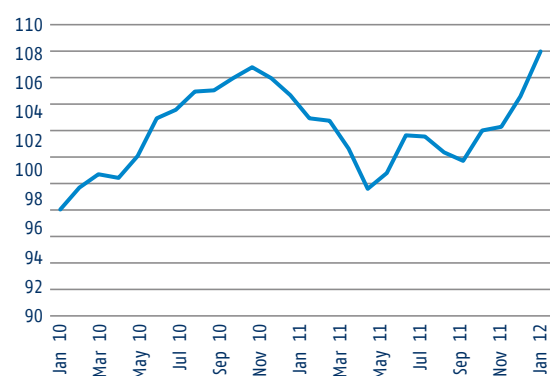


Monetary policy, which acted restrictively in the period from January to May, started the relaxing cycle in June. Repo rate plummeted from 12.5% in May to 9.75% in December, Chart 4. At the beginning of December 2011 National Bank of Serbia adopted the Decision on classification of balance sheet assets and off-balance sheet items, loosening criteria for credit capacity assessment for debtors.

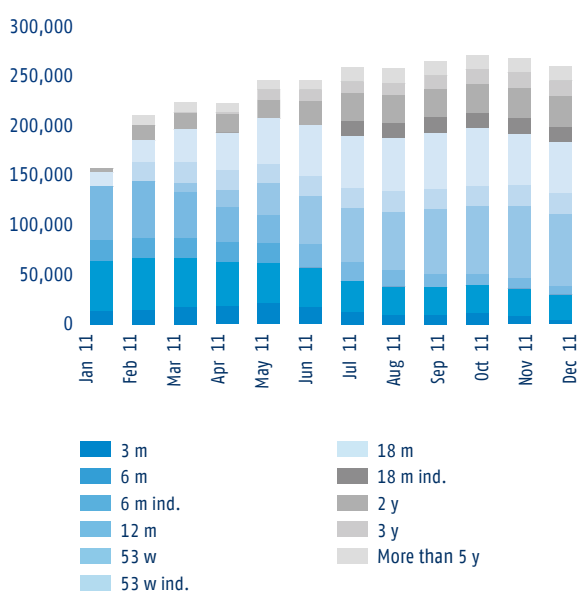
In most part of 2011 the dinar was stable, mostly thanks to voluminous inflow of foreign currency funds through non-resident portfolio investments (in t-bills), especially intensive in H1 2011, as well as through significant foreign investments (first of all FIAT and Delhaize).

Budget deficit of the central state in 2011 stood at RSD 132 billion, while consolidated fiscal deficit amounted to RSD 158.3 billion i.e. 4.85% of GDP. Public debt reached 45.1% of GDP at 2011 end, this also being the upper limit according to fiscal rules defined in the Budget System Law. Deficit was financed by issuing debt in the local market – t-bills, and the international market, by issuing the euro bond in September 2011 in the value of one billion US dollars, Chart 5.

EUR / RSD exchange rate, monthly average



Placements in t-bills
In RSD billion



1.1. Serbian banking sector

Serbian banking sector, measured by total balance sheet amount in euros amounted to EUR 25.1 billion at Q3 end, achieving growth of 4.5 % relative to 2010 end, i.e. 0.2% in dinars.

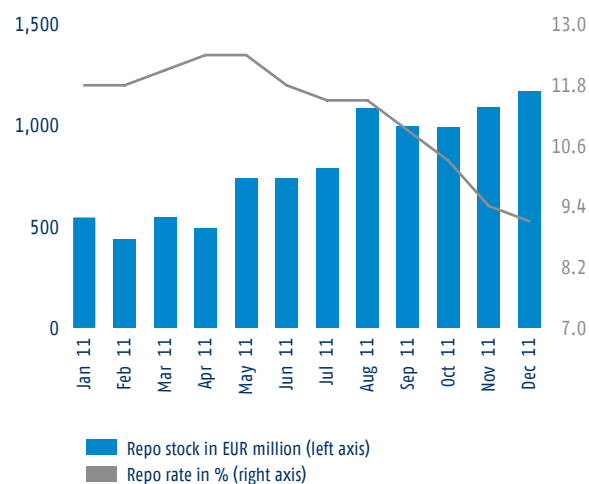
In 2011 growth of corporate and retail loans from the local banking sector slowed down. Namely, growth of total corporate and retail placements from the local banking sector amounted to 8.1% (20% in 2010.), with retail loans growing by 5.7% (16.4% in 2010), and corporate loans by 9.3% y-o-y (21.4% in 2010).

Growth of local banking sector loans in H1 2011 was largely stimulated by the programme of subsidized interest. In 2011 the total of EUR 854 million of subsidized loans was approved (in RSD counter value), much lower than in 2010, when this programme approved around EUR 1.75 billion of placements. Out of the total subsidized loans in 2011, EUR 830 million are related to corporate loans (97 million for investments and around 733 million for

liquidity) and EUR 24 million for retail consumer loans. During 2011 outflow of net repayment of cross-border loans continued. Debt of Serbian companies thus decreased by around EUR 420 million in the course of the entire 2011, while net repayment in 2010 amounted to EUR 870 million.

Placements into t-bills of the local banking system in course of 2011 did not change a lot relative to 2010. In 2011 repo investments grew, regardless of the fall of repo rate, thus repo placements drawing liquidity in the amount of EUR 1.2 billion at 2011 end (in RSD counter value), Chart 8.

Repo placements



At 2011 end total retail savings amounted to EUR 7.6 billion, 530 million more than at 2010 end. The largest jump in monthly growth was again recorded in November, during the “Savings week”, amounting to EUR 110 million, lower than the previous year (EUR 420 million). In the structure of total savings, FX savings participated with 97.6%, and dinar savings with 2.4%.

Table 1 Consolidated balance sheet of the banking sector

	End of period balance (in EUR mil)			Growth rate y-o-y (in %)			Share in total assets / liabilities (in %)		
	Dec 09	Dec 10	Dec 11	Dec 09	Dec 10	Dec 11	Dec 09	Dec 10	Dec 11
TOTAL ASSETS	24.420	26.040	27.799	12.9	6.6	6.8	100.0	100.0	100.0
Liquid assets	8.719	8.121	8.244	22.7	-6.9	1.5	35.7	31.2	29.7
Cash and deposits with NBS	4.487	4.139	4.637	-3.7	-7.8	12.0	18.4	15.9	16.7
Of which: mandatory reserve (earmarked FX + calculated RSD)	4.091	3.935	4.319	-3.6	-3.8	9.8	16.8	15.1	15.5
FX liquid assets	1.696	2.126	1.204	25.3	25.4	-43.4	6.9	8.2	4.3
Placements into repo, t-bills of NBS and t-bills of RS	2.537	1.857	2.404	132.0	-26.8	29.5	10.4	7.1	8.6
Placements	13.730	16.083	17.638	8.2	17.1	9.7	56.2	61.8	63.5
Corporate	8.856	10.196	10.607	10.7	15.1	4.0	36.3	39.2	38.2
Retail	4.363	5.000	5.749	1.2	14.6	15.0	17.9	19.2	20.7
Other	512	887	1.282	34.0	73.4	44.5	2.1	3.4	4.6
Fixed and other assets	1.970	1.836	1.916	7.4	-6.8	4.4	8.1	7.0	6.9
TOTAL LIABILITIES	24.420	26.040	27.799	12.9	6.6	6.8	100.0	100.0	100.0
Deposits	11.557	12.092	13.299	13.7	4.6	10.0	47.3	46.4	47.8
State deposits	117	199	221	-19.2	69.1	11.3	0.5	0.8	0.8
Transaction deposits	1.619	1.446	1.635	2.6	-10.7	13.1	6.6	5.6	5.9
Dinar term deposits	1.860	1.487	1.846	6.8	-20.1	24.1	7.6	5.7	6.6
FX term deposits	7.961	8.961	9.597	18.8	12.6	7.1	32.6	34.4	34.5
International liabilities	5.218	5.781	5.235	32.3	10.8	-9.4	21.4	22.2	18.8
Provisions for potential losses	1.406	1.573	2.078	14.3	11.9	32.1	5.8	6.0	7.5
Capital and reserves	4.871	4.967	5.385	-0.2	2.0	8.4	19.9	19.1	19.4
Other liabilities	1.368	1.626	1.802	-3.2	18.9	10.8	5.6	6.2	6.5

In the structure of aggregate liabilities of the banking sector, at the end of Q3 2011 other deposits dominated (term, savings and special-purpose deposits) with 44.7% and transaction deposits with 13.2% out of total liabilities. Capital makes 21.1% of total liabilities, representing very high capitalization at the banking sector level. Relative to 2010 end, capital of the entire banking sector increased by around EUR 570 million, standing at EUR 5.3 billion as of 30 September 2011.

Profitability of the banking sector in Q1-Q3 2011 amounted to 6.5% (annualized) measured by ROE, i.e. 1.3% measured by ROA. Profitability increased y-o-y, since in 2010 ROE was 5.4%, and ROA 1.1%. Growth of profit in Q1-Q3 2011 (annualized) y-o-y of

33%, is the result of increased net interest and commission income, as well as savings in costs and less intensive risk provisions.

Serbian banking sector in the first three quarters of 2011 achieved total profit of EUR 246 million, 21% more y-o-y (in the same period in 2010 it was EUR 204 million). Positive result (profit) was achieved by 23 banks, in total amount of 314 million. The remaining 10 banks resulted in operational loss, in total amount of EUR 68 million. Profitability was quite diverse among banks.

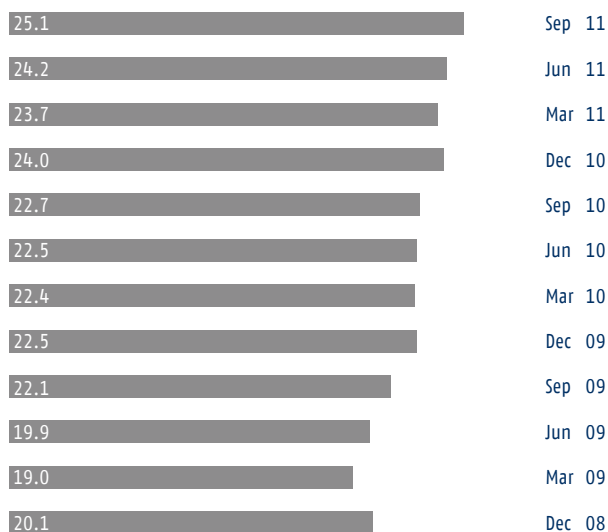
NPL of the banking sector at the end of Q3 2011 stood at 18.8% of the total placements, according to National Bank of Serbia record, representing growth y-o-y, since at 2010 end it was 16.9%.

Provisions for potential losses at the end of Q3 2011 stood at EUR 1.4 billion, amounting to 7.87% relative to gross placements for the entire sector. The above ratio is a bit higher y-o-y (7.77% in 2010).

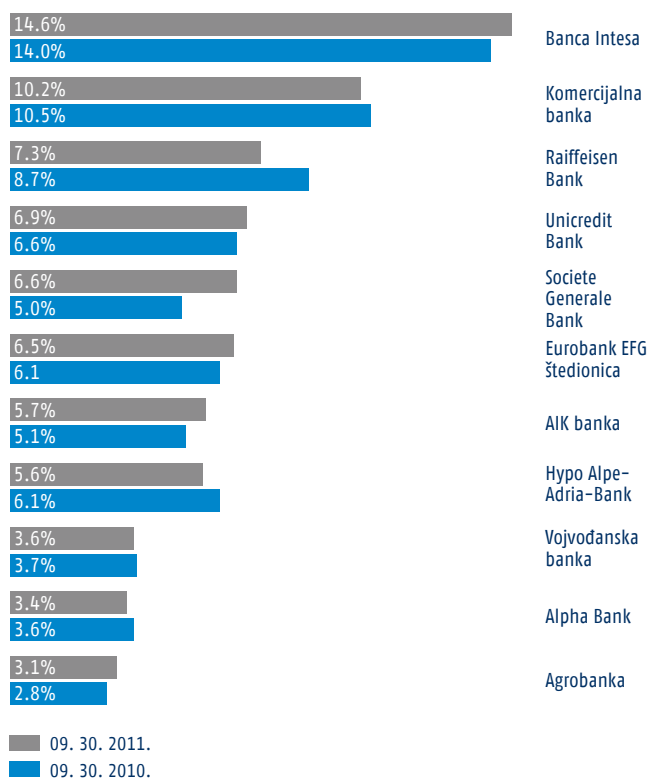
1.2. Hypo Alpe-Adria-Bank a.d. Beograd at the market

Balance sheet net assets of the banking sector

In EUR billion



Market share of individual banks by net assets



At the end of Q3 2011 Hypo Alpe-Adria-Bank a.d. Beograd, according to total balance sheet amount came 8th with 5.6% market share, 7th by total approved loans with 5.9% market share, and 8th by total received loans and deposits with 4.6% market share.

2. Corporate Finance Division

The past year can be rated as quite specific, because economic activities in Republic of Serbia were positive, and then came to a halt in H2 under the influence of the “new” crisis.

Dependence on unstable and unpredictable macroeconomic conditions is larger than ever, inevitably influencing business operations of the Corporate Finance Division to be more tactical than strategic.

In accordance with diminished credit capacity of the local economy, Hypo Alpe-Adria-Bank a.d. Beograd slightly slowed down its business activities in the local market in 2011, but kept one of the leading positions in the corporate sector.

Business and initiative in the corporate sector were characterized by long term business relations and stable client base, high quality of services and efficiency of processes, as well as the possibility to tailor the existing and create new products pursuant to the market needs.

The Division participated actively in corporate crediting through attractive subsidized loans from the Serbian Government programme, making 12% of the total new loans in 2011.

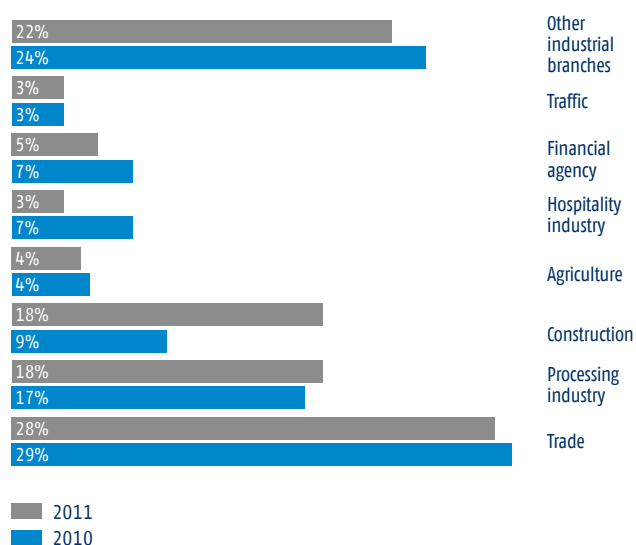
Total corporate placements In EUR million

643	2011
710	2010
695	2009
634	2008
521	2007
422	2006
390	2005

Since the pace of NPL growth accelerated in the local market in 2011, this trend with Hypo clients was a bit slower, first of all thanks to increasingly active work with due receivables and proactive approach to their resolution.

Structure of placements by industrial branches kept a similar structure as in the previous year. The largest number of

Structure of corporate placements by industrial branches (in%)



loans was placed to retail trade (28%), as well as the processing industry (18%).

Decreased liquidity of the local economy exerted a negative influence on developments of deposits of the Corporate Finance Division clients, so that 2011 was marked by large monthly oscillations. Finally, corporate clients' deposits recorded growth.

In spite of general macroeconomic trend of slowdown of growth of banking market, number of clients of the Corporate Finance Division recorded the same level y-o-y.

Developments of corporate clients' deposits in 2011 In EUR million

155	Dec 11
141	Nov 11
142	Oct 11
157	Sep 11
159	Aug 11
146	Jul 11
141	Jun 11
131	May 11
117	Apr 11
114	Mar 11
109	Feb 11
114	Jan 11
147	Dec 10

Total corporate clients' deposits, yearly view In EUR million

155	2011
147	2010
166	2009
159	2008
187	2007
186	2006
90	2005

Standard products and services of the Corporate Finance Division are: investment loans, (for buying machines, equipment, buildings, land and other fixed assets, loans for building), frame loans (overdraft, discount of bills of exchange, revolving

line), documentary business (guarantees, letters of credit, buying receivables and collection) and working capital loans.

In the course of 2011 Corporate Finance Division also offered favourable financing conditions through special packages of products, related primarily to clients with regular credit history and long term cooperation with the bank.

As in previous years, Corporate Finance Division will continue improving business activities, primarily through improving quality of services and offer of specific products tailored for the client.

Financing will be directed at corporate areas recording positive trends, expected to keep growing, as well as investment projects in compliance with strategic orientation of the Republic of Serbia.

On the other hand, the bank continues the process of portfolio diversification by industry branches, size of loans and rating into so called "Risk cube" decreasing risks the bank is exposed to.

Cooperation with clients will be intensified through various cross selling activities, as new clients will be acquired through offer of favourable conditions, presenting the basis for growth of total deposits as well as primary financing sources.

As part of the Organization Optimization and Governance project, on 20 December 2011 the sales control and planning function was taken out of the Corporate Finance Division, becoming a new independent unit: Sales Planning and Control Team.

3. Retail and Private Banking Division

As part of the Organization Optimization and Governance project, on 20 December 2011 the Retail and Private Banking Division was transformed into 5 new independent organizational units: Sales Management Division, which includes the branch network, Private Clients and Retail Products Department, SME Team, Distribution Channels Team and Affluent Team, while regional branches were closed.

Sales Management Division will continue expansion in the area of collection of deposits. During the year the retail deposits base grew significantly, leading to increase of the market share by as much as 0.7% (from 3.7 to 4.4%).

Total number of clients kept growing throughout the year. Because of cleaning the client base and transfer to definitions of

new segments (Affluent and mass) a certain fall occurred in the last month.

Loan portfolio followed the dynamics of currency developments, with certain oscillations during the year, but generally kept the same level. Placements of the division were mostly focused on the SME segment.

At the same time, growth of the level of deposits was impressive. Balance of deposits at 2011 end was EUR 384.2 million.

The bank offered a wide variety of products and services to its clients, covering their needs and needs of their work.

Enactments of the National Bank of Serbia and the Serbian Government stimulated the process of development of dinar loans for all purposes (car and consumer loans, liquidity loans, working capital and exports, investment loans).

Number of clients as of 31 December 2011

188,483	Dec 11
194,398	Nov 11
191,608	Oct 11
190,827	Sep 11
189,860	Aug 11
188,557	Jul 11
187,198	Jun 11
185,877	May 11
183,925	Apr 11
183,038	Mar 11
181,729	Feb 11
180,618	Jan 11
179,721	Dec 10

Balance of the loan portfolio as of 31 December 2011

457,770	Dec 11
458,281	Nov 11
464,045	Oct 11
466,509	Sep 11
474,163	Aug 11
481,765	Jul 11
472,112	Jun 11
471,069	May 11
457,907	Apr 11
455,224	Mar 11
458,956	Feb 11
455,994	Jan 11
463,447	Dec 10

For registered agricultural producers the bank completed its offer of loans by offering the loan with subsidized interest by the Ministry of agriculture, forestry and water management.

Success of operations of the Retail and Private Banking Division can also be proven by the Agrobiz leader award, awarded at the Agro Fair in Novi Sad.

In 2011 the bank continued improving sales efficiency and quality of services, improvement of applicative support and processes, increasing productivity, all with purpose of increasing the degree of client satisfaction.

Total number of bank branches at the end of 2011 was 41.

Balance of deposits as of 31 December 2011

384,224	Dec 11
383,700	Nov 11
347,355	Oct 11
350,530	Sep 11
348,389	Aug 11
342,150	Jul 11
327,169	Jun 11
316,863	May 11
301,725	Apr 11
298,768	Mar 11
297,298	Feb 11
299,129	Jan 11
298,157	Dec 10

4. Public Finance Division

Total placements to the Serbian public sector in December 2011 remained at the same level as in December 2010, and market share of Hypo Alpe-Adria-Bank a.d. Beograd increased by 2.4%, now standing at 7.8%.

Public Finance Division approved to total of EUR 108.7 million of new placements in 2011. Hypo Alpe-Adria-Bank a.d. Beograd won 15.6% of the total public tenders in 2011.

In 2011 significant cooperation was achieved with Telekom Srbije a.d, JP Srbijagas, Građevinska direkcija Srbije (Serbian construction directorate), Grad Beograd (City of Belgrade), JKP Gradska čistoća (City cleaning company), city of Novi Pazar, etc.

Difficult economic situation and problems with liquidity in public companies did not leave much room for acquisition of new deposit clients. Average balance of deposits in the public sector in 2011 amounted to EUR 687 million, without significant growth y-o-y. Share of Hypo Alpe-Adria-Bank a.d. Beograd remained at the similar level, standing at 5.60% as of 31 December 2011. One of the important activities in 2011 was strengthening cooperation with the City of Belgrade and increasing business activities with public city companies.

In 2011 financial analysis of all public companies in Serbia was performed, for companies whose income exceeds EUR 1.5 million, enabling the Public Finance Division to designate and define target clients precisely.

All financial positions improved y-o-y, and one should emphasize increase of operational income by 50% and increase of profitability by 40%

Collection of receivables in 2011 remained excellent (100% as of 31 December 2011), confirming again that doing business with the public sector bears much smaller risk. Still, one needs to stress that this result is the effect of constant monitoring of business of our clients, as well as prompt reaction to early warning signals of possible business problems.

5. Treasury Division

5.1. FX business

In 2011 Hypo Alpe-Adria-Bank a.d. Beograd kept its stable position in financial and interbank market in Serbia.

In the local interbank FX market, developments of the RSD exchange rate in 2011 were marked by two trends. By May 2011 the local FX market is characterized by large sales of FX of non-residents, who used bought dinars to buy RSD-denominated papers from the Ministry of Finance of Republic of Serbia.

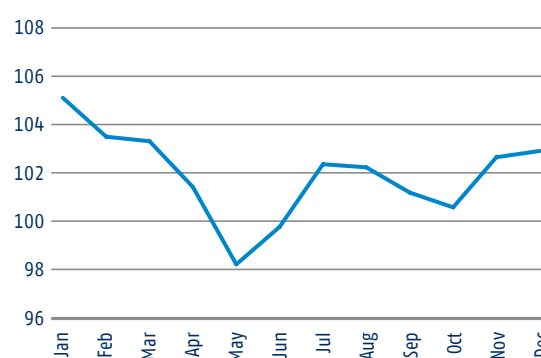
These sales of FX, together with favourable attitude of foreign investors towards economic and political climate in Republic of Serbia, lead to significant appreciation of the dinar on short term. From May to 2011 end inflow from non-residents' buying t-bills decreased, demand for FX by Serbian companies intensified, political and economic perspective of Serbia got worse (not receiving the EU candidanship, prolongation of the deadline for renewal of the IMF arrangement, and growing budget and balance of payments' deficit), as well as beginning of closing of open RSD positions of non-residents (buyers of dinar securities from Q3 and Q4 2010), all lead to turnover in the trend and beginning of depreciation of the local currency.

The largest RSD appreciation was recorded in April, while the largest RSD depreciation was recorded in June.

As the result of the above factors, EUR/RSD exchange rate dropped by 0.9% in 2011, representing a turnover in the trend relative to 2010, when the exchange rate grew by 10.02%.

During 2011 National Bank of Serbia did not make frequent interventions in the interbank market, having in mind its resolution to allow higher volatility in the daily developments of the exchange rate. During the year, NBS sold the total of EUR 95 million to commercial banks and bought off EUR 40 million.

EUR / RSD exchange rate developments in 2011
(average monthly values)



In 2011 growth of retail prices y-o-y amounted to 7%.

Increased interest in investments in government debt securities, as well as generally more favourable economic and political Serbian perspective during the most part of 2011 influenced the volume of trade in the interbank market to almost double, rising from EUR 10.763 million in 2010 to EUR 19.532 in 2011.

Hypo Alpe-Adria-Bank a.d. Beograd managed to maintain its position among the leading banks in the country in 2011. In total buying of banks in the interbank FX market (MDT), Hypo bank participated with 4.37%, while in total sales its share was 3.78%. Collectively in MDT its share in 2011 was 4.1%¹.

At the same time, in buying from resident clients the bank realized the share of 5.22%, in selling to resident clients 5.67%, with the total share in trade with resident clients of 5.49%.

1) Volume index only with resident banks.

Hypo bank's share in interbank FX market 2011, monthly view

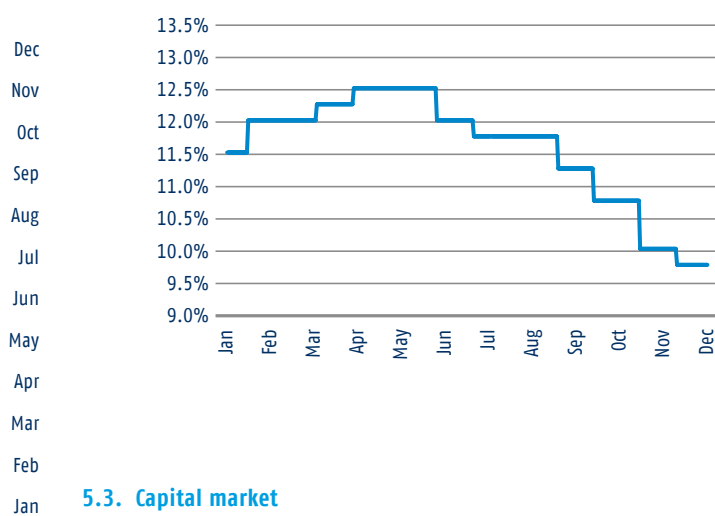


5.2. Monetary policy of the National Bank of Serbia

National Bank of Serbia continued strengthening market monetary policy instruments. Pursuant to its policy National Bank of Serbia continued using its monetary instruments to influence developments of the inflation rate, i.e. bringing inflation down to its targeted corridor. In 2011, due to a jump of prices of energy-generating products, as well as regulated prices, targeted inflation of $4.5\% \pm 1.5\%$ was not achieved. Growth of retail prices in 2011 amounted to 7.0%.

In 2011 NBS interventions decreased drastically, amounting to EUR 135 million, in comparison to as much as EUR 2.3 billion of NBS interventions in 2010. Key policy rate plummeted from 12.5% to 9.75%.

Developments of the repo rate in 2011



5.3. Capital market

Trading in the Belgrade Stock Exchange in course of 2011 showed improvement relative to 2010. Volume of trading increased in both segments, in dinars and securities denominated in euros. If one observes trading volume in 2011 on a wider time scale, one can conclude that it is far from annual turnovers realized for years back (2001 to 2009). At the same time, and having in mind that the entire 2011 was marked by crisis in the Euro zone, whose effects had to spill over to the local financial market, both leading Belgrade SE indices recorded significant fall, Belex15 dropped by 23.43%, and BelexLine by 23.82%.

In course of 2011 trading volume kept growing, both in the primary and secondary market of the Serbian government securities. Aside from quantitative move, a qualitative move was made through the first issue of three-year coupon securities of Republic of Serbia. This way the dinar yield curve was prolonged. Yield rates for these securities were falling when one observes the beginning and the end of 2011. Downward yield correction is more

significant in short term securities, and smaller for securities with longer maturities. Namely, short term government bills react almost immediately to changes of the monetary policy reflected in the amount of repo rate of the National Bank of Serbia, the latter significantly corrected downwards in H2 2011. On the other hand, investors are more sensitive to risk borne by longer maturities of state bonds, this making their yields more resistant, recording smaller downward correction in 2011.

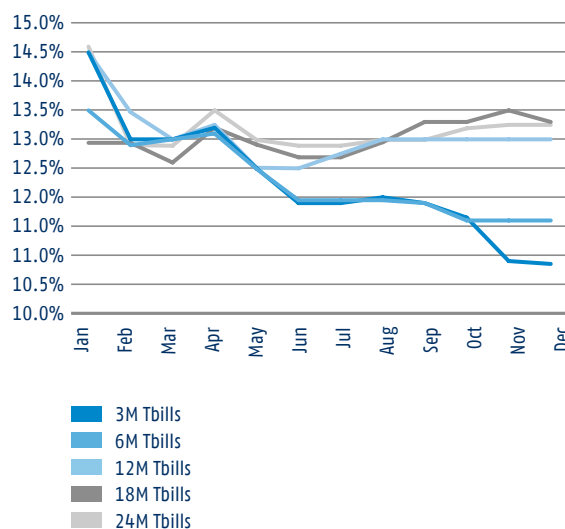
Belex Line Index



Belex 15 Index



Developments of yields of t-bills in 2011



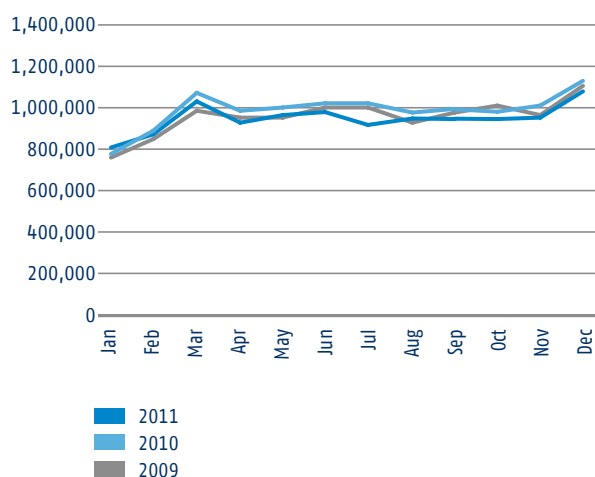
6. Transactions Banking Division

At 2011 end more than 112,000 clients, local legal and natural persons had an open dinar current account with the Hypo Alpe-Adria-Bank a.d. Beograd, 10% more y-o-y.

Number of clients who opened an FX account for foreign trade business grew by 18.47 % y-o-y.

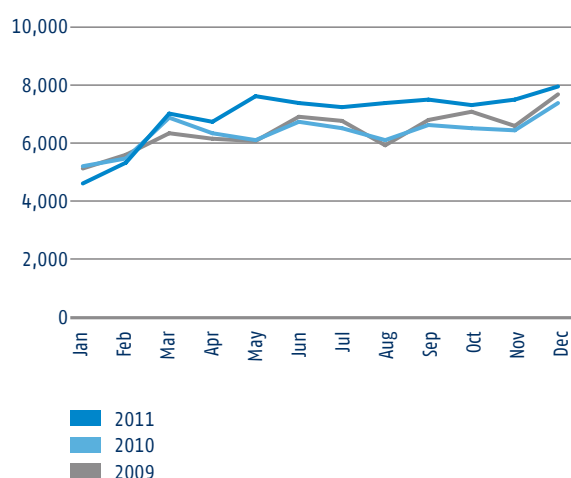
Number of transactions in dinars by local legal persons in 2011 dropped by 3.5% relative to 2010. In 2011 total turnover in domestic payments grew by 3.5%.

Number of transactions in domestic payments



Number of FX transactions in 2011, realized through international payment instruments, recorded growth of 9.48% y-o-y, while in the same period internal payments volume rose by 13.21%.

Number of transactions in international payment transactions



Total income from clients from commissions for domestic payments (legal and natural persons) in 2011 amounted to RSD 381,140,721.40, i.e. 4.3% higher than in 2010.

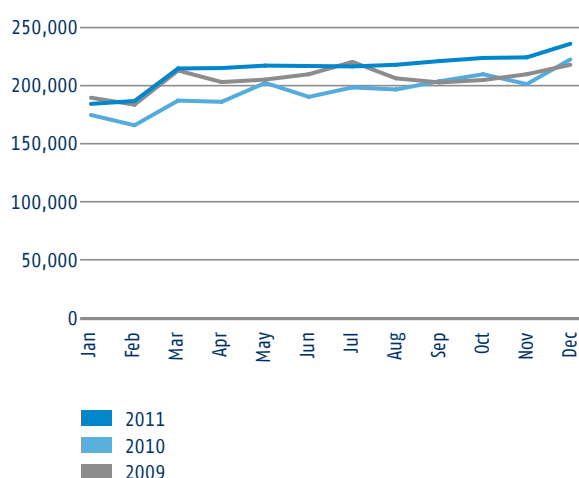
Total income from clients from commissions for international payment transactions (legal and natural persons) in 2011 amounted to RSD 131,009,607.84, i.e. 0.15% more y-o-y.

In 2011 the Bank was awarded by the well-known Commerzbank AG Frankfurt with the STP Award 2010 (Straight Through Processing) granted for exceptional quality of financial transactions in the international payments.

E-banking transactions of legal persons participated with 54.34% in total non-cash transactions, and with 82.18% in total turnover of all non-cash transactions in domestic payments.

Number of natural persons using WEB e-banking and SMS services at the end of 2011 stood at 25,599 (5,193 WEB and SMS, 2,816 only WEB, 17,590 only SMS), the number higher by as much as 65.16% than the previous year. Number of e-banking transactions of natural persons increased in 2011 by the impressive 119%.

Number of card transactions



Number of card transactions realized by our clients every month (82,855 issued cards) increased by 7% - from 219,479 in December 2010 to 236,509 in December 2011.

Realized turnover with cards issued by Hypo Alpe-Adria-Bank a.d. Beograd rose by around 11% - from RSD 1,017,000,000 in December 2010 to RSD 1,127,000,000 in December 2011.

The Bank has 47 ATMs.

In accordance with the diminished volume of trade in the Belgrade Stock Exchange the large number of business activities in 2011 was directed at corporate activities of clients. Regardless, the bank continued to be one of top 10 members of the Central Securities Depository in 2011 in view of value of turnover of settlement transactions resulting from trading in shares and frozen FX savings bonds in the Belgrade Stock Exchange.

At the end of 2011 a new division was formed – Operations Division, which took over all Transactions Banking Division operations, and a part of tasks of the Credit Processing Division, Retail and Private Banking Division – network and Real Estate Management Division.

7. Credit Processing Division

Credit Processing Division, as an independent organizational unit of the bank, is an important factor in the credit process, whose goal is to decrease risk of the bank's business operations. Basic responsibility and competence of the division is to process loans of the bank's clients.

Division consists of the following departments:

- Contract Preparation and Collateralization Department;
- Credit Administration Department;
- Archiving Department;
- Reporting Department
- Data Quality Control Department

The above departments all work as support to the Corporate Finance Division, Public Finance Department and Retail and Private Banking Division.

In course of 2011 the division participated in the "Valuation Rush", organized and realized by the Group. Part of this project was monitoring of all assessments of real estate mortgaged by the bank as collateral for placements, with purpose of timely updating. The project included all real estate, both residential (RRE) and commercial (CRE). At the same time the division continued improving data quality in the collateral system, both in measurement and valuation of collaterals and timely updating of collateral valuations, both of movables and immovables, and updating insurance policies and their transfers.

Due to changes of regulations, first of all coming into effect of the Law on protection of financial services consumers, the Department for contract preparation and collateralization created new templates for standard contracts for all bank's loans for natural persons. In course of 2011 the department also audited standard contract templates for all loans for entrepreneurs and agricultural producers.

Credit Administration Department and Archiving Department actively participated in preparation of data for registration of bills of exchange serving as collateral for bank's placements approved to legal persons, all according to new National Bank of Serbia regulations. In course of preparation for imple-

mentation of the new core system Temenos T24, Credit Administration Department participated in the phase of analysis and definition of requests for process improvement.

In the monthly sessions of the Risk Committee of the bank (RICO), whose one of the basic goals was monitoring the bank's exposure to credit risk, the division participates by preparing reports and presentations of the overview of cover of disbursed placements by collaterals, by business segments.

Credit Processing Division, as part of its responsibilities, participated in work of the quality committee, organization of and participation in its sessions, where decisions on activities for increase of data quality are discussed and adopted.

In 2011 the division continued active participation in the File Net project, all with purpose of improvement of work process, scanning and archiving documents – bank's credit files.

Credit Processing actively worked on implementation of new versions of the Administration Policy, Collateral and Collateral Monitoring Policy, and Contract Policy. Pursuant to the memorandum of understanding signed between the bank and Hypo Alpe-Adria-Leasing d.o.o. Beograd, the division prepared standard templates for financial leasing contracts, as well as audit new versions of leasing policies under responsibility of the division.

The division achieved the most important goals for 2011 successfully and timely: compliance with new legal regulations, further implementation of the new credit process, improvement of data quality, as well as improvement of all processes.

8. Credit Risk Management Division

Credit Risk Management Division is one of the key components of the organization, with significant influence on bank's success. Within the credit process, the division is responsible for consistent identification, assessment, monitoring and management of credit risk of the bank at all levels and segments of crediting. The above activities are performed pursuant to regulations of the National Bank of Serbia and on the basis of recommendations, rules and guidelines of the Hypo Group.

As part of its credit risk management activities the bank holds the sessions of the Watch Loan Committee every month. These sessions are exceptionally important for functioning of the bank and reporting to the management about clients with difficulties in servicing their obligations to the bank. Result of work of this committee are specific actions undertaken to collect the bank's receivables. Committee makes monthly recommendations for the Executive Board of the bank, in the sense of undertaking operational measures to mitigate the existing risks the bank is exposed to.

The division is organized in the following departments:

- Corporate Credit Risk Assessment Department
- Retail Credit Risk Assessment Department
- Public Credit Risk Assessment Department
- Financial Analysis Department
- Corporate Monitoring Department
- Credit Support Department

Efficient credit risk management, as an important part of the overall approach to risk management, represents the most important goal of the Credit Risk Management Division. With purpose of realization of this goal in 2011 the reorganization process was initiated, which should lead to strengthening of activities of client monitoring and taking retail credit risk management out of the division. In order to ensure timely undertaking of adequate procedures and measures of keeping the quality of the portfolio, thorough activities of analysis and assessment of financial, market and credit potential of the existing portfolio have been undertaken, as well as check-up of agreed collaterals. The above activities were performed as part of the projects "Review Rush", "Rating Rush" and "Watch Loan Initiative", organized and realized in cooperation with the Hypo Group. The goal of these projects was to provide timely information and to point at potential risk factors, and to provide timely reaction of the bank in order to prevent worsening of the bank's portfolio quality. At the same time, it provided further support to bank clients in stabilization and keeping the continuity of business, and enabled further development and revival of the local economy.

9. Rehabilitation Division

In September 2011 the division systematization was changed, in order to comply business processes and competences with Group requests, transferring competence for rehabilitation and forced collection of receivables from retail clients to the new-formed Collection Division.

According to the new organization, the following departments were formed:

- Restructuring Department
- Forced Collection Department
- Portfolio and SRP Reporting Department

In 2011 Rehabilitation Division actively participated in process of collection, restructuring and recovery of problematic receivables of the bank, as well as sales of mortgaged real estate.

Rehabilitation Division consists of three departments:

9.1. Restructuring Department

Basic task of the department is restructuring, implying:

- Preparation and presentation of opinions and proposals for each individual case of restructuring and preparing new loan proposals with adequate explanation;
- Constant control of new measures, undertaken for improvement of financial situation of clients, for purposes of collection;
- Monitoring – after the restructuring process, one can decide (on the basis of financial state of the client) not to return the client to the regular status, i.e. initial branch, but to keep it under supervision of the department, until financial standing of the client is improved up to the level that it can continue regular settlement of obligations to the bank;
- Negotiations with potential buyers in case of sales of collaterals (movables and/or real estate);
- Reporting on the status of clients under department's responsibility.

9.2. Forced Collection Department

Basic task of the department is forced collection, including:

- Analysis of legal status of collaterals and loan placements;
- Giving legal opinions at proposal for reprogramming and restructuring of loans;
- Creating contracts and collateralization in case of reprogramming and restructuring of loans;
- Making other legal enactments in compliance with procedures of the Rehabilitation Division;
- Presenting the bank with goal of collection, with regards to cases assigned to the department;
- Supervision of engaged external law offices;
- Making reports on status of cases court proceedings were initiated for;
- Negotiations with potential buyers in cases of sales of collaterals (movables and /or real estate);
- Organization of the process of selling collaterals.

9.3. Department for portfolio and SRP reporting

Basic task of the department is monthly identification of corporate clients for calculation of specific risk provisions, as well as their calculation. Cooperation with other departments in the division and support. Monitoring and application of international (IFRS) and local regulations (NBS) in the area of calculation of specific risk provisions, as well as other regulations in the division's area of work. Control of reports taken for IS, and preparation of regular and special reports, pursuant to division's needs, and requests of the head of division and Executive Board members.

10. Services and Procurement Division

The Procurement Department was formed on the 30 June 2011, after the decision of the Hypo Group that the Procurement Department should be an independent organizational unit reporting directly to the Executive Board in contrast to previously being part of the Services and Procurement Sector. The core activity of the Procurement Department is the implementation of the complete process of the procurement of goods, works and services for the bank, in accordance with relevant procedures, instructions and manuals, centred on the principles of expediency, economy, and thriftiness. In order to obtain the best conditions for the bank, the Procurement Department does permanent market research and keeps continual contact with suppliers, with the aim of providing the best possible quality of services and goods at the lowest possible prices. In 2011, the Procurement Department achieved savings of 13.42% on one-time initiatives and 18.41% on recurring initiatives, or a combined savings ratio of 16.13%.

11. Legal Department

During 2011, the Legal Department organized, within the scope of its regular activities, the creation, legal check and record-keeping of all bank documents related to its status, internal organisation, business policy and all forms of business activities of the bank and created contract templates (loan contracts, guarantee contracts, L/C contracts, etc.) and actual contracts the bank concluded with clients, related to more complex and non-standard activities.

The tasks of the Legal Department also included the following:

- Creation of materials and documents necessary for holding sessions of the bank's Assembly and Board of Directors;
- Giving legal opinions on a number of issues occurring in the work of other organisational parts of the bank;
- Obtaining of required consents, decisions and approvals of the National Bank of Serbia, Agency for company registers and other competent government authorities.

The Legal Department carried out non-collection-related court proceedings for the bank, made checks of decisions and requests forwarded for adoption to the Executive Board of the bank, informed employees on changes of legal regulations, completed registration processes with the Business Registers Agency concerning changes of such elements whose change registration was prescribed as mandatory and carried out other activities at the request of the Executive Board of the bank.

12. Compliance and AML

On 20 December 2011 the Compliance and AML Division was divided into two independent teams – AML and CFT Team and Compliance Team.

Hypo Alpe-Adria-Bank a.d. Beograd deems its reputation as immensely important. Observance of legal regulations, internal bank enactments, application of standards and good business practise – these are all necessary conditions for preserving reputation and diminishing risk from sanctions of regulatory body and financial losses.

Necessity for Hypo Alpe-Adria-Bank a.d. Beograd to introduce necessary standards and good business practise, primarily because of its clients, brings forth the need for Compliance Team to be actively involved in all relevant business processes pursuant to good business practise for performing control of compliance

Ever since its forming in 2006, Compliance Team kept developing, improving work methodology, and in course of 2011 activities of improving functionalities intensified.

Function competences were redefined. New programme was adopted, plan of activities and several internal enactments regulating standards under competence of the compliance function. A string of new procedures were defined with purpose of strengthening internal control, consistent application of legal regulations, standards and good business practise.

Through its activities Compliance function tries to influence and raise awareness of employees about the need to act in compliance with legal regulations, internal bank enactments, standards and good business practise, also persistently educating employees.

Compliance Team achieves its function through identification, monitoring and management of compliance risk, performing control, reporting on established incompliance, proposing

activities /recommendations for overcoming established incompliance, providing opinion on compliance of policies, procedures and bank products, monitoring realization of proposed activities for removing incompliance, monitoring advertising of bank products, participation in projects important to the bank, all with purpose of legal performance of business processes and protection of interest of clients, improvement of procedures, and accordingly, minimizing reputational risk, risk of sanctions of the regulatory body, and financial loss, all of which is not contrary to the bank's primary goal – achieving profit.

Prevention of money laundering and financing terrorism are global problems, with counter effect on economic, political, security and social structure of a country. Effects of money laundering and terrorism financing are: undermining stability, transparency and efficiency of the financial system of a country, economic disturbances, instability, jeopardizing programme of reforms, decreasing investments, losing reputation of the country and jeopardizing national security.

One of the chief goals of the financial sector in this sense is prevention of misuse of financial systems with purpose of covering and transferring assets originating from criminal activities. As its strategic orientation, the bank applies the obligation of due care within its business activities, so as to disable the money acquired in criminal activities to enter the bank and to avoid transactions with criminal intent. Application of standards based on the Know Your client principle with active execution and observance of regulations, as well as constant process of raising awareness of employees, represent basis for such orientation.

Anti Money Laundering and Counter Terrorism Financing Team, as an independent team directly responsible to the bank's top management, has the basic task to set up and develop the system for prevention of money laundering and terrorism financing and initiate and propose appropriate measures for its improvement to the bank's management. During 2011 the team continued supervision over transactions and clients' business, while observing the approach based on risk and reporting to the Anti Money Laundering Administration pursuant to legal regulations and internal bank enactments. The team revised all procedures and complied them with Group standards. Special attention was paid to activities and work on raising awareness of employees with regards to issues in the team's area of competence, through constant training of employees, as well as publishing presentations, experiences and material available to authorized

persons. All employees of the AML and CFT Team, after passing their professional exam, got their legally stipulated licenses in 2011, confirming their professional knowledge.

13. Risk Controlling Department

Risk Controlling Department, as one of the four columns in direct responsibility of the Chief Risk Officer, is responsible for identification, measurement, control, monitoring and reporting on important risks at bank level.

Work of the Risk Controlling Department in 2011 was marked by continued intensive process of identification, assessment, control and reporting on the bank's risk profile, primarily in the area of credit risk and operational risk, but also other risks – liquidity risk, interest risk, etc.

Starting from experience and practise from previous years, with support of Hypo Group, in 2011 Risk Controlling Department continued its work on development and implementation of methods, instruments and tools for measurement and assessment of risk, as well as development of more complex scenario analyses in the area of credit risk, liquidity risk, and more frequent reporting to the Executive Board and Hypo Group about risks the bank is exposed to.

By taking an active role in the work of relevant committees and working bodies of the bank on managing relevant projects and by coordinating these activities with the Hypo Group, in 2011, the Risk Controlling Department was an important factor in the process of creating the strategy for the bank's risk management and improving risk analysis methods, as well as in the very process of the bank's risk management.

As part of the overall process of reorganization of the bank, Risk Controlling Department was reorganized in Q3 2011 into the Risk Controlling Division, consisting of Credit Risk Controlling Department, Market and Liquidity Risk Controlling Department and Operational Risk Controlling Team. In that procedure Risk Controlling Division acquired certain functions and tasks in the area of credit risk performed earlier in other organizational units.

Risk Controlling Department, i.e. Risk Controlling Division finalized full implementation of Basel II standard in 2011, completing the deadline for full application stipulated by the Decision of National Bank of Serbia for 31 December 2011.

14. Economic Analysis Department

The Economic Analysis Department operates as an independent department subordinated to the Executive Board of the bank, with the purpose of providing necessary analyses and data for the bank's management to be used in the process of making decisions and plans.

Key tasks of the Economic Analysis Department are monitoring of macroeconomic tendencies and policies in the country and the region, developments within the banking sector and trends and perspectives of individual economy segments. In addition to monitoring tendencies, the Economic Analysis Department creates projections of future developments of key economic and financial figures relevant for the bank's operation.

The Economic Analysis Department regularly prepares analyses of the operation of the Serbian banking sector based on quarterly data on banks' balance sheets, occasional short economic analyses of current issues – Macroeconomic Reviews, as well as analyses of the situations and perspectives of individual economy branches relevant for the bank's portfolio. In addition to regular materials with the internal purpose, the Economic Analysis Department is involved in creating regular monthly issues of the Economic Digest – A Finance and Market Trends Guide, printed and distributed to clients and other stakeholders.

The Economic Analysis Department also creates research and analytical materials on specific economic issues of general interest, presented when the bank's management is invited to discussions at various professional gatherings.

Since December 2011 the department has been operating, with the same description of tasks, as the staff function – Economic Research.

15. Human Resources Management Department

At 2011 end Hypo Alpe-Adria-Bank a.d. Beograd had the total of 872 employees. As usual, the gender structure favoured the female – 69% relative to 31%. Majority of employee holds a university degree – 58% (percent growing y-o-y), and most employees were in the age group 30 to 39 with the share of 59% of total employees.

Human Resources Department as a team has a role of supporting the administrative and development side. Accelerated changes in the banking market and economy in general necessitate continual employee development. As a good employer, Hypo Alpe-Adria-Bank a.d. Beograd strategically invests in the human resources, and in 2011, we continued investing in employees' development, to answer properly the demands of business and market trends.

In 2011, on the basis of identified needs of development and education, the bank stressed internal and in-house training. It was proven that the employees necessitate most "tailor made" training fully corresponding bank's demands, as well as training

Gender structure of employees



Education structure of employees



lectured by our colleagues who understand best all demands we are faced with. In that sense we must mention.

In-house seminar created for colleagues from the Corporate Finance Division - Corporate selling skills. We also organized in-house training for Rehabilitation Division "Corporate restructuring – legal and economic segment" and "Performing financial analysis for corporate clients and risk assessment". Both trainings were organized at the initiative of the division itself, in order to facilitate understanding of a specific situation the clients are in and finding solutions for them.

In the past year stress was placed on Retail and Private Banking Division – Sales Force Effectiveness (SFE) project, with two trainings participated by network employees. (1) Training for increase of efficiency by using new tools access to sales was distributed evenly throughout the Group, and training was performed by internal trainers, who were specially educated for that purpose. (2) Sales training attended by all retail advisors and personal bankers.

Aside from above trainings, our employees also attended Rating portal tool training, Anti Money Laundering training, CRE

and Expert Rating Tool, OLALA training, Affluent banking, Collection training etc.

At Group level the programme System Oriented Management (SOM) and Business Risk Analysis was finalized (started in 2010). Significant place is taken by training organized in cooperation with IEDC Bled School of Management. It consists of 3 programmes -Creating Future for Executive Board members, Leading from the middle for managers directly reporting to the EB and Achieving operational excellence for the next management level and high potentials.

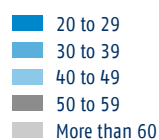
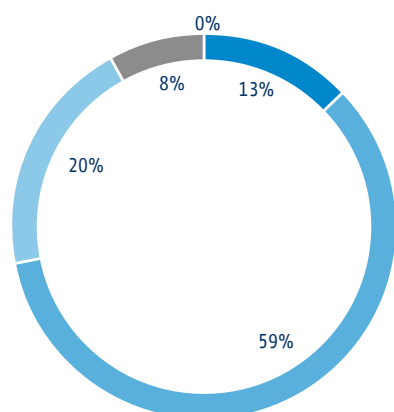
Aside from the above training sessions, our employees also attended Treasury Professional Education, Banking Cyber School, Financial Controlling training, Project Management basic & advanced, Valuation academy.

In 2011 we continued with scholarships for our employees as a way of supporting those who wish to improve their professional and academic knowledge.

Through CSR programmes the bank aids young people, students and economic school students through appropriate internships.

Plan for 2012 includes all forms of necessary internal, in-house and external training, as well as continuation of initiated programmes for development of managers.

Employees' age structure



16. Organization and Information Technology Division (Orga / IT)

In the IT sector, 2011 was marked by preparations and beginning of the project of implementation of the Core Banking system Temenos T24, with the following strategic goals:

- Replacing ZIS Legacy system with T24 core system
- Improving bank operations and shortening response time according to market demands
- Satisfaction of growing demands and expectations of clients in the sense of quality and costs

Fulfilment of defined strategic goals of the project implies completion of the following operational goals:

- Implementation of necessary functionalities in the T24 system pursuant to the bank's business requirements

- Implementation of T24 system in the head office and all branches
- Integration of the T24 system with the existing satellite applications wherever possible
- Migration of all data about clients, products, accounts into T24
- Adapting DWH and relevant data models to data structures in the T24 system
- Implementation of the appropriate IT infrastructure with the goal of optimization of performances of the new system
- Reengineering of business processes in order to achieve organizational preparation for changes brought by the T24 system.

The team participating in the project consists of 50 employees, experts in various business and IT areas. The team is organized through several streams in accordance with packages of tasks and project stages. The project will continue into 2012, and according to plan the new system is expected in production in April 2013.

In 2011 the bank also prepared implementation of Basel II standard, which demanded significant engagement of IT experts in the area of support of business solutions and DWH and reporting, with the goal of providing appropriate tools for monitoring and reporting.

The bank developed auxiliary applications for monitoring the credit process in the SME segment and applications in the SFE project for monitoring results of sales in Retail.

During the year technical quality of IT infrastructure was improved through integration of new equipment (new modern components making the desktop environment, printing system and server architecture).

Continued process of centralization of components of information system was initiated in compliance with the development strategy.

In the area of organizational development, in course of 2011, at Group initiative the bank started the project „Optimization Organization and Governance" in order to comply the bank's organization with target organization defined at the level of Hypo Group and implementation of new organizational principles. Complete bank's structure was changed through this project. This also implied active infrastructure support in reorganization of equipment and tools.

Project portfolio managers and project management officers had an important role in 14 projects active in course of 2011.

At the end of 2011 the division employed 34 people.

17. Marketing and Public Relations Department

Marketing and PR Department was formed on 15 March 2011, when competences of the Marketing and Corporate Communications Departments were joined. On 20 December 2011 Marketing and PR Department was transformed into two new organizational units – staff function: Corporate Communications and Marketing Team

In 2011 Marketing and PR Department mostly followed the work of the Retail and Private Banking Division in the marketing segment. In the retail business segment, in H1 the bank worked on popularizing current account packages, savings, and the loyalty programme for all users of Hypo cards. In H1 Marketing and PR Department also worked intensively on the bank's new image and the new image campaign was realized at the Hypo Group level. A new, entirely noticeable and recognizable brand of the bank was formed.

Second half of the year was traditionally dedicated to collecting deposits, but also intensive promotion of all types of retail loans. The bank was promoted as a stable and secure financial institution, offering very favourable crediting to its clients, savings, new products and services according to their needs.

Most part of the bank's marketing budget for 2011, around 60%, was spent on media campaigns. Out of that, 80% was related to advertising products and services for the retail segment, having in mind the bank's strategy to strengthen its market share in this segment.

At the beginning of the year the bank started the loyalty program for all users of bank's cards, with the goal of awarding our card users. Immediately after that, current account packages were promoted, with approval of non-interest loan on the current account, making the packages more attractive. The bank achieved ambitious goals for collecting savings, thanks to attractive saving products accompanied by well designed marketing campaigns. Campaigns included a combination of all communication channels throughout the year. Heat-point of the deposit campaign was reached in November, traditionally a savings month in Hypo bank.

Although 2011 was challenging with regards to economic outlook and business environment in the country, the bank succeeded in realizing its business plans and achieve profit.

Focus on sales shall remain priority in 2012 as well, and also intensive support for performing all activities of the bank direct-

ed at new products and services, but also at the current events in the local and international financial market. We intend to continue finding new ways to communicate with clients, especially in the retail segment and SME and entrepreneurs' segment.

In 2011, in the public relations segment Marketing and PR Department managed all internal and external communications. Numerous communication activities were directed at strengthening corporate reputation. Thanks to that and intensive communication with media representatives, Hypo Alpe-Adria-Bank a.d. Beograd was the bank with the largest number of media articles in 2011 relative to other banks in the Serbian market. This data shows the high level of communication activities and business activities and results which improved the bank's reputation in comparison to the previous year.

In 2011 the bank published its regular publications for internal and external publics (Hypo News, Progress report and Hypo specials).

In activities related to CSR numerous projects were realized, in compliance with corporate standards and membership in the United Nations' project "Global Compact".

18. Financial Controlling Department

The Financial Controlling Department operates as an independent department subordinated to the Executive Board of the bank. The objective of the Financial Controlling Department is to provide regular process of reporting on achieved results per all vertical levels, adequate planning process whose end result is the budget and five-year business plan and to develop various instruments aimed at measuring profitability and improving the reporting process for the purpose of the utmost efficiency of the management of the bank by the Executive Board.

The key task of the Financial Controlling Department is to monitor bank's operation, in terms of the planned growth of the loan portfolio, deposits and other financing sources, the structure of operational income/expenditure, new investments and cost control, as well the measurement of profitability and efficiency. The objective is sustainable growth and balanced activities in terms of profitability and risks.

Financial Controlling Department supports all market sectors in the field of reporting, planning, creation of various analyses and development of financial models.

Communication with other organisational units and the Hypo Group is also a part of daily activities.

In 2011, we started the COGNOS planning project with the idea to improve primarily the reporting system and the planning system as well.

19. Security Monitoring and Prevention Department

Duties and obligations of the security department is to organize and supervise security of real estate and other goods owned or leased by the bank. Security department performs assessment and analysis of the part of the city where a new bank branch is planned, participates in creation and approval of projects related to physical and technical security.

Security Monitoring and Prevention Department coordinates and exchanges security information related to appearance of suspicious persons and potential attack (fraud) on the bank with the local FPO (Fraud Prevention Officer) in all branches.

As the member of the Board for banking and insurance in the Serbian Chamber of Commerce, location of the Forum for prevention of misuse in crediting, Security Monitoring and Prevention Department communicates and exchanges data with other members of the board about suspicious clients.

All information acquired from the forum and employees in all organizational units of the bank were checked by Security Monitoring and Prevention Department (Fraud Prevention Officer - FPO), after which all employees were informed about suspicious activities performed by certain persons, thus preventing or stopping cooperation with suspicious companies or individuals.

In 2011 Security Monitoring and Prevention Department performed 523 checks of legal and natural persons. Out of that number, for 250 legal persons and natural persons suspicion was confirmed.

Security Monitoring and Prevention Department performs periodic training of employees in Hypo Alpe-Adria-Bank a.d. Beograd with regards to behaviour in case of robbery. Training is theoretic and practical. Training is performed by the head of Security Monitoring and Prevention Department, after which the employee Signs the document confirming that she/he was trained and aware of procedures related to security of Hypo Alpe-Adria-Bank a.d. Beograd.

All heads of branches and sub-branches were trained, as well as heads of divisions and departments of Hypo Alpe-Adria-Bank a.d. Beograd with regards to fraud prevention. Security Monitoring and Prevention Department provides support and cooperation with all bank's organizational units, primarily Internal Audit Department, Compliance Team and Credit Rehabilitation Division.

Cooperation with HRM is reflected in checking documents of potential candidates and new employees. Candidate for a position in the bank can be employed only if she/he has not broken the law in course of her/his previous work. After starting employment, the new employee is getting training about work of the Security Monitoring and Prevention Department and obligations of all employees related to security.

Two new versions of HRM procedures were adopted:

- Procedure for employment of new employees, supplemented after adoption of the Policy for prevention of misuse with security questionnaire for new employees, report of close and family ties and report of additional jobs and shares in companies, but also a security check of candidates by the Head of Security Monitoring and Prevention Department;
- Procedure for change of position of an employee and/or other elements of employment contract, supplemented with an item on obligatory informing of the Head of Security Monitoring and Prevention Department on any changes of positions in Hypo Alpe-Adria-Bank a.d. Beograd.

Also, prior to concluding any contracts with new suppliers Security Monitoring and Prevention Department checks potential suppliers and other associates of the Procurement Team.

Security Monitoring and Prevention Department performs a special check and training of employees who are to work in tasks of providing security of the bank, controls safety situation. It cooperates with the policy on daily basis in joint work in prevention of various crimes.

In the past nine years Hypo Alpe-Adria-Bank a.d. Beograd had only one attempt at robbery, and persons who performed the robbery were caught exiting the bank, with the money and weapons. Hypo Alpe-Adria-Bank a.d. Beograd is the only bank in the region without a single robbery in its objects ever since it came to the Serbian market. In 2011 not a single attack occurred.

All employees are trained periodically in fire-fighting skills. Security Monitoring and Prevention Department controls all employees with regards to their workplace and application of skills acquired in training. No fire occurred up to this moment. In "Ušće", headquarters of the bank, employees receive additional training, because of increased risk of fire, and employees are trained in special ways of evacuation of people and documents.

In course of 2011 the bank initiated implementation of the Group programme "BKMS Whistleblowing", intended as an online "electronic mailbox" for employees who want to report cases of corruption, fraud, and inobservance of security and other procedures.

In 2011 Information Security Management System was set up on the basis of Group policies and recommended series of ISO27k standard. Organizational structure of the system was established, as well as roles and responsibilities, adopted policies are implemented, employees receive adequate training. Control of information security has become a constituent part of the business process, in order to protect the bank business systematically.

After the new systematization, on 20th December 2011 Security Monitoring and Prevention Department continued operating as Security and Fraud Prevention Team.

Hypo Alpe-Adria-Leasing d.o.o. Beograd, Hypo Alpe-Adria-Rent d.o.o. Beograd

Hypo Alpe-Adria-Leasing d.o.o. Beograd and Hypo Alpe-Adria-Rent deal in financial and operative leasing, i.e. rent. According to data of the Association of Leasing Companies of Serbia (ALCS) Hypo Alpe-Adria-Leasing d.o.o. Beograd and Hypo Alpe-Adria-Rent have remained leaders in the leasing market ever since their foundation, with cumulative market share of more than 30 percent.

In the local market Hypo Leasing offers solutions for financing passenger and commercial vehicles, construction and agricultural machines, boats, airplanes, as well as a wide spectre of production equipment, while Hypo Rent offers rent of passenger and commercial vehicles.

Since its beginning in the Serbian market until 2011 end Hypo Leasing and Hypo Rent placed as much as EUR 1 billion to the local market through more than 37 thousand contracts

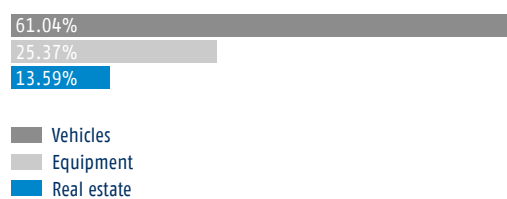
with more than 16 thousand clients. Balance sheet amount of these two companies as of 31st December 2011 amounted to EUR 407.4 million, while in 2011 more than EUR 37 million were placed.

In the structure of placements by financing object motor vehicles financing leads with 61.04%, followed by equipment financing with 25.37%, and real estate financing with 13.59%. When we take a look at structure of placements by leasees, out of the total 85.34% belongs to legal entities, 11.49% natural persons and 3.17% are public institutions.

Aside from favourable financing conditions offered by Hypo Leasing, an agreement with the European Investment Bank placed additional funds at disposal, with attractive financing conditions for SMEs for various projects.

At 2011 end Hypo Leasing and Hypo Rent operated in Serbia in 9 locations with 103 employees.

Structure of placements by financing object



Structure of placements by leasee



Financial report for the year 2011

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*This is English translation of the Report
originally issued in Serbian language
(For management purposes only)*

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF HYPO ALPE ADRIA BANK A.D., BEOGRAD

We have audited the accompanying financial statements of Hypo Alpe Adria Bank a.d., Beograd (hereinafter: the Bank), which comprise the balance sheet as at 31 December 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law on Accounting and Auditing and regulations of National Bank of Serbia governing financial reporting of banks, 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.

Auditors' 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 about 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 Bank'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 give a true and fair view of the financial position of the Bank as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with the Law on Accounting and Auditing and regulations of National Bank of Serbia governing financial reporting of banks.

Belgrade, 22 March 2012


Stephen Fish
for Ernst & Young Beograd d.o.o.




Nataša Vukšić
Authorized Auditor

Income statement 31 December 2011

RSD '000

	2011	2010
1. Interest and similar income	10,193,311	9,946,685
2. Interest and similar expenditure	(4,311,786)	(4,468,928)
Net interest income	5,881,525	5,477,757
3. Income from commissions from credit institutions	1,257	34,753
4. Expenditure for from commissions from credit institutions	(131,114)	(200,699)
5. Income from commissions from clients	1,180,250	1,315,307
6. Expenditure for commissions from clients	(117,615)	(78,920)
7. Net FX gains and change of value of receivables and liabilities	2,196,338	1,776,317
8. Net income / expenditure from securities	46,249	(29,532)
9. Other operational income	49,217	68,285
Total operational income	9,106,107	8,363,268
10. General and administrative costs	(3,946,930)	(3,612,646)
11. Depreciation costs	(331,363)	(390,058)
Operative expenditure	(4,278,293)	(4,002,704)
Operative result	4,827,814	4,360,564
Expenditure for provisions	(3,329,448)	(3,976,058)
Profit before tax	1,498,366	384,506
Profit tax	(217,929)	(40,097)
Profit after tax	1,280,437	344,409

Income statement 31 December 2011

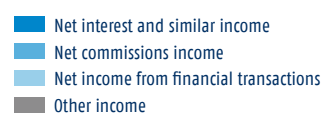
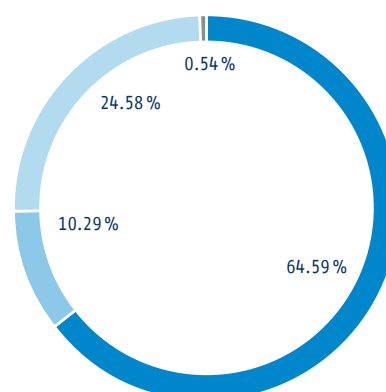
RSD '000

	2011	2010
Interest and similar income		
From necessary reserve and deposits with the central bank	89,754	151,178
From operations with the National Bank of Serbia	328,562	127,466
From placements to banks	229,727	207,838
Interest and commissions for corporate loans	4,763,372	4,715,244
Interest and commissions from retail loans	3,278,313	3,486,435
From securities business	1,503,583	1,258,524
Total interest income	10,193,311	9,946,685
b) Interest expenditure		
Relations with the central bank	(338)	(1,023)
Liabilities to local banks	(164,495)	(209,556)
Liabilities to foreign banks	(1,416,465)	(1,279,879)
Liabilities to companies	(1,119,605)	(1,285,633)
Retail liabilities	(1,610,883)	(1,692,837)
Total interest expenditure	(4,311,786)	(4,468,928)
Net interest income	5,881,525	5,477,757
Commissions income and expenditure		
a) Commissions income		
Commissions from credit institutions	1,257	34,753
Commissions from issued guarantees and other warranties	302,257	457,900
Commissions from domestic payments	382,206	366,211
Commissions from international payments	131,584	130,459
Commissions from cards	138,387	110,063
Commissions from securities	5,290	5,286
Other corporate commissions	101,295	73,007
Other retail commissions	124,521	177,667
Total commissions income	1,186,797	1,355,346
b) Commissions expenditure		
Commissions for credit institutions	(131,114)	(200,699)
Commissions for clients	(48,901)	(3,949)
Commissions for cards	(11,982)	(10,913)
Commissions for domestic payment	(30,200)	(37,343)
Commissions for international payments	(26,532)	(26,715)
Commissions for securities	(845)	(1,955)
Total commissions expenditure	(249,574)	(281,574)
Net commissions income	937,223	1,073,772
Other business income		
Net FX gains	901,927	(9,774,712)
Change of value of assets and liabilities with FX clause	339,987	12,304,202
Net income / expenditure from change of value of securities	954,424	(753,173)
Net securities sales gains	41,804	(32,863)
Net income from financial transactions	2,238,142	1,743,454
Other income	49,217	68,285
Total other business income	2,287,359	1,811,739
Total operative income	9,106,107	8,363,268

Overview of operative income

	RSD '000
	2011
Net interest and similar income	5,881,525
Net commissions income	937,223
Net income from financial transactions	2,238,142
Other income	49,217
	9,106,107

Structure of operative income



Expenditure of indirect write-off of placements and provisions

	RSD '000	
	2011	2010
Expenditure (income) of value adjustments of receivables	(4,266,418)	(3,795,244)
From placements to banks	(567)	69
From placements to clients	(3,890,196)	(3,305,481)
From interest and commissions	(389,752)	(499,161)
From other assets	117	25,380
From securities	13,980	(16,051)
Provisions expenditure (income)	936,970	(180,814)
Expenditure for provisions for given guarantees	1,026,201	(187,760)
Expenditure for provisions for issued letters of credit	1,434	8,181
Expenditure for provisions for assumed long term liabilities	(2,992)	(20)
(Expenditure) income for provisions for employees (IAS 19)	(87,673)	(1,215)
Total expenditure for write-off and provisions	(3,329,448)	(3,976,058)

Other business expenses

RSD '000

	2011	2010
Net salaries	(1,032,226)	(982,101)
Taxes and contributions for salaries	(386,268)	(361,791)
Other personal expenses	(153,136)	(84,440)
Donations and aid	(35,327)	(36,888)
Rents and other costs	(529,335)	(568,519)
Insurance premiums	(170,961)	(168,060)
Costs of representation	(26,000)	(26,225)
Costs of advertising and propaganda	(135,745)	(135,237)
Costs of using information systems	(362,566)	(239,893)
Costs of fuel and car maintenance	(17,851)	(15,519)
Postal costs	(123,362)	(124,601)
Memberships, local and international	(3,848)	(3,355)
Taxes and contributions not depending on the result	(287,597)	(274,881)
Costs of valuation, arbitrage and audit	(17,544)	(18,096)
Other administrative costs	(390,847)	(459,686)
Material costs	(236,077)	(62,013)
Write-off of uncollectible receivables	(8,940)	(32,109)
Loss from write-off and sales of fixed assets	(595)	(12,171)
Depreciation	(331,363)	(390,058)
Other expenses	(28,705)	(7,061)
Total expenses	(4,278,293)	(4,002,704)

Balance sheet

31 December 2011

RSD '000

	2011	2010
Assets		
Cash and cash equivalents	6,449,397	6,407,358
Deposits with the central bank	20,687,957	28,082,002
Placements to local and foreign credit institutions	2,452,872	2,114,322
Placements to clients	115,974,856	103,476,808
Value adjustment of receivables	(15,321,311)	(10,892,594)
Shares in capital and investments into securities	12,606,499	11,994,188
Fixed assets and intangible investments	2,032,773	1,854,688
Other assets	1,833,100	1,560,979
Total assets	146,716,143	144,597,751
Liabilities		
Transaction deposits	15,276,116	12,269,343
Other deposits	53,008,640	48,367,342
Taken loans and liabilities for interest	19,779,517	26,298,949
Subordinated liabilities	21,286,090	21,417,079
Other liabilities	3,923,370	3,304,473
Tax liabilities	71,158	19,278
Provisions	354,794	1,304,552
Deferred tax liabilities	5,198	0
Share capital	14,319,484	14,319,484
Issue premium	9,758,438	9,758,438
Reserves	7,652,901	7,194,404
Undistributed profit from the current year	1,280,437	344,409
Total liabilities	146,716,143	144,597,751

Balance sheet 31 December 2011

RSD '000

	2011	2010
Assets		
Cash and cash equivalents		
Cash in hand	1,689,146	1,746,962
T-bills included in cash equivalents	399,648	636,479
Drawing account funds	4,039,039	3,613,167
FX accounts with NBS for trading securities	0	14,593
FX accounts with foreign banks	321,564	396,157
Total cash and cash equivalents	6,449,397	6,407,358
Deposits with the National Bank of Serbia		
Necessary reserve with NBS	16,181,403	28,082,002
Placements to NBS for repo operations	4,506,554	0
Total deposits with the National Bank of Serbia	20,687,957	28,082,002
Placements		
Placements to local and foreign banks	2,452,872	2,114,322
Corporate placements	73,267,752	52,318,068
Retail placements	42,707,104	51,158,740
Total gross placements	118,427,728	105,591,130
Value adjustments of placements	(15,318,330)	(10,875,594)
Net value of placements	103,109,398	94,715,536
Shares in capital and other securities		
Traded securities	0	0
Securities available for sale – shares	472	472
Securities available for sale – corporate bonds	109,796	105,326
Securities available for sale – investment units	0	0
Investments into t-bills of NBS	0	0
Investments into RS t-bills	12,495,367	11,815,311
Investments into subsidiaries	864	73,079
Total gross value of securities and shares in capital	12,606,499	11,994,188
Value adjustment of securities	(2,616)	(16,523)
Net value of securities and shares in capital	12,603,883	11,977,665
Other assets and balance brought forward		
Receivables from employees	409	675
Given advances	77,383	81,334
Stock	10,594	3,214
Other assets	103,272	162,875
Deferred expenditure	993,044	940,251
Assets acquired through collection of receivables	303,376	69,677
Receivables for paid profit tax	0	8,411
Deferred tax assets	273,047	226,264
Other balance brought forward	71,975	68,278
Total gross other assets and balance brought forward	1,833,100	1,560,979
Value adjustment of other assets	(365)	(477)
Net value of other assets and balance brought forward	1,832,735	1,560,502
Fixed assets and intangible investments		
Buildings and other equipment	1,080,198	1,224,436
Intangible investments	952,575	630,252
Total fixed assets and intangible investments	2,032,773	1,854,688
Total assets	146,716,143	144,597,751

Balance sheet 31 December 2011

RSD '000

	2011	2010
Liabilities		
Deposits	68,284,756	60,636,685
Transaction deposits of foreign banks	2,939,623	1,186,732
Transaction deposits of legal persons	7,376,857	7,808,717
Transaction deposits of natural persons	4,959,636	3,273,894
Other corporate deposits	20,560,359	23,282,671
Other retail deposits	32,448,281	25,084,671
Other liabilities	45,420,127	52,344,331
Taken loans	19,764,434	26,291,420
Interest liabilities	15,083	7,529
Other financial liabilities	778,189	611,687
Liabilities for change of fair value of derivatives	2,641,210	2,157,773
Deferred income from loan commissions	503,971	535,013
Liabilities for profit tax	35,641	0
Liabilities for other taxes	35,517	19,278
Provisions for off-balance sheet assets	188,184	1,212,827
Provisions for employees (IAS 19)	166,610	91,725
Deferred tax liabilities	5,198	0
Subordinated liabilities	21,286,090	21,417,079
Tax liabilities	113,704,883	112,981,016
Capital		
Total share capital	14,319,484	14,319,484
Issue premium	9,758,438	9,758,438
Reserve from profit	7,612,920	7,268,512
Revalued reserves	39,981	(74,108)
Undistributed profit from the current year	1,280,437	344,409
Total capital	33,011,260	31,616,735
Total liabilities	146,716,143	144,597,751

Structure of the bank's share capital

Structure of the bank's share capital

EUR '000

	2011	% of share	2010	% of share
Hypo Alpe - Adria - Bank International AG Klagenfurt	14.319.338	99.999%	14.319.338	99.999%
Other shareholders	146	0.001%	146	0.001%
Total share capital	14,319,484		14,319,484	

Bank's shares are common and registered. Holding one share gives the right to one vote in the Assembly. Total number of common shares is 7,159,742 shares (2010: 7,159,742 shares) at nominal value of RSD 2,000 per share. All issued shares have been fully paid. Shares are registered with the Securities Commission:

CFI code: ESVUFR

ISIN number: RSHYPOE 68424

Issue premium was formed when shares were issued and represents the difference between the achieved sales value of shares and their nominal value.

Assembly of Hypo Alpe-Adria-Bank a.d. Beograd, in its session held on 24 March 2011, rendered the Decision on amendments and supplements to the Foundation Agreement of Hypo Alpe-Adria-Bank a.d. Beograd no. 08461/11, regulating the change of the bank's organization and its becoming a closed joint stock company. By the Decision of the Agency for company registers BD 39396/11 on 5 April 2011 the bank's request was adopted, so that Hypo Alpe-Adria-Bank a.d. Beograd changed its legal form, and was registered in the Agency for company registers as a closed joint stock company.

Necessary reserve

Dinar necessary reserve represents minimal reserve in dinars earmarked pursuant to the Decision of the National Bank of Serbia on necessary reserve of banks with the National Bank of Serbia (Official gazette of RS nos. 12/2010, 78/2010 and 3/2011). The Decision stipulates that the bank shall calculate and earmark to its drawing account with the National Bank of Serbia necessary dinar reserve at the rate of 5% (2010: 5%) for the amount of average daily balance of dinar liabilities with maturity up to two years. For received dinar funds with initial maturity exceeding two years the necessary reserve rate is 0% (2010: 5%). Dinar necessary reserve is calculated for liabilities for dinar deposits, loans and securities, as well as other dinar liabilities, except for dinar deposits received for operations performed by the bank in the name of and for the account of third parties, not exceeding amounts of placements the bank gave from those deposits. As an exception, the bank does not calculate necessary reserve for the amount of liabilities to National Bank of Serbia; liabilities to banks earmarking necessary reserve with the National Bank of Serbia; dinar liabilities for funds received by banks from international financial organizations, governments and financial institutions founded by foreign countries by means of mediation of the state as chief debtor, i.e. owners of those funds or directly with the condition that when those funds are placed again the banks observe agreed principles for establishing loan margins; liabilities in dinars and FX for deposits, loans and other funds received from abroad in the period from 1 October to 31 March 2010, for originally established maturity of those liabilities, by 31 December 2013 at the latest; funds of term dinar savings collected from 31 October to 8 November 2010, until expiration of the period savings were terminated for, providing it was not indexed in FX. In the calculation period the Bank shall maintain average daily balance of earmarked dinar necessary reserve in the amount of calculated dinar necessary reserve. As of 31 December 2011 dinar necessary reserve amounted to RSD 3,251,502 thousand, and was in compliance with the above National Bank of Serbia decision. Interest rate for the amount of achieved average daily balance of earmarked dinar necessary reserve amounted to 2.5% p.a. in 2011 (in 2010: 2.5%).

Foreign currency necessary reserve is calculated for liabilities for FX deposits, loans and securities, as well as other FX liabilities, as well as FX deposits received for operations performed by the bank in the name of and for the account of third parties, including dinar liabilities indexed in FX. As an exception, the bank does not calculate necessary reserve for the amount of liabilities to

National Bank of Serbia; liabilities to banks earmarking necessary reserve with the National Bank of Serbia; subordinated liabilities National Bank of Serbia established to be accepted for being a part of supplementary capital of the bank, FX liabilities for funds received by banks from international financial organizations, governments and financial institutions founded by foreign countries by means of mediation of the state as chief debtor, i.e. owners of those funds or directly with the condition that when those funds are placed again the banks observe agreed principles for establishing loan margins; FX funds lessors keep in special accounts with the bank; liabilities for deposits, loans and other funds received from abroad in the period from 1 October to 31 March 210, for originally established maturity of those liabilities, by 31 December 2013 at the latest FX necessary reserve is calculated at the rates: 30% for FX basis made of liabilities with term up to 2 years and 25% with the term exceeding 2 years. Calculated FX necessary reserve is earmarked in FX and dinars:

- In FX 85% of the amount calculated by applying the rate of 30% for FX liabilities with agreed term up to two years and 15% in dinars,
- In FX 90% of the amount calculated by applying the rate of 25% for FX liabilities with agreed term exceeding two years, and 10% in dinars.

National Bank of Serbia does not pay interest for FX necessary reserve.



Head office - Belgrade

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Tel. +381 11 22 26 000
Fax +381 11 22 26 555
www.hypo-alpe-adria.rs
office@hypo-alpe-adria.rs

Branches

Regional branch - Beograd

Bulevar Mihajla Pupina 6
11070 Novi Beograd
Tel. +381 11 22 26 000
Fax +381 11 22 26 555

Regional branch - Novi Sad

Bulevar oslobođenja 18
21000 Novi Sad
Tel. +381 21 48 96 000
Fax +381 21 48 96 052

Open on

Monday - Friday 08:00-19:00
Saturday 08:00-13:00

Regional branch - Niš

Milojka Lešjanina 17
18000 Niš
Tel. +381 18 520 060
Fax +381 18 520 112

Open on

Monday - Friday 08:00-17:00
Saturday 09:00-13:00

Branch Ušće

Bulevar Mihajla Pupina 6
11070 Novi Beograd
Tel. +381 11 22 26 034
Fax +381 11 22 26 098

Open on

Monday - Friday 09:00-17:00

Branch Hypo Plaza

Bulevar Zorana Đinđića 8a
11070 Novi Beograd
Tel. +381 11 20 16 308
Fax +381 11 20 16 399

Open on

Monday - Friday 08:00-19:00
Saturday 09:00-13:00

Branch Terazije

Terazije 45
11000 Beograd
Tel. +381 11 33 46 501
Fax +381 11 33 45 621

Open on

Monday - Friday 09:00-17:00

Branch Vasina

Vasina 16
11000 Beograd
Tel. +381 11 30 36 230
Fax +381 11 32 85 669

Open on

Monday - Friday 08:00-19:00
Saturday 09:00-13:00

Branch Bečej

Trg oslobođenja 3
21220 Bečej
Tel. +381 21 69 13 925
Fax +381 21 815 561

Open on

Monday - Friday 08:00-17:00

Branch Šabac

Pop Lukina 2
15000 Šabac
Tel. +381 15 349 448
Fax +381 15 349 447

Open on

Monday - Friday 08:00-17:00
Saturday 08:00-13:00

Branch Čačak

Pivarska 2
32000 Čačak
Tel. +381 32 340 095
Fax +381 32 344 324

Open on

Monday - Friday 08:00-17:00
Saturday 08:00-13:00

Branch Pančevo

Petra Drapšina 5
13000 Pančevo
Tel. +381 13 354 400
Fax +381 13 354 410

Open on

Monday - Friday 08:00-16:00

Branch Vršac

Dvorska 1
26300 Vršac
Tel. +381 13 835 505
Fax +381 13 831 351

Open on

Monday - Friday 09:00-17:00

Branch Kragujevac

Zorana Đinđića 11b
34000 Kragujevac
Tel. +381 34 500 005
Fax +381 34 338 875

Open on

Monday - Friday 09:00-17:00

Branch Užice

Dimitrija Tucovića 38
31000 Užice
Tel. +381 31 500 326
Fax +381 31 500 927

Open on

Monday - Friday 08:00-16:00

Branch Subotica

Korzo 15
24000 Subotica
Tel. +381 24 670 400
Fax +381 24 558 600

Open on

Monday - Friday 08:00-17:00

Branch Sombor

Kralja Petra I 24
25000 Sombor
Tel. +381 25 434 040
Fax +381 25 422 745

Open on

Monday - Friday 08:00-16:00

Branch Kikinda

Kralja Petra I 41
23300 Kikinda
Tel. +381 23 401 960
Fax +381 23 32 757

Open on

Monday - Friday 08:00-16:00

Branch Zrenjanin

Svetozara Markovića 2
23000 Zrenjanin
Tel. +381 23 511 825
Fax +381 23 511 824

Open on

Monday - Friday 08:00-16:00

Branches

Branch Vrbas

Maršala Tita 102
21460 Vrbas
Tel. +381 21 700 904
Fax +381 21 700 906

Open on

Monday - Friday 08:00-16:00

Branch Jagodina

Kneginje Milice 15
35000 Jagodina
Tel. +381 35 244 346
Fax +381 35 244 984

Open on

Monday - Friday 08:00-16:00

Branch Bačka Palanka

Kralja Petra I 33
21000 Bačka Palanka
Tel. +381 21 753 100
Fax +381 21 754 885

Open on

Monday - Friday 08:00-16:00

Branch Kruševac

Trg kosovskih junaka 1
37000 Kruševac
Tel. +381 37 424 320
Fax +381 37 424 590

Open on

Monday - Friday 08:00-16:00

Branch Sremska Mitrovica

Kralja Petra I 46
22000 Sremska Mitrovica
Tel. +381 22 617 700
Fax +381 22 639 335

Open on

Monday - Friday 08:00-16:00



Sub-branches

Beograd					
Partizanske avijacije 14 11000 Beograd Tel. +381 11 22 89 860 Fax +381 11 22 80 567		Immoentar, blok 64 11000 Beograd Tel. +381 11 21 68 544 Fax +381 11 21 68 543		Vojvode Stepe 114-116 11000 Beograd Tel. +381 11 30 98 387 Fax +381 11 39 10 203	
Open on		Open on		Open on	
Monday - Friday	09:00-17:00	Monday - Friday	09:00-19:00	Monday - Friday	09:00-17:00
		Saturday	09:00-13:00		
Glavna 12 11080 Beograd, Zemun Tel. +381 11 31 68 371 Fax +381 11 31 68 369		Resavska 26 11000 Beograd Tel. +381 11 32 32 517 Fax +381 11 33 43 644		Makedonska 21 11000 Beograd Tel. +381 11 33 73 926 Fax +381 11 33 73 929	
Open on		Open on		Open on	
Monday - Friday	09:00-17:00	Monday - Friday	09:00-17:00	Monday - Friday	09:00-17:00
Blok 67, Jurija Gagarina 14 (objekat PO1) 11070 Novi Beograd Tel. +381 11 22 26 061 Fax +381 11 22 26 061		Brankova 13-15* 11000 Beograd Tel. +381 11 30 37 122 Fax +381 11 32 88 420		Bulevar despota Stefana 95 11000 Beograd Tel. +381 11 27 61 832 Fax +381 11 27 61 749	
Open on		Open on		Open on	
Monday - Friday	09:00-17:00	Monday - Friday	09:00-17:00	Monday - Friday	09:00-17:00
Hypo Hill, Trgovačka 2 11000 Beograd, Čukarica Tel. +381 11 20 50 105 Fax +381 11 20 50 130		Bulevar kralja Aleksandra 100-104 11000 Beograd Tel. +381 11 30 88 780 Fax +381 11 34 41 743		Ruski car, Knez Mihailova 7 11000 Beograd Tel. +381 11 30 38 970 Fax +381 11 32 87 864	
Open on		Open on		Open on	
Monday - Friday	08:00-19:00	Monday - Friday	08:00-19:00	Monday - Friday	09:00-17:00
		Saturday	09:00-13:00		
		Bulevar kralja Aleksandra 248 11000 Beograd Tel. +381 11 24 55 976 Fax +381 11 24 55 387		Lazarevac, Karađorđeva 45 11550 Lazarevac Tel. +381 11 81 26 101 Fax +381 11 81 10 339	
		Open on		Open on	
		Monday - Friday	09:00-17:00	Monday - Friday	09:00-17:00

* Sub-branch in Brankova 13-15 was closed at the end of 2011

Gornji Milanovac

Karadorđeva 8-10
32300 Gornji Milanovac
Tel. +381 032 722 285
Fax +381 032 718 006

Open on

Monday - Friday	08:00-17:00
Saturday	08:00-13:00

Loznica

Vojvode Mišića 2
15300 Loznica
Tel. +381 15 893 621
Fax +381 15 893 620

Open on

Monday - Friday	08:00-17:00
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Novi Sad

NIS
Narodnog fronta 12
21000 Novi Sad
Tel. +381 21 420 824
Fax +381 21 420 823

Open on

Monday - Friday	08:00-17:00
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Uspenska 1
21000 Novi Sad
Tel. +381 21 67 42 188
Fax +381 21 67 42 180

Open on

Monday - Friday	08:00-17:00
Saturday	08:00-13:00

Responsible for contents

Hypo Alpe-Adria-Bank a.d. Beograd

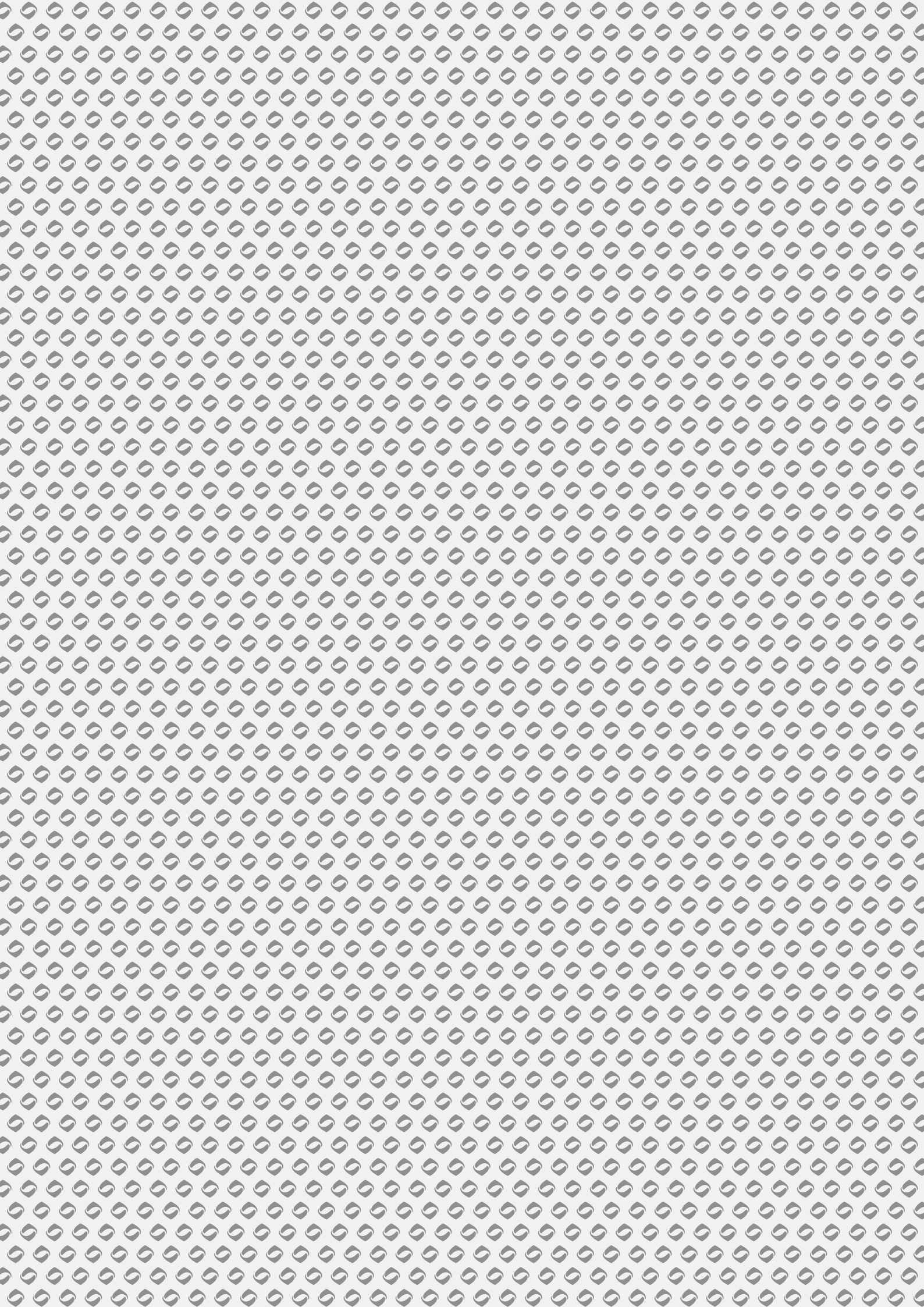
Bulevar Mihajla Pupina 6

11070 Novi Beograd

Tel. +381 11 222 6000, Fax +381 11 222 6555

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www.hypo-alpe-adria.rs





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