

Company Registration No. 83373

**ERSTE FINANCE (JERSEY) (4) LIMITED**

**Annual Report  
and  
Audited Financial Statements**

**for the year ended 31 December 2012**

ERSTE FINANCE (JERSEY) (4) LIMITED  
Financial Statements for the year ended 31 December 2012

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ERSTE FINANCE (JERSEY) (4) LIMITED  
Financial Statements for the year ended 31 December 2012

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**GENERAL INFORMATION**

**Registration**

Erste Finance (Jersey) (4) Limited (the "Company") is registered in Jersey, Channel Islands as a public limited liability company under the Companies (Jersey) Law, 1991. The Company's registration number is 83373.

**Directors**

*Executive Directors*

Gareth Essex - Cater  
Helen Grant  
Francois Chesnay  
Martin Sadleder  
Marouska Agius

*Non-executive Director*

Gerald Fleischmann

An Executive Director has a specified decision making role as director of finance, marketing, operations and other on-going business. A Non-executive Director is expected to monitor and challenge the performance of the Executive Directors and the management, and to take a determined stand in the interests of the firm and its stakeholders.

**Company Secretary**

State Street Secretaries (Jersey) Limited

**Registered Office**

Lime Grove House  
Green Street  
St Helier  
Jersey JE1 2ST

**Independent Auditors**

Ernst & Young LLP  
Liberation House  
Castle Street  
St Helier,  
Jersey, JE1 1EY  
Channel Islands

## DIRECTORS' REPORT

The Directors present their report together with the audited Financial Statements for the year ended 31 December 2012.

### Principal activity

The Company is engaged in raising finance for its ultimate parent company as disclosed in note 12 to these Financial Statements.

### Results and dividends

The Statement of Comprehensive Income is set out on page 6 and the movements in retained earnings are disclosed in the Statement of Changes in Equity on page 8.

No dividend payments have been proposed or paid to the holders of the ordinary shares during the current or prior year.

### Directors

The names of the Directors of the Company who held office during the year ended 31 December 2012 to date are set out on page 2.

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Financial Statements in accordance with applicable law and regulations.

Jersey Company law requires the directors to prepare Financial Statements for each financial period in accordance with any generally accepted accounting principles. The Financial Statements of the Company are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and appropriate;
- specify which generally accepted accounting principles have been adopted in their preparation; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**ERSTE FINANCE (JERSEY) (4) LIMITED**  
**Financial Statements for the year ended 31 December 2012**

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**DIRECTORS' REPORT - continued**

**Statement of persons responsible within the issuer**

With regard to Regulation 2004/109/EC of the European Union (the "EU Transparency Directive"), we confirm to the best of our knowledge that the Financial Statements for the year ended 31 December 2012 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by the applicable accounting standards.

The Directors' Report gives a true and fair view of important events that have occurred during the financial year and their impact on the Financial Statements. The principal risks and uncertainties faced by the Company are disclosed in Note 13 of these Financial Statements.

**Going concern**

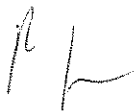
The ultimate shareholder of the Company, Erste Group Bank AG, Vienna, announced on 17 February 2012 the intention to offer to the holders of Preference Shares issued by Erste Capital Finance (Jersey) 4 Limited, a buy back offer, for a significant volume of such instruments. The buy back by Erste Group Bank AG on 18 June 2012 has been successful and Erste Group Bank AG redeemed 125,459 shares issued by Erste Finance (Jersey) 4 Limited. The redemption occurred at par.

As at the date of the Financial Statements, it is not the intention of Erste Group Bank AG to liquidate the Company. According to the planned cash flows we expect sufficient cash flows to fulfill all commitments of the Company.

**Auditors**

Ernst & Young LLP have expressed their willingness to continue in office.

BY THE ORDER OF THE BOARD



State Street Secretaries (Jersey) Limited  
Secretary

Date: 24/4/13

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERSTE FINANCE (JERSEY) (4) LIMITED**

We have audited the financial statements of Erste Finance (Jersey) (4) Limited (the "Company") for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing. Those standards require us to comply with the International Federation of Accountants' Handbook of the Code of Ethics for Professional Accountants.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

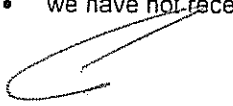
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



Christopher James Matthews, FCA  
for and on behalf of Ernst & Young LLP  
Jersey, Channel Islands

Date: 14 April 2013

ERSTE FINANCE (JERSEY) (4) LIMITED  
Financial Statements for the year ended 31 December 2012

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STATEMENT OF COMPREHENSIVE INCOME

	Notes	2012 EUR	2011 EUR
Finance revenue	3	4,338,971	8,192,498
Finance costs	4	(4,392,969)	(8,090,984)
Net finance (cost) / revenue		(53,998)	101,514
Administrative expenses	5	(21,873)	(25,876)
(Loss) / Profit for the financial year		(75,871)	75,638
Other comprehensive income		-	-
Total comprehensive income for the year net of tax, attributable to equity holders of the parent		(75,871)	75,638

All results originate from continuing operations.

*The accounting policies and explanatory notes on pages 10 to 21 form an integral part of the Financial Statements.*

ERSTE FINANCE (JERSEY) (4) LIMITED  
 Financial Statements for the year ended 31 December 2012

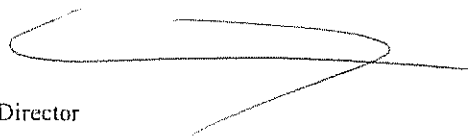
STATEMENT OF FINANCIAL POSITION  
 as at 31 December 2012

	Notes	2012 EUR	2011 EUR
<b>ASSETS</b>			
<b>Current assets</b>			
Financial assets	6	127,041,000	274,500,000
Receivables	7	44,291	75,488
Cash at bank	11	435,932	507,363
		<u>127,521,223</u>	<u>275,082,851</u>
<b>TOTAL ASSETS</b>		<u>127,521,223</u>	<u>275,082,851</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued capital	8	1	3
Share premium	8	234	22,000,232
Retained earnings		426,422	502,293
<b>Total equity</b>		<u>426,657</u>	<u>22,502,528</u>
<b>Current liabilities</b>			
Preference shares	9	127,041,000	252,500,000
Payables	10	53,566	80,323
		<u>127,094,566</u>	<u>252,580,323</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>127,521,223</u>	<u>275,082,851</u>

*The accounting policies and explanatory notes on pages 10 to 21 form an integral part of the Financial Statements.*

*The Financial Statements on pages 6 to 21 were approved and authorised for issue by the Board of Directors on 24/4/2013 and were signed on its behalf by:*

Director





ERSTE FINANCE (JERSEY) (4) LIMITED  
 Financial Statements for the year ended 31 December 2012

STATEMENT OF CHANGES IN EQUITY

	Issued share capital EUR	Share premium EUR	Retained earnings EUR	Total EUR
Balance as at 1 January 2012	3	22,000,232	502,293	22,502,528
Loss for the year	-	-	(75,871)	(75,871)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(75,871)	(75,871)
Redemption of Shares	(2)	(21,999,998)	-	(22,000,000)
<b>Balance as at 31 December 2012</b>	<b>1</b>	<b>234</b>	<b>426,422</b>	<b>426,657</b>
Balance as at 1 January 2011	3	22,000,232	426,655	22,426,890
Profit for the year	-	-	75,638	75,638
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	75,638	75,638
<b>Balance as at 31 December 2011</b>	<b>3</b>	<b>22,000,232</b>	<b>502,293</b>	<b>22,502,528</b>

*The accounting policies and explanatory notes on pages 10 to 21 form an integral part of the financial statements.*

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STATEMENT OF CASH FLOWS

	Note	2012 EUR	2011 EUR
<b>Cash flows from / (used in) operating activities</b>			
Interest received on financial assets		3,587,750	8,313,918
Dividends paid on preference shares		(3,707,116)	(8,209,407)
Cash paid for administration expenses		(21,959)	(25,524)
<b>Net cash flows (used in) / from operating activities</b>		<b>(141,325)</b>	<b>78,987</b>
<b>Cash flows from investing activities</b>			
Net proceeds from Share repurchase		148,241,652	-
<b>Cash flows used in financing activities</b>			
Redemption of financial liabilities		(148,171,758)	-
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(71,431)</b>	<b>78,987</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>507,363</b>	<b>428,376</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	11	<b>435,932</b>	<b>507,363</b>

*The accounting policies and explanatory notes on pages 10 to 21 form an integral part of the Financial Statements.*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

Erste Finance (Jersey) (4) Limited (the "Company") is a limited liability company incorporated and domiciled in Jersey.

### 2.1 BASIS OF PREPARATION

#### Basis of preparation

These Financial Statements are prepared on the historical cost basis and presented in Euros.

#### Going concern

The ultimate shareholder of the Company, Erste Group Bank AG, Vienna, announced on 17 February 2012 the intention to offer to the holders of Preference Shares issued by Erste Finance (Jersey) (4) Limited, a buy back offer, for a significant volume of such instruments. The buy back by Erste Group Bank AG on 18 June 2012 has been successful and Erste Group Bank AG redeemed 125,459 of Preference shares issued by Erste Finance (Jersey) 4 Limited. The redemption occurred at par.

As at the date of the Financial Statements, it is not the intention of Erste Group Bank AG to redeem the remaining preference shares or liquidate the Company. According to the planned cash flows we expect sufficient cash flows to fulfill all commitments of the Company.

#### Statement of compliance

These Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and comply with the Companies (Jersey) Law, 1991.

### 2.2 CHANGES IN ACCOUNTING POLICIES

#### Amendments to IFRS effective as of 1 January 2012

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2012:

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets;
- IFRS 7 Financial Instruments: Disclosures (Amendments) – Enhanced Derecognition Disclosure Requirements.

The adoption of the standards or interpretations above did not have an impact on the financial statements or performance of the Company.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 2.2 CHANGES IN ACCOUNTING POLICIES - continued

#### **Standards, interpretations and amendments to published standards as endorsed by the EU that are not yet effective**

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Company has not early adopted, but plans to adopt upon their effective date. The changes resulting from these standards are not expected to have a material effect on the financial statements of the Company. The new and amended standards are as follows:

- IAS 1 Amendments – Presentation of items of other comprehensive income (effective for financial years beginning on or after 1 July 2012)
- IAS 19 Amendments – Employee Benefits (effective for financial years beginning on or after 1 January 2013)
- IAS 27 Revised – Separate financial statements (effective for financial years beginning on or after 1 January 2014)
- IAS 28 Revised – Investments in associates and joint ventures (effective for financial years beginning on or after 1 January 2014)
- IAS 32 Amendments – Offsetting of financial assets and financial liabilities presentation (effective for financial years beginning on or after 1 January 2014)
- IFRS 7 Amendments – Financial instruments: Disclosures – Offsetting of financial assets and financial liabilities (effective for financial years beginning on or after 1 January 2013)
- IFRS 10 - Consolidated financial statements (effective for financial years beginning on or after 1 January 2014)
- IFRS 11 - Joint Arrangements (effective for financial years beginning on or after 1 January 2014)
- IFRS 12 - Disclosures of interests in other entities (effective for financial years beginning on or after 1 January 2014)
- IFRS 13 - Fair Value Measurement (effective for financial years beginning on or after 1 January 2013)
- IFRIC 20 - Stripping costs in the production phase of a surface mine (effective for financial years beginning on or after 1 January 2013)

#### **Standards, interpretations and amendments to published standards that are not yet endorsed by the EU**

- IFRS 1 Amendments - Government Loans (effective for financial years beginning on or after 1 January 2013)
- IFRS 9 - Financial Instruments (effective for financial years beginning on or after 1 January 2015)
- IFRS 7 Amendments – Disclosure for initial application of IFRS 9 (effective for financial years on or after 1 January 2013)
- Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for financial years beginning on or after 1 January 2013)
- Investment entities Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for financial years beginning on or after 1 January 2014)
- Improvements to IFRSs issued May 2012 (various effective dates)

The Company is still assessing the impact that the adoption of these standards will have on the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Financial assets**

Financial assets consist of Floating Rate Callable Subordinated Notes which are unlisted private placements of funds to the Company's ultimate parent company and are classified as loans and receivables.

When financial assets are recognised initially, they are measured at cost plus directly attributable transaction costs as this is reflective of their fair value.

All purchases and sales of financial assets are recognised on the trade date which is the date that an asset is delivered to or by the Company. Purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and transaction costs.

Gains and losses are recognised in the Statement of Comprehensive Income when loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### **Embedded contracts**

As disclosed in notes 6 and 9, the host debt instrument include certain embedded derivatives. The Directors have assessed that all embedded derivatives are closely related to their host contract and have therefore not separately accounted for them.

#### **Preference shares**

When financial liabilities are recognised initially, they are measured at fair value plus directly attributable transactions costs. After initial recognition these are subsequently measured at amortised cost, using the effective interest rate method.

Gains and losses are recognised in the Statement of Comprehensive Income when the liability is derecognised as well as through the amortization process.

Preference shares are classified as financial liabilities since the payments are obligatory and the issuer has no discretion to avoid payments. As a result they are measured at amortised cost.

#### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

#### *Interest income*

Revenue is recognised as the interest accrues, using the effective interest rate method unless collectability is in doubt.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

#### Interest expense

The corresponding dividends on Preference shares are recognised as an interest expense in the Statement of Comprehensive Income. Interest expense is recognised as the interest accrues using the effective interest rate method.

#### Foreign currency translation

Transactions in foreign currency are translated to Euro, which is also the functional and reporting currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the Statement of Comprehensive Income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### Taxation

Profits arising from the Company are subject to Jersey Income Tax, currently at a rate of 0%.

#### Derecognition of financial assets and financial liabilities

##### *Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset.

##### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

**Impairment of financial assets**

*Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of loss shall be recognised in the Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

**Receivables**

Receivables are recognised and carried at the expected recoverable amount.

**Cash and cash equivalents**

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash at bank and cash equivalents, consist of cash at bank with a maturity of less than 3 months. Cash at bank is carried at cost.

**Payables**

Amounts payable are recognised and carried at cost which is the consideration to be paid for services received, whether or not billed to the Company.

**Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these Financial Statements are not difficult, subjective or complex to a degree which would warrant their description as significant in terms of the requirements of IAS 1 (revised).

3. FINANCE REVENUE

	2012	2011
	EUR	EUR
Income from financial assets	4,338,971	8,192,498

ERSTE FINANCE (JERSEY) (4) LIMITED  
 Financial Statements for the year ended 31 December 2012

NOTES TO THE FINANCIAL STATEMENTS - continued

4. FINANCE COSTS

	2012 EUR	2011 EUR
Dividends on preference shares	4,392,969	8,090,984

5. ADMINISTRATIVE EXPENSES

	2012 EUR	2011 EUR
Auditors' remuneration	12,900	12,200
Professional fees	8,746	13,524
Bank charges	227	152
	<u>21,873</u>	<u>25,876</u>

6. FINANCIAL ASSETS

	2012 EUR	2011 EUR
<b>Current</b>		
<b>Loans and receivables</b>		
Subordinated Perpetual CMS Floating Rate Notes	127,041,000	274,500,000

At 31 December 2012, the Company held Series No: 232 EUR127,041,000 Subordinated Perpetual CMS Floating Rate Notes issued by Erste Group Bank AG (formerly Erste Bank der Oesterreichischen Sparkassen AG).

The Notes are redeemable at the option of the Issuer, on any interest payment date falling on 24 March 2009 or any subsequent interest payment date thereafter, which are paid quarterly.

Interest is receivable quarterly, in arrears, at the ten-year mid swap rate in EUR plus a variable margin depending on the fixing of the EUR CMS 10, with a maximum rate of 8.335% per annum.

7. RECEIVABLES

	2012 EUR	2011 EUR
Interest income receivable	44,291	75,488



ERSTE FINANCE (JERSEY) (4) LIMITED  
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NOTES TO THE FINANCIAL STATEMENTS - continued

8. ISSUED CAPITAL

Authorised share capital

The authorised share capital is made up of:

500,000 Ordinary shares and 500,000 Unclassified shares of GBP 0.01 each  
 500,000 Ordinary shares and 500,000 Unclassified shares of EUR0.01 each  
 500,000 Ordinary shares and 500,000 Unclassified shares of US\$ 0.01 each  
 5,000 Ordinary shares and 5,000 Unclassified shares of JPY 1.00 each

Issued share capital

	Issued Capital 2012 EUR	Share Premium 2012 EUR	Issued Capital 2011 EUR	Share Premium 2011 EUR
<b>Ordinary shares</b>				
<i>Issued and paid up share capital</i>				
10 ordinary shares of EUR0.01 at a premium of EUR0.99 each	1	9	1	9
220 ordinary shares of EUR0.01 at a premium of EUR99,999.99 each	-	-	2	21,999,998
1 ordinary share of EUR0.01 at a premium of EUR224.99 issued on 14 December 2006	-	225	-	225
	<b>1</b>	<b>234</b>	<b>3</b>	<b>22,000,232</b>

The rights attaching to the Ordinary Shares are as follows:

- **As regards Income** - Subject to the Law and the provisions of the Company's Articles of Association, each ordinary share shall confer on the holder thereof the right to receive such profits of the company available for distribution as the Directors may declare or the Members may resolve by Ordinary Resolution after any payment to or provision for the holders of the preference shares of any amount then payable in accordance with any Statement of Rights relating thereto and after payment of any other preferential dividend then payable on any other class of shares.
- **As regards Capital** - Subject to the Law and the provisions of the Company's Articles of Association, on a winding-up or other return of capital (other than a purchase or redemption of any preference share or any share of any other class of redeemable shares) the holder of each ordinary share shall be entitled, following payment to the holders of the preference shares of all amounts then payable in accordance with any Statement of Rights and following payment in accordance with the rights of any other class of shares having priority in accordance herewith and following the repayment of the nominal amount of the capital paid-up on the nominal shares, to repayment of the nominal amount of the capital paid-up thereon and thereafter any surplus assets then remaining shall be distributed *pari passu* among the holders of the ordinary shares in proportion to the amounts paid-up thereon.
- **As regards Voting** - The holder of each ordinary share shall be entitled to receive notice of general meetings of the Company and class meetings relating to ordinary shares and to attend and vote thereat.

ERSTE FINANCE (JERSEY) (4) LIMITED  
 Financial Statements for the year ended 31 December 2012

NOTES TO THE FINANCIAL STATEMENTS - continued

9. PREFERENCE SHARES

	2012 EUR	2011 EUR
Current		
127,041 Series H Preference shares of EUR0.01 at a premium of EUR999.99 each	127,041,000	252,500,000

At 31 December 2012, 125,459 Series H Floating Rate Non-cumulative Non-voting preference shares of EUR1,000 each were in issue.

Dividends on the preference shares are payable quarterly, in arrears, at the ten year mid swap rate in EUR six month Euribor plus 0.10% per annum, with a maximum rate of 9% per annum.

Preference shares are redeemable at the option of the Company, subject to the prior consent of the ultimate parent company Erste Group Bank AG (formerly Erste Bank der Oesterreichischen Sparkassen AG) on any dividend payment date falling on 24 March 2009 or any subsequent dividend payment date thereafter. Upon redemption, the holders of preference shares will be entitled to receive EUR1,000 per share plus accrued dividends.

The Preference shares rank ahead of the Ordinary shares in the event of liquidation, dissolution or winding up of the company and have the benefit of a 'Support Agreement' entered into by the company and Erste Bank for the purpose of fulfilling the company's payment obligations in respect of the preference shares. Preference shares do not carry the right to vote unless dividends are in arrears.

**Redeemable preference shares**

Notwithstanding the availability of sufficient assets of the company to pay any liquidation distribution to the holders of the preference shares, if at the time such liquidation distribution is to be paid, proceedings are pending or have been commenced for the voluntary or involuntary liquidation, dissolution or winding up of Erste Bank, the liquidation distribution paid to the holders of the preference shares shall not exceed the amount per share that would have been paid as the liquidation distribution from the assets of Erste Bank had the preference shares been issued by Erste Bank and ranked (i) junior to all liabilities of Erste Bank (other than any liability expressed to rank pari passu with or junior to the 'Support Agreement'), (ii) pari passu with all asset party securities of Erste Bank and (iii) senior to Erste Bank's share capital.

10. PAYABLES

	2012 EUR	2011 EUR
Dividends payable on preference shares	47,256	73,926
Accruals	6,310	6,397
	<u>53,566</u>	<u>80,323</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

11. CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Financial Position and the Statement of Cash Flows, cash and cash equivalents comprise the following balances:

	2012 EUR	2011 EUR
Cash at bank	435,932	507,363

12. RELATED PARTY DISCLOSURES

*The parent and ultimate parent company*

The parent company of the Company is Erste Bank (Malta) Limited, a Company registered in Malta, with its registered address at 6, Rosa Marina Building, 216 Marina Seafront, Pieta PTA 9041. Erste Bank (Malta) Limited owns 100% of the ordinary shares in the Company.

The ultimate parent of the Company is Erste Group Bank AG ("Erste Bank") (formerly Erste Bank der Oesterreichischen Sparkassen AG) incorporated under the laws of Austria, with its registered office at Graben 21, 1010 Vienna, Austria. In light of the ownership structure of Erste Group Bank AG there is no one controlling party.

*Related party transactions and balances*

During the financial year interest receivable on Subordinated Perpetual CMS Floating Rate Notes issued by the ultimate parent company amounted to EUR4,338,971 (2011: EUR8,192,498). Accrued interest receivable at 31 December 2012 is separately disclosed in Note 7.

*Key management personnel*

Gerald Fleischmann, Martin Sadleder and Marouska Agius are senior employees of Erste Bank (Malta) Limited or Erste Group Bank AG (formerly Erste Bank der Oesterreichischen Sparkassen AG) or their affiliate companies. They do not receive directors' fees.

Each of G.P.Essex-Cater, H.C. Grant and F.X.A. Chesnay is an employee of a subsidiary of State Street Corporation, affiliates of which provide ongoing administrative services to the Company at commercial rates.

13. FINANCIAL INSTRUMENTS

*Financial risk management policies*

Erste Bank (Malta) Limited being 100% owner of the Company uses a control and risk management system that is proactive and tailored to the group's risk profile. This system is based on a clear risk strategy consistent with the company's business strategy. The system's goal is the early identification and management of risks and trends.

NOTES TO THE FINANCIAL STATEMENTS - continued

13. FINANCIAL INSTRUMENTS - continued

*Financial risk management policies - continued*

Due to the static nature of the Company, risk was assessed upfront during the set up of the special purpose vehicle between lawyers and Erste Group Bank AG itself. This resulted in careful selection of assets and liabilities with similar terms to minimise the risk within the Company. The Directors believe there has been no change to the risks.

The Company's principal financial assets comprise Loans and receivables, cash at bank and receivables. Financial liabilities comprise preference share and payables.

*Fair values*

At 31 December, the carrying amounts of cash at bank, receivables and payables approximated their fair values due to the short term maturities of these assets and liabilities.

The fair value of the unquoted financial assets, estimated using discounted cash flows, based on inputs which are observable, either directly or indirectly, as at 31 December 2012 stood at EUR62,976,177 (2011:EUR128,355,561).

The fair value of the borrowings, based on the quoted market price of the Preference Shares as at 31 December 2012 stood at EUR 60,344,475 (2011: EUR85,430,850). These Preference Shares are listed on the Luxembourg Stock Exchange.

As disclosed in notes 6 and 9, the host debt instrument includes certain embedded derivatives. The Directors have assessed that all embedded derivatives are either closely related to the host debt instrument or are non-option in their nature and have therefore not separately accounted for them.

*Market risk*

Market risk is the risk of performance impact from the fluctuation in interest rates, exchange rate and security prices. However as the Company has only one loan outstanding, where the borrower is the ultimate parent company, Erste Group Bank AG security price risk can be considered as very limited. Interest rate risk and foreign currency risk, making up market risk, are dealt in detail below.

*Interest rate risk*

Interest rate risk is the risk of adverse change in the fair value of financial instruments caused by movement in market interest rates. This type of risk arises, when mismatches exist between assets and liabilities in respect of their maturities or of the timing of interest rate adjustments.

As detailed in note 6 and 9 there is a mismatch in the calculation method for interest receivable on the assets and payable on the preference shares. However interest rate caps are in place to limit this risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's profit before tax (through the impact of floating rate borrowings).

	Increase/ decrease in basis points	Effect on profit before tax EUR
2012	+20	-
	-20	-
2011	+20	44,000
	-20	(44,000)

ERSTE FINANCE (JERSEY) (4) LIMITED  
Financial Statements for the year ended 31 December 2012

NOTES TO THE FINANCIAL STATEMENTS - continued

13. FINANCIAL INSTRUMENTS - continued

*Foreign currency risk*

Fluctuation in foreign exchange rates creates foreign currency risks. The Company has transactional currency exposures arising from interest receivables and dividend payables in Euro. As the timing of interest receivables in Euro matches that of dividend payables in Euro and the fact, that the base currency of the financial statement is Euro as well, the foreign currencies risk is limited only to certain administrative expenses incurred in foreign currencies.

*Credit risk*

The Company's exposure to credit risk with respect to financial assets arises from default of the counter party, with a maximum exposure equal to the carrying amounts. In particular, the Company is exposed to Erste Bank's credit risk as there is a concentration of credit risk with the ultimate parent company. Erste Group AG's credit rating as at 31 December 2012 was A as categorized by Standard and Poor's (2011: A). The financial assets of the Company are neither past due nor impaired. Please refer to Note 6 for a detailed overview of the Company investments.

*Liquidity risk*

Liquidity risk is the risk that the company will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

The Company manages liquidity by timing the financial asset maturities on a basis similar to those of the financial liabilities. The Company also has the benefit of the preference shares in issue being limited recourse.

Liquidity risk relates principally to the Company's dividend payment obligations under the preference shares. The timing of cash flows receivable on interest accruing to the Company on its investments matches that of dividend payments. Therefore we consider that there is no liquidity risk at all.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2012 based on contractual undiscounted repayment obligations. The repayment obligations are based on the assumption that the interest rates in the future will be similar to those prevailing at 31 December 2012.

	Less than 1 month EUR	Between 1 and 3 months EUR	Between 3 months and 1 year EUR	Between 1 year and 5 years EUR	More than 5 years EUR	Undated EUR	Total EUR
<b>2012</b>							
<b>Liabilities</b>							
Preference							
Shares	-	607,574	128,897,475	-	-	-	129,505,049
Other liabilities	-	53,566	-	-	-	-	53,566
Capital and reserves	-	-	-	-	426,657	-	426,657
<b>Total liabilities</b>	-	661,140	128,897,475	-	426,657	-	129,985,272
<b>2011</b>							
<b>Liabilities</b>							
Preference							
shares	-	-	257,271,459	-	-	-	257,271,459
Other liabilities	-	80,323	-	-	-	-	80,323
Capital and reserves	-	-	-	-	-	22,502,528	22,502,528
<b>Total liabilities</b>	-	80,323	257,271,459	-	-	22,502,528	279,854,310

ERSTE FINANCE (JERSEY) (4) LIMITED  
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NOTES TO THE FINANCIAL STATEMENTS - continued

13. FINANCIAL INSTRUMENTS - continued

*Liquidity risk - continued*

The table below summarises the undiscounted maturity profile of the Company's financial assets at 31 December 2012 and 2011:

	Less than 1 month EUR	Between 1 and 3 months EUR	Between 3 months and 1 year EUR	Between 1 year and 5 years EUR	More than 5 years EUR	Undated EUR	Total EUR
<b>2012</b>							
<b>Assets</b>							
Financial Assets	-	569,461	128,781,021	-	-	-	129,350,482
Other Assets	-	44,291	-	-	-	-	44,291
Cash at Bank	435,932	-	-	-	-	-	435,932
<b>Total assets</b>	<b>435,932</b>	<b>613,752</b>	<b>128,781,021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>129,830,705</b>
<b>2011</b>							
<b>Assets</b>							
Financial Assets	-	-	279,533,793	-	-	-	279,533,793
Other Assets	-	75,488	-	-	-	-	75,488
Cash at Bank	507,363	-	-	-	-	-	507,363
<b>Total assets</b>	<b>507,363</b>	<b>75,488</b>	<b>279,533,793</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>280,116,644</b>

*Capital management*

The primary objective of the Company is to raise capital for the Erste Bank group by raising money in the form of preference shares and in turn lends this capital to Erste Group Bank AG (formerly Erste Bank der Oesterreichischen Sparkassen AG). In doing so, the Company ensures to support the group's requirements, whilst retaining sufficient financial independence therefrom.