Company Registration No. 89587

ERSTE FINANCE (JERSEY) (6) LIMITED

Annual Report
and
Audited Financial Statements

for the year ended 31 December 2011

CONTENTS

GENERAL INFORMATION

Registration

Erste Finance (Jersey) (6) 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 89587.

Directors

Executive Directors

Helen Grant
Martin Sadleder
Marouska Agius
Francois Chesnay
Lyndsey Pinnington

Non-executive Director

Gerald Fleischmann

Company Secretary

State Street Secretaries (Jersey) Limited

Registered Office

22 Grenville Street
St. Helier
Jersey,
Channel Islands JE4 8PX

Auditors

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

DIRECTORS' REPORT

The Directors present their report together with the audited Financial Statements for the year ended 31 December 2011.

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 2011 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 judgement 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 a 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.

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 2011 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.

DIRECTORS' REPORT - continued

Going Concern

The ultimate shareholder of the Company, Erste Group Bank AG, Vienna, announced on 17th of February 2012 the intention to offer to the holders of equity instruments issued by Erste Capital Finance (Jersey) 6 Limited, a buy back offer, for a significant volume of such instruments. The buy back by Erste Group Bank AG has been successful and Erste Group Bank AG intends to redeem EUR92,992,000 of Preference shares issued by Erste Finance (Jersey) 6 Limited, by end of June 2012. The redemption will occur 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

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: 10|05|2012

ERNST & YOUNG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERSTE FINANCE (JERSEY) (6) LIMITED

We have audited the financial statements of Erste Finance (Jersey) (6) Limited for the year ended 31 December 2011 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of changes in Equity, Statement of Cash Flows and the related notes 1 to 14. 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 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's 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 2011 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: 11 May 2012

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2011 EUR	2010 EUR
Finance revenue	3	**10,512,000**	10,512,000
Finance costs	4	**(10,500,000)**	(10,500,000)
Net finance revenue		**12,000**	12,000
Administrative expenses	5	**(14,097)**	(2,035)
(Loss)/profit for the financial year		**(2,097)**	9,965
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year, net of tax attributable to equity holders of the parent		(2,097)	9,965

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.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2011

	Notes	2011 EUR	2010 EUR
ASSETS			
Current assets			
Financial assets	6	**200,000,000**	200,000,000
Receivables	7	**2,861,600**	2,861,600
Cash at bank	11	**15,459**	11,469
		202,877,059	202,873,069
TOTAL ASSETS		**202,877,059**	202,873,069
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	8	**2**	2
Retained earnings		**12,157**	14,254
Total equity		**12,159**	14,256
Current liabilities			
Preference shares	9	**200,000,000**	200,000,000
Payables	10	**2,864,900**	2,858,813
Total liabilities		**202,864,900**	202,858,813
TOTAL EQUITY AND LIABILITIES		**202,877,059**	202,873,069

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 10 May 2012 *and were signed on its behalf by:*

Director

STATEMENT OF CHANGES IN EQUITY

	Share capital EUR	Retained earnings EUR	Total EUR
Balance as at 1 January 2011	2	14,254	14,256
Loss for the year	-	(2,097)	(2,097)
Other Comprehensive Income	-	-	-
Total Comprehensive Loss	-	(2,097)	(2,097)
Balance as at 31 December 2011	**2**	**12,157**	**12,159**
Balance as at 1 January 2010	2	4,289	4,291
Profit for the year	-	9,965	9,965
Other Comprehensive Income	-	-	-
Total Comprehensive Income	-	9,965	9,965
Balance as at 31 December 2010	2	**14,254**	**14,256**

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

STATEMENT OF CASH FLOWS

	Note	2011 EUR	2010 EUR
Cash flows from operating activities			
Interest received on financial assets		**10,512,000**	10,512,000
Dividends paid on preference shares		**(10,500,000)**	(10,500,000)
Cash paid on administrative expenses		**(8,010)**	(11,923)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		**3,990**	77
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**11,469**	11,392
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	**15,459**	11,469

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

The Financial Statements of the Company for the year ended 31 December 2011 were approved and authorised for issue in accordance with a resolution of Directors on 10 May 2012.

The principal activities of the Company are described in the Directors' Report.

2.1 BASIS OF PREPARATION

Basis of preparation

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

Going concern

The ultimate shareholder of the Company, Erste Group Bank AG, Vienna, announced on 17th of February 2012 the intention to offer to the holders of Preference Shares issued by Erste Finance (Jersey) (6) Limited, a buy back offer, for a significant volume of such instruments. The buy back by Erste Group Bank AG has been successful and Erste Group Bank AG intends to redeem EUR92,992,000 of Preference shares issued by Erste Finance (Jersey) 6 Limited, by end of June 2012. The redemption will occur 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

The Company has adopted the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

- IFRS 1 (Amendments) *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* (effective for annual periods beginning on or after 1 July 2010)
- IAS 24 (Amendments) *Related Party Disclosures* (effective for financial years beginning on or after 1 January 2011)
- IAS 32 (Amendments) *Financial Instruments: Presentation - Classification of Rights Issues* (effective for financial years beginning on or after 1 February 2010)
- IFRIC 14 (Amendments) *Prepayments of a minimum funding requirements* (effective for financial years beginning on or after 1 January 2011)
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for financial years beginning on or after 1 July 2010)
- Improvements to IFRSs issued in May 2010 (various effective dates, earliest for the financial year beginning on or after 1 July 2010)

The adoption of these standards did not have an impact on the Financial Statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.2 CHANGES IN ACCOUNTING POLICIES - continued

Standards, interpretations and amendments to published standards that are not yet effective

Up to the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which have not been adopted early. None of these standards, interpretations and amendments is expected to have an impact on the financial position or performance of the Company.

- IFRS 1 (Amendments) *Additional Exemptions for First-time Adopters* (effective for annual periods beginning on or after 1 July 2011)
- IFRS 7 (Amendments) *transfer of financial assets disclosure* (effective for the financial years beginning on or after 1 July 2011)

Standards, interpretations and amendments that are not yet endorsed by the EU

- IFRS 1 (Amendments) *Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters* (effective for financial years beginning on or after 1 July 2011)
- IFRS 1 (Amendments) *Government Loans* (effective for financial years beginning on or after 1 January 2013)
- IAS 1 (Amendments) *Presentation of Items of Other Comprehensive Income* (effective for financial years beginning in or after 1 July 2012)
- IAS 12 (Amendments) *Deferred tax: Recovery of Underlying Assets* (effective for financial years beginning in or after 1 January 2012)
- IAS 19 (Amendments) *Employee Benefits* (effective for financial years beginning in or after 1 January 2013)
- IAS 27 (Amendments) *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2013)
- IAS 28 (Amendments) *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2013)
- IAS32 (Amendments) *Offsetting of financial assets and financial liabilities presentation* (effective for financial years beginning on or after 1 January 2014)
- IFRS 7 (Amendments) *Offsetting of financial assets and financial liabilities* (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 beginning on or after 1 January 2015)
- IFRS 9 *Financial Instruments: Classification and Measurement* (effective for financial years beginning on or after 1 January 2013)
- IFRS 10 *Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2013)
- IFRS 11 *Joint Arrangements* (effective for annual periods beginning on or after 1 January 2013)
- IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2013)
- IFRS 13 *Fair value Measurement* (effective for annual periods beginning on or after 1 January 2013)
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after 1 January 2013)

The company is still assessing the impact that the adoption of these standards will have on the Financial Statements

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial assets

Financial assets consist of in Subordinated Perpetual Fixed Rate Notes which are non-listed private placements 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial assets - continued

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 disclose in notes 6 and 9, the host debt instrument includes certain embedded derivatives. The Directors have assessed that all embedded derivatives are closely related in their nature 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 amortisation 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 collectibility is in doubt.

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 in 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currency translation - continued

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 in 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.

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 statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 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 goods and 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

	2011 EUR	2010 EUR
Income from financial assets	**10,512,000**	10,512,000

4. FINANCE COSTS

	2011 EUR	2010 EUR
Dividends on preference shares	**10,500,000**	10,500,000

5. ADMINISTRATIVE EXPENSES

	2011 EUR	2010 EUR
Auditor's remuneration	**12,200**	131
Professional fees	**1,686**	1,801
Bank charges	**211**	103
	14,097	2,035

NOTES TO THE FINANCIAL STATEMENTS - continued

6. FINANCIAL ASSETS

	2011	2010
	EUR	EUR
Loans and receivables		
Current		
Series 286 Subordinated Perpetual Fixed Rate Notes	**200,000,000**	200,000,000

At 31 December 2011 the Company held Series 286 Tranche 1 Subordinated Perpetual Fixed Rate Notes in the principal amount of EUR200,000,000 issued by Erste Group Bank AG (formerly Erste Bank der Oesterreichischen Sparkassen AG).

The Notes are redeemable at the option of the issuer, on the interest payment date falling on 23 September 2010 and on any subsequent interest payment date.

Interest is receivable annually, in arrears, at a fixed rate of 5.256% per annum.

7. RECEIVABLES

	2011	2010
	EUR	EUR
Interest income receivable	**2,861,600**	2,861,600

8. ISSUED CAPITAL

Authorised share capital

The authorised share capital is made up of:

i. An unlimited number of shares designated as Ordinary Shares;
ii. An unlimited number of shares designated as Unclassified Shares.

The Unclassified shares can be issued in the form of either Preference shares or Nominal shares.

Issued and fully paid up

	2011	2010
	EUR	EUR
Ordinary shares		
2 ordinary shares of EUR1 each	**2**	2

NOTES TO THE FINANCIAL STATEMENTS - continued

8. ISSUED CAPITAL - continued

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 there at.

9. PREFERENCE SHARES

	2011	2010
	EUR	EUR
Current liabilities		
200,000 Series J 5.25% preference shares of EUR1,000 each	**200,000,000**	200,000,000

At 31 December 2011, 200,000 Series J Non-cumulative Non-voting Preference shares of EUR1,000 per share were in issue.

Dividends on the Preference shares are payable annually, in arrears, on the paid up amount of the shares at a dividend rate of 5.25% 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 following on or after 23 September 2010. 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

9. PREFERENCE SHARES - continued

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

	2011 EUR	2010 EUR
Dividends payable on preference shares	2,858,333	2,858,333
Accruals	6,567	480
	2,864,900	2,858,813

11. CASH AND CASH EQUIVALENTS

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

	2011 EUR	2010 EUR
Cash at bank	15,459	11,469

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 Level 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 A Vienna, Austria.

Related party transactions and balances

During the financial year interest receivable on Subordinated Perpetual Fixed Rate Notes issued by the ultimate parent company amounted to EUR10,512,000 (2010: EUR10,512,000). Accrued interest income receivable at 31 December 2011 is separately disclosed in note 7. Administration and professional fees which amounted to EUR12,682 (2010:EUR11,623) were paid by Erste Group Bank AG paid on behalf of the Company.

NOTES TO THE FINANCIAL STATEMENTS - continued

12. RELATED PARTY DISCLOSURES - continued

Key management personnel

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

Until 1st April 2010, each of F.X.A. Chesnay, H.C. Grant and L.V. Pinnington was an employee of a subsidiary of Mourant Limited. Affiliates of Mourant Limited provided administrative services to the Company at commercial rates.

On 1 April 2010, Mourant Limited sold its interest in certain affiliates to State Street Corporation ("SSC"). Each of H.C.Grant, F.X.A. Chesnay and L.V. Pinnington is now an employee of a subsidiary of SSC, 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.

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 2011, 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 borrowings, based on the quoted market price of the Preference Shares as at 31 December 2011 stood at EUR85,000,000 (2010: EUR138,405,000). 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 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) the security price risk can be considered as very limited. Interest rate risk and foreign currency risk, making up market risk, are dealt with as described above.

NOTES TO THE FINANCIAL STATEMENTS - continued

13. FINANCIAL INSTRUMENTS - continued

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.

The interest rate on the investments, being issued notes of Erste Group Bank AG ("Erste Bank"), as well as the interest on Preference shares issued by the Company are both subject to fixed interest rates up to redemption date. Accordingly, there is no exposure to interest rate risk. Since both financial instruments are subject to fixed interest rates, the company is not exposed to any interest rate risk as a result of possible changes in interest rates.

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 Bank AG's credit rating as at 31 December was A as categorised by Standard and Poor's (2010: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's 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 risk throughout the entire year, resulting in a positive short-term liquidity gap, and 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 principally relates 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

13. FINANCIAL INSTRUMENTS - continued

Liquidity risk - continued

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2011 and 2010 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 as at 31 December 2011 and that the Preference shares will mature as indicated in note 9.

	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undated	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
2011							
Liabilities Preference shares	-	-	207,730,147	-	-	-	207,730,147
Other liabilities	-	-	2,864,900	-	-	-	2,864,900
Capital and reserves	-	-	-	-	-	20,993	20,993
Total liabilities	**-**	**-**	**210,595,047**		**-**	**20,993**	**210,616,040**
2010							
Liabilities Preference shares	-	-	210,645,833	-	-	-	210,645,833
Other liabilities	-	-	2,858,813	-	-	-	2,858,813
Capital and reserves	-	-	-	-	-	26,423	26,423
Total liabilities	**-**	**-**	**213,504,646**	**-**	**-**	**26,423**	**213,531,069**

The table below summarises the undiscounted maturity profile of the Company's financial assets as at 31 December 2011 and 2010 and that the investments will mature as indicated in note 6.

	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undated	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
2011							
Assets Financial assets	-	-	207,738,981	-	-	-	207,738,981
Receivables	-	-	2,861,600	-	-	-	2,861,600
Cash at bank	15,459	-	-	-	-	-	15,459
Total Assets	**15,459**	**-**	**210,600,581**	**-**	**-**	**-**	**210,616,040**
2010							
Assets Financial assets	-	-	210,658,000	-	-	-	210,658,000
Receivables	-	-	2,861,600	-	-	-	2,861,600
Cash at bank	11,469	-	-	-	-	-	11,469
Total Assets	**11,469**	**-**	**213,519,600**	**-**	**-**	**-**	**213,531,069**

NOTES TO THE FINANCIAL STATEMENTS - continued

13. FINANCIAL INSTRUMENTS - continued

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 ("Erste Bank"). In doing so the Company ensures to support the group's requirements, whilst retaining sufficient financial independence there from.

14. SUBSEQUENT EVENTS

As at the date of approval of these Financial Statements, Erste Group Bank AG intends to redeem EUR92,992,000 of Preference Shares issued by Erste Finance (Jersey) (6) Limited by end of June 2012. The redemption will occur at par.