

Unaudited financial statements of the Erste&Steiermärkische Bank d.d. and subsidiaries (the Group) for period January 1st - June 30th 2016

Content:

1. Management report for the first half of the year 2016
2. Income statement for period 1.1.2016 – 30.06.2016
3. Balance sheet at 30.06.2016
4. Cash flow statement for period 1.1.2016 – 30.06.2016
5. Statement of changes in equity for period 1.1.2016 – 30.06.2016
6. Notes to financial statement
7. Declaration of key personnel responsible for creation of financial statements

Management report for H1 2016 ESB Group achieves strong financial results in H1 2016

"The achieved financial results in the first half of 2016 confirms the quality, accuracy and sustainability of ESB Group's business model in Croatia. The stability of the operating business, responsible management of risk policies, growing trends in new loans and in the use of bank's digital channels additionally consolidate our position on the Croatian banking market and create solid foundations for long-term business success. We aim to remain a reliable partner to our clients in the realisation of their financial needs and business plans, while at the same time maintaining an intense focus on further digitisation of business operations," said **Christoph Schoefboeck**, Chairman of the Management Board of Erste&Steiermärkische Bank d.d., commenting on the business results for the first half of the year.

IN BRIEF

In the first six months of 2016, ESB Group* has achieved strong business results. Net profit amounted to HRK 608.4 million, compared to HRK 200.3 million in the same period of 2015. The most significant impact on its increase came from lower risk costs, a stable and slightly rising trend in operating results, as well as the one-off effect of the sale of a share in the company VISA Europe Limited, amounting to HRK 74.9 million. ESB Group's total assets at the end of June 2016 amounted to HRK 65.6 billion and were down by 3.9 % compared to the end of June 2015, when they had amounted to HRK 68.2 billion. Total loans as of 30 June 2016 amounted to HRK 42.5 billion, 6.1% less compared to HRK 45.2 billion as of 31 December 2015. Total deposits as of 31 June 2016 amounted to HRK 44.0 billion and were 4.3% lower compared to 31 December 2015, when they amounted to HRK 45.9 billion.

According to the non-consolidated financial report for Erste&Steiermärkische Bank d.d., without subsidiaries, net profit in H1 2016 amounted to HRK 425.0 million, compared to HRK 82.0 million in the same period of 2015. The bank's total assets in the first six months of 2016 amounted to HRK 56.4 billion and were down by 4.4% compared to the end of 2015, when they had amounted to HRK 59.0 billion. Total loans as of 30 June 2016 stood at HRK 34.9 billion and were down by 6.7% compared to the end of June 2015, when they had stood at HRK 37.5 billion, which was in part due to the effects of CHF loan conversion, i.e. the reduction of loan principal following the conversion. Total deposits as of 31 June 2016 amounted to HRK 42.5 billion and were 3.6% lower compared to 31 December 2015, when they amounted to HRK 44.2 billion. However, retail deposits retained a stable trend of mild growth, having increased from HRK 25.0bn at the end of last year to HRK 25.1bn at the end of June 2016.

In general, in the first half of 2016, Erste bank has recorded stable trends in new loans. For example, in the retail segment, which includes micro-companies as well, an increase in new loans of about 20% was achieved, from around HRK 1.5 billion in H1 2015 to around HRK 1.8 billion in the same period this year. In the segment of retail home loans and home improvement loans, growth of almost 80% was achieved, from about HRK 151.7 million in new loans in H1 2015 to around HRK 272.3 million in the same period this year. The rising trend in digitalisation was evident through the increased use of the bank's online channels. For example, the share of cash loans realised through online channels in the first half of 2016 amounted to 34% by number of loans, or 47% by volume. In housing loans, this share amounted to 18% by number, or 16% by loan volume. Positive trends have also been recorded in the corporate segment, which reflects the improvement of the business environment for corporate clients and the rising demand in the investment loans segment. In this segment, Erste bank has achieved growth in new loans of about 18% from HRK 2.1 billion in the first six months of 2015 to about HRK 2.5 billion in the same period this year.

Adopting the position that a gradual development of an adequate market environment and conditions beneficial for stronger affirmation of the option to sell non-performing loans in the banking sector are evident in Croatia, Erste banka has decided to make use of this option and, implementing a business practice common in many European Union member states including markets in which the international Erste Group is present, to offer a

selected share of its non-performing loans to interested companies. It is important to note that this was limited to reputable and established companies which came forth as buyers of such receivables. The purpose of such a decision was, on one hand, to reduce the NPL ratio in the total loan portfolio, which amounted to 12.4% at the end of June 2016 (on 31 December 2015 it stood at 14.9%), but also to focus on new lending opportunities and increased support of quality projects on the market.

OUTLOOK

The most important prerequisite for the Croatian economy's continued recovery in 2016 is certainly the stability of the political and legal framework, without which there can be no investor confidence, investment growth and no real economy development. The banks in Croatia are able to and want to financially support positive initiatives and good projects of the private sector, which has to become the generator of economic growth and new jobs. The banks' focus must primarily remain on the client and the client's needs, with a minimal level of government interventions, and with fewer new regulatory requirements.

In the next period, Erste banka will continue to follow the financial needs of the retail segment, while maintaining a strong focus on the SME segment, supporting quality projects driving the development of the real economy and employment. By maintaining partnership relations, fostering open communication and understanding each-other's needs, Erste bank will continue to build a successful business in the future, thereby making an adequate contribution towards the development of the Croatian economy as a whole, with the goal of realising all of its potential. The bank wants to play an active role in attaining these goals, which will contribute towards the improvement of the quality of living of all Croatian citizens.

ESB Group's consolidated financial statement includes the following subsidiaries in addition to Erste&Steiermärkische Bank d.d.: Erste Nekretnine d.o.o., Erste & Steiermärkische S-Leasing d.o.o., Erste Bank a.d., Podgorica, Erste Card Club group, Erste Factoring d.o.o., Erste Group IT HR d.o.o. and Izbor Nekretnina d.o.o.

Related parties transactions

In HRK mio	ESB GROUP			BANK		
	30.6.2015.	31.12.2015.	% change	30.6.2015.	31.12.2015.	% change
ASSET	1.083	891	21,5%	1.639	1.371	19,5%
LIABILITIES	12.567	14.658	(14,3%)	8.379	9.643	(13,1%)
	30.6.2016.	30.6.2015.	% change	30.6.2016.	30.6.2015.	% change
REVENUES	223	124	79,8%	246	156	57,7%
EXPENSES	205	594	(65,5%)	184	605	(69,6%)

Risk management

Risk management is a set of procedures and methods established for identifying, measuring, assessing, controlling and monitoring of risks, including reporting of risks to which the credit institution is or might be exposed in its operations. The Bank is obliged to regularly measure and assess the risks identified in its business. Methods of measuring and assessing risk must include appropriate quantitative and/or qualitative measurement methods and risk assessment that will enable the observation of changes in Bank's risk profile, including the emergence of new risks.

The most significant risks that affect Bank's business operations are credit, market, operational and liquidity risk.

Credit risk is the risk of potential loss due to a debtor's non-payment of obligations towards the Bank, and it arises from the possibility that the Bank's credit claims and related fees and interest will not be repaid in the foreseen amount and timeframe. The Bank identifies, measures, follows up on, controls, i.e. actively manages the credit risk as one of the most important risks and determines existence of appropriate capital level for covering of such risks. Risks related to credit risk are: currency induced credit risk, residual risk, sovereign risk, dilution risk and concentration risk.

Market risks represent the risk of loss in open position stemming from the change in the movements of the market prices, including changes in interest rates, exchange currencies and prices of securities. In this sense, market risk include: (i) interest rate risk, (ii) currency risk and (iii) equity investment risk.

Operational risk is a risk of unexpected direct or indirect loss occurring due to the functioning of the human factor, inadequate procedures and controls, technological oversights, accidents and external factors. It is also a legal risk representing the possibility of outflow of the Bank's capital due to established fees or issued penalties and sanctions derived from a legislative, administrative or other proceeding on the basis of the failure to meet contractual or legal obligations, while contemporaneously excluding strategic and reputational risk.

Liquidity risk is a risk of loss stemming from an existing or expected inability of a credit institution to settle its monetary obligations upon maturity. Liquidity risk arises from maturity mismatch between assets and liabilities.

Except above mentioned risks the Bank manages and all other risk that could affect their business operations such as: systemic risk, regulatory risk, business environment risk etc.

Addendum 3.

Period of reporting:

1.1.2016

do

30.6.2016

Three-month financial report for credit institutions - TFI-KI

Identification number (MB): 03337367

Identification number of the 040001037

Personal identification number (OIB): 23057039320

Name of the issuer: ERSTE & STEIERMARKISCHE BANK DD

Postal code and town of 51000 RIJEKA

Address: JADRANSKI TRG 3A

E-mail address: ersteinbank@ersteinbank.hr

Internet address: www.ersteinbank.hr

Code and name of 373 RIJEKA

Code and name of county 8 PRIMORSKO GORANSKA

Broj zaposlenih: 3.290

(krajem izvještajnog razdoblja)

Consolidated report: YES

Šifra NKD-a: 6419

Names of subjects of consolidation (according to MSFI):

Headquarters:

MB:

Erste & Steiermärkische S-Leasing, d.o.o.	Zagreb, Zelinska 3	1262343
Erste Factoring d.o.o.	Zagreb, Ivana Lučića 2	2058049
Erste Nekretnine d.o.o.	Zagreb, Ivana Lučića 2	02068249
Erste Group IT HR d.o.o.	Bjelovar, Jurja Haulika 19/A	2157128
Erste Card Club d.d.	Zagreb, Praška 5	3289737
Erste Bank a.d., Podgorica	Crna Gora, Podgorica, Marka Miljanova 46	08499002
Izbor Nekretnina d.o.o.	Zagreb, Ivana Lučića 2/a	4175590
Erste Card d.o.o. Slovenija	Slovenija, Ljubljana, Dunajska cesta 129	08705634

Bookkeeping service:

Contact person: RAJIĆ ANDREJA

Phone number: 072 37 1778

Telefaks: 072 37 1942

E-mail address: arajic@ersteinbank.com

Last and first name: SCHOEFBOECK CHRISTOPH

(person authorized for representing company)

Reporting documentation:

1. Financial statements (statement of financial position, income statement, cash flow statement, statement of changes in equity and notes to financial statements)
2. Management report
3. Declaration of key personnel responsible for preparation of financial statements

ERSTE & STEIERMARKISCHE
M.P.
RIJEKA

(signature of person authorized for representing company)

STATEMENT OF FINANCIAL POSITION

as of

30.6.2016

in HRK

Name of position 1	AOP 2	Prior period 3	Current period 4
ASSETS			
1. CASH AND DEPOSITS WITH Central bank (002+003)	001	8.455.953.887	7.425.410.686
1.1. Cash	002	1.187.095.439	1.322.787.010
1.2. Deposits with Central bank	003	7.268.858.448	6.102.623.676
2. DEPOSITS WITH BANKING INSTITUTIONS	004	1.605.050.645	2.221.896.725
3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK	005	569.271.530	525.764.979
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	006	134.125.727	293.283.412
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007	6.729.910.858	7.349.593.411
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008	871.736.944	1.017.866.965
7. SECURITIES AND OTHER FINANCIAL INSTRUMENTS NOT ACTIVELY TRADED, MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS	009	0	0
8. DERIVATIVE FINANCIAL ASSETS	010	60.775.344	89.797.757
9. LOANS TO FINANCIAL INSTITUTIONS	011	1.262.467.045	725.358.219
10. LOANS TO OTHER CUSTOMERS	012	45.214.427.221	42.462.851.415
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	013	63.334.470	65.172.724
12. REPOSSESSED ASSETS	014	541.457.484	597.560.494
13. TANGIBLE ASSET (MINUS DEPRECIATION)	015	1.241.663.858	1.301.955.617
14. INTEREST, FEES AND OTHER ASSETS	016	1.481.150.773	1.504.081.674
A) TOTAL ASSETS (001+004 to 016)	017	68.231.325.786	65.580.594.078
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	7.623.316.103	7.398.024.980
1.1. Short-term borrowings	019	4.011.327.040	4.308.609.805
1.2. Long-term borrowings	020	3.611.989.063	3.089.415.175
2. DEPOSITS (AOP 022 to 024)	021	45.937.923.558	43.979.783.249
2.1. Deposits of giro and current accounts	022	11.270.732.737	11.726.259.536
2.2. Savings deposits	023	2.509.970.211	2.328.672.927
2.3. Term deposits	024	32.157.220.610	29.924.850.786
3. OTHER BORROWINGS (026+027)	025	2.784.966.180	2.582.260.233
3.1. Short-term borrowings	026	607.404.085	333.189.835
3.2. Long-term borrowings	027	2.177.562.095	2.249.070.398
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	103.465.105	80.756.153
5. ISSUED DEBT SECURITIES (030+031)	029	300.000.000	300.000.000
5.1. Short-term issued debt instruments	030	0	0
5.2. Long-term issued debt instruments	031	300.000.000	300.000.000
6. ISSUED SUBORDINATED INSTRUMENTS	032	1.679.710.340	1.652.802.140
7. ISSUED HYBRID INSTRUMENTS	033	0	0
8. INTEREST, FEES AND OTHER LIABILITIES	034	2.691.343.518	1.934.249.616
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	61.120.724.804	57.927.876.371
EQUITY			
1. SHARE CAPITAL	036	3.500.360.782	3.500.360.782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	037	-816.399.161	585.397.997
3. RETAINED PROFIT/(LOSS)	038	4.047.977.120	3.253.053.931
4. LEGAL RESERVES	039	84.921.058	84.921.058
5. STATUTORY AND OTHER CAPITAL RESERVES	040	665.742	-6.001.081
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAIABLE FOR SALE	041	293.075.441	234.985.020
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS	042		
C) TOTAL EQUITY (036 to 042)	043	7.110.600.982	7.652.717.707
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	68.231.325.786	65.580.594.078
SUPPLEMENT TO STATEMENT OF FINANCIAL POSITION (filled out by banks that compose a consolidated financial report)			
1. TOTAL EQUITY	045	7.110.600.982	7.652.717.707
2. Attributed to equity holders of the parent	046	6.909.975.308	7.430.734.662
3. Minority shares (045-046)	047	200.625.674	221.983.045

INCOME STATEMENT

for period from **1.1.2016** to **30.6.2016**

in HRK

Name of position	AOP	Prior period		Current period	
		Cumulative	Quarterly diff.	Cumulative	Quarterly diff.
1	2	3	4	5	6
1. Interest income	048	1.661.450.620	827.165.425	1.508.401.065	739.176.520
2. Interest expense	049	582.434.474	284.592.726	472.157.205	226.959.689
3. Net interest income (048-049)	050	1.079.016.146	542.572.699	1.036.243.860	512.216.831
4. Fee and commission income	051	385.288.634	206.525.391	400.489.686	209.395.992
5. Fee and commission expense	052	89.920.536	48.058.799	92.751.508	48.282.029
6. Net fee and commission income (051-052)	053	295.368.098	158.466.592	307.738.178	161.113.963
7. Profit/loss from investments in subsidiaries, associates and joint ventures	054	0	0	0	0
8. Profit/loss from trading	055	-41.155.605	-9.675.207	60.246.831	5.831.918
9. Profit/loss from embedded derivatives	056	0	0	0	0
10. Profit/loss from asset not actively traded measured at fair value through profit or loss	057	0	0	0	0
11. Profit/loss from asset available for sale	058	2.316.537	-145.062	60.894.614	60.226.958
12. Profit/loss from asset held to maturity	059	0	0	0	0
13. Profit/loss from hedging	060	0	0	0	0
14. Income from investments in subsidiaries, associates and joint ventures	061	0	0	0	0
15. Income from other ownership investments	062	6.678.102	-630.857	5.119.364	5.112.833
16. Profit/loss from foreign currency differences	063	58.979.388	62.504.260	66.007.032	53.538.521
17. Other income	064	230.366.876	125.360.586	248.388.963	152.289.446
18. Other expenses	065	149.314.779	103.056.553	116.762.279	73.049.719
19. General administrative expenses and depreciation	066	735.873.784	362.660.855	763.278.837	377.786.815
20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)	067	746.380.979	412.735.603	904.597.726	499.493.936
21. Expense of value adjustment and loan loss provisions	068	496.574.622	280.632.280	122.757.501	47.495.661
22. PROFIT/LOSS BEFORE TAX (067-068)	069	249.806.357	132.103.323	781.840.225	451.998.274
23. INCOME TAX EXPENSE	070	49.553.314	26.028.664	173.395.071	109.572.423
24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)	071	200.253.043	106.074.659	608.445.154	342.425.851
25. Earnings per share	072	10		34	
ANNEX TO INCOME STATEMENT (for the Banks that prepare consolidated financial statements)					
1. PROFIT/LOSS OF THE CURRENT YEAR	073	200.253.043	106.074.659	608.445.154	342.425.851
2. Assign equity holders of the Bank	074	172.874.106	89.326.630	585.397.997	331.971.038
3. Non controlling interest (073-074)	075	27.378.937	16.748.029	23.047.157	10.454.814

CASH FLOW STATEMENT - indirect method

for period from 1.1.2016 to 30.6.2016 in HRK

Name of the position	AOP	Prior period	Current period
1	2	3	4
OPERATING ACTIVITIES			
1. Cash flow from operating activities before changes of operating asset (002 do 007)	001	843.402.182	998.079.466
1.1. Profit/(loss) before income tax	002	249.806.357	781.921.562
1.2. Allowances and loss provisions	003	496.574.622	99.845.232
1.3. Depreciation	004	96.995.203	116.800.511
1.4. Net unrealized profit/(loss) from financial assets and liabilities through profit and loss	005	0	0
1.5. Profit/(loss) from sale of tangible assets	006	0	-481.946
1.6. Other profit/(losses)	007	26.000	-5.893
2. Net increase/(decrease) of operating assets (009 do 016)	008	62.802.755	3.035.088.861
2.1. Deposits with Central bank	009	4.474.855	766.864.893
2.2. Treasury bills of Ministry of Finance and CB bills	010	484.007.304	43.506.551
2.3. Deposits with banks and loans to financial institutions	011	168.601.353	613.817.068
2.4. Loans to other customers	012	-205.381.872	2.628.192.187
2.5. Securities and other financial instruments held for trading	013	-223.659.458	-159.157.686
2.6. Securities and other financial instruments available for sale	014	-9.354.260	-684.916.666
2.7. Securities and other financial instruments not traded actively, measured at fair value through profit or loss	015	0	0
2.8. Other operating assets	016	-155.885.167	-173.217.486
3. Net increase/(decrease) of operating liabilities (018 do 021)	017	1.722.006.629	-2.716.570.720
3.1. Demand deposits	018	1.529.578.624	455.526.799
3.2. Savings and term deposits	019	75.303.668	-2.413.667.109
3.3. Financial derivative liabilities and other liabilities actively traded	020	25.834.500	-22.708.952
3.4. Other liabilities	021	91.289.837	-735.721.458
4. Net cash flow from operating activities before income tax (001+008+017)	022	2.628.211.566	1.316.597.607
5. (Income tax paid)	023	-35.805.302	-37.202.729
6. Net inflow/(outflow) of cash from operating activities (022+023)	024	2.592.406.264	1.279.394.878
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 do 030)	025	-92.729.828	-391.352.268
7.1. Receipt from sale/(payment for buying) tangible and intangible assets	026	-89.511.732	-190.933.927
7.2. Receipt from sale/(payment for buying) investments in subsidiaries, associates and joint ventures	027	0	-1.838.254
7.3. Receipt from sale/(payment for buying) securities and other financial instruments held to maturity	028	-3.218.096	-154.134.240
7.4. Dividend income	029		0
7.5. Other receipts/(payments) from investing activities	030		-44.445.847
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 do 037)	031	-1.598.461.450	-458.030.410
8.1. Net increase/(decrease) of borrowings	032	-1.804.393.936	-427.997.070
8.2. Net increase/(decrease) issued debt securities	033	0	0
8.3. Net increase/(decrease) subordinated and hybrid instruments	034	212.065.710	-26.908.200
8.4. Receipts from transmitted share capital	035	0	0
8.5. (Dividends paid)	036	-6.133.224	-3.125.140
8.6. Other receipts/(payments) from financial activities	037		0
9. Net increase/(decrease) of cash and cash equivalents (024+025+031)	038	901.214.986	430.012.200
10. Effects of change in foreign exchange rates on cash and cash equivalents	039		
11. Net increase/(decrease) cash and cash equivalents (038+039)	040	901.214.986	430.012.200
12. Cash and cash equivalents at the beginning of the year	041	5.683.838.464	6.041.186.693
13. Cash and cash equivalents at the end of the year (040+041)	042	6.585.053.450	6.471.198.893

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Name of position	for period		Attributable to the equity holders of the Bank						in HRK	
	1.1.2016		30.6.2016							
	1	2	3	4	5	6	7	8	9	10
AOP	Share capital	Treasury shares	Legal, statutory and other reserves	Retained earnings/(loss)	Profit/(loss) for the period	Unrealised profit/(loss) from the basis of value adjustment of financial assets available for sale	Non controlling interest	Total capital and reserves		
Balance at 1 January	3.500.360.782	0	85.586.800	3.847.351.446	-816.399.161	293.075.441	200.625.674	7.110.600.982		
Changes in accounting policies and corrections of mistakes										
Corrected balance as at 1 January (1+2)	3.500.360.782	0	85.586.800	3.847.351.446	-816.399.161	293.075.441	200.625.674	7.110.600.982		
Sale of financial assets available for sale						76.060.613		76.060.613		
Change of fair value financial asset available for sale						-149.304.839		-149.304.839		
Tax on items directly recognised or transferred from capital and reserves			933			15.153.805		15.154.738		
Other profit/(loss) directly recognised in capital and reserves	0	0	-6.667.756	0	0	0	0	-6.667.756		
Net profit/(loss) directly recognised in capital and reserves (004+005+006+007)	0	0	-6.666.823	0	0	-58.090.421	0	-64.757.244		
Profit/(loss) for the period										
Total recognised income and expenses for the period (008+009)	0	0	-6.666.823	0	585.397.997	-58.090.421	23.047.157	608.445.154		
Increase/(decrease) of share capital	0	0					23.047.157	543.687.910		
Buy/sell of treasury shares	0	0								
Other changes										
Transfer to reserves			0	118.601	0	0	1.435.354	1.553.955		
Dividends paid				-816.399.161	816.399.161					
Distribution on income (014+015)	0	0	0	-816.399.161	816.399.161	0	-3.125.140	-3.125.140		
Balance at reporting date (003+010+011+012+013+016)	3.500.360.782	0	78.919.977	3.031.070.886	585.397.997	234.985.020	221.983.045	7.652.717.707		

Banks which prepare consolidated financial statements represent changes in non controlling interest separately in appropriate capital items.

Notes to financial statements

A 9. LOANS TO FINANCIAL INSTITUTIONS		
	31.12.2015	30.6.2016
Loans	1.270.521.431	737.361.596
Less: Allowance for loan impairment	(8.054.386)	(12.003.377)
	1.262.467.045	725.358.219

A 10. LOANS TO OTHER CUSTOMERS		
	31.12.2015	30.6.2016
Companies	19.736.534.431	17.710.016.234
Individuals	20.928.396.802	19.356.677.074
Public sector	9.450.290.881	9.135.312.780
Other institutions	144.961.972	227.627.353
Total loans before allowances for impairment	50.260.184.086	46.429.633.441
Less: Allowance for loan impairment	(5.045.756.865)	(3.966.782.026)
	45.214.427.221	42.462.851.415

A 11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES						
	Ownership Interest 2015	Ownership Interest 2016	Activity	Group's Share of net assets		Investment at cost
				31.12.2015	30.6.2016	
Associates						
S Immorent leasing zeta d.o.o. za poslovanje nekretninama	49,00%	49,00%	Real estate business	-	-	-
Erste d.o.o	45,86%	37,94%	Management company for obligatory pension fund	59.796.281	63.992.224	38.098.985
Erste group IT HR d.o.o.	20,00%		IT engineering	857.689	-	4.000
RIBA D.D.	24,74%	24,74%	Cultivation of fish	543.300	543.300	543.300
IMMOKOR BUZIN d.o.o.	49,00%	49,00%	Real estate business	-	-	-
Total associates:				61.197.270	64.535.524	38.646.285
Subsidiaries not consolidated						
DC Travel d.o.o.	-	100,00%	Travel Agency	1.500.000	-	1.500.000
Total subsidiaries not consolidated:				637.200	637.200	-
				2.137.200	637.200	1.500.000
				63.334.470	65.172.724	40.146.285
Subsidiaries						
Erste nekretnine d.o.o.	100,00%	100,00%	Real estate business	4.223.836	3.617.947	800.180
Erste Factoring d.o.o.	75,00%	75,00%	Accounts Receivables repurchase	242.236.853	272.075.005	37.658.000
Erste Card Club d.d.	100,000%	100,000%	Financial intermediation and services	711.998.375	799.565.767	755.585.069
Erste Card d.o.o. Slovenia	100,00%	100,00%	Financial intermediation and services	14.330.533	14.214.422	-
Erste & Steiermärkische S-Leasing, d.o.o.	10,00%	50,00%	Financial and operative leasing	119.862.830	130.322.432	88.860.659
Erste group IT HR d.o.o.	20,00%	80,00%	IT engineering	-	3.798.380	-
Izbor Nekretnina d.o.o.	100,00%	100,00%	For services	-	39.775.412	-
Erste bank a.d., Podgorica	100,00%	100,00%	Credit institution	396.637.694	421.494.978	100.396.379
Total subsidiaries:				1.489.290.121	1.684.864.343	983.300.287
Total:				1.552.624.591	1.750.037.067	1.023.446.572
						1.063.630.587

A 12. REPOSESSED ASSETS

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

B 1. AMOUNTS DUE TO FINANCIAL INSTITUTIONS		
	31.12.2015	30.6.2016
From banks	7.244.266.103	7.112.024.980
From other banking institutions	379.050.000	286.000.000
From HBOR	-	-
	7.623.316.103	7.398.024.980

B 2. DEPOSITS		
	31.12.2015	30.6.2016
B 2.1. Deposits of giro and current accounts		
Deposits from public sector		
<i>Republic of Croatia</i>	48.514.567	64.059.572
<i>Republic funds</i>	130.679.045	79.809.762
<i>Local government</i>	202.565.247	180.740.702
Deposits from financial institutions		
<i>Banks</i>	196.851.608	64.985.247
<i>Other banking institutions</i>	226.656.658	359.688.432
<i>Non-banking financial institutions</i>	87.571.995	111.161.302
<i>Banks in bankruptcy</i>	417.161	-
<i>Banks in liquidation</i>	3.581	2.552
Deposits from state commercial customers	144.416.278	256.587.578
Deposits from other commercial customers	4.024.456.271	3.906.960.962
Deposits from non-profit institutions	181.974.026	176.216.616
Deposits from individuals	4.762.641.844	5.198.564.213
Deposits from non residents		
<i>Foreign financial institutions</i>	252.356.823	256.099.819
<i>Foreign states</i>	33.150.723	29.184.444
<i>Foreign commercial customers</i>	283.450.226	358.981.301
<i>Foreign individuals</i>	679.415.666	668.957.019
<i>Foreign non-profit institutions</i>	15.611.018	14.260.015
	11.270.732.737	11.726.259.536

B 2.2. Savings deposits		
	31.12.2015	30.6.2016
Deposits from public sector		
<i>Republic of Croatia</i>	338.348.089	46.530.846
<i>Local government</i>	7.159	2.209.294
Deposits from financial institutions		
<i>Banks</i>	1.711.132	13.590.723
<i>Other banking institutions</i>	159.959.041	264.920.594
<i>Non-banking financial institutions</i>	6.277.574	16.458.633
Deposits from state commercial customers	10.000.000	21.865.826
Deposits from other commercial customers	594.553.087	543.135.998
Deposits from non-profit institutions	1.234.068	1.294.871
Deposits from individuals	835.886.690	834.978.620
Deposits from non residents		
<i>Foreign financial institutions</i>	106.580	56.977
<i>Other non residents</i>	561.886.791	583.630.545
	2.509.970.211	2.328.672.927

B 2.3. Term deposits	31.12.2015	30.6.2016
Deposits from public sector		
<i>Republic of Croatia</i>	24.151.893	21.601.480
<i>Local government</i>	8.810.215	104.583.607
Deposits from financial institutions		
<i>Banks</i>	33.728.981	44.330.690
<i>Other banking institutions</i>	613.636.197	525.689.850
<i>CBRD</i>	35.000.000	35.000.000
<i>Non-banking financial institution</i>	591.134.865	530.315.339
Deposits from state commercial customers	117.639.464	102.346.947
Deposits from other commercial customers	2.138.758.067	1.950.567.109
Deposits from non-profit institutions	76.692.218	85.260.492
Deposits from individuals	19.432.196.225	19.062.801.646
Deposits from non residents		
<i>Foreign financial institutions</i>	7.322.839.331	5.611.252.000
<i>Foreign states</i>	25.577.407	26.670.216
<i>Foreign commercial customers</i>	113.645.405	282.113.764
<i>Foreign individuals</i>	1.623.410.342	1.542.317.646
<i>Foreign non-profit institutions</i>	-	-
Term deposits	32.157.220.610	29.924.850.786

B 5. ISSUED DEBT SECURITIES

On 23rd November 2012, the Bank issued its own bonds in amount of HRK 300 million with a 5.875% coupon paid semi-annual and with maturity of 5 years.

B 6. ISSUED SUBORDINATED INSTRUMENTS

In June 2011 the Bank received subordinated debt from Erste Group Bank AG in the amount of HRK 229 million (original amount EUR 30 million). Maturity of the debt is until 2017, with interest rate 3 month EURIBOR plus 3.37% p.a. Due to challenging business conditions and environment, the Bank ensured additional line of subordinated debt with goal to adequately support business model and market requirements. Regarding that, in July 2014 the Bank received the amount of HRK 613 million (original amount EUR 80 million) with interest rate 3 month EURIBOR + 3.4% p.a. which maturity in 2021.

In March 2015. the Bank received new subordinated loan in amount of EUR 30 million, interest rate of 3 month EURIBOR + 4.55% p.a. which maturity in 2022.

In July 2011 the Bank issued its own subordinated bonds. Original amount of the issue is EUR 80 million. Maturity of the bonds is 6 years with interest to maturity 6.5% p.a. Coupon will be settled annually.

Erste Bank a.d., Podgorica received subordinated debt in 2008 from Oikocredit, Ecumenical Development Cooperative Society U.A., the Netherlands in the original amount EUR 4 million (2013: HRK 23 million). Maturity of the debt is from 2013 till 2016, with interest rate 6 month EURIBOR plus 2.9% p.a. Subordinated debt cannot be repaid in the case of bankruptcy or liquidation of the borrower until all obligations of the Group towards other depositors and creditors have been met. Subordinated debt is included into the Tier 2 of the Group. Bank repaid outstanding amount of debt of EUR 2 million in December 2014, based on approval of Central Bank of Montenegro. Amount used for Tier 2 capital does not have significant influence on capital adequacy of the Bank.

1. INTEREST INCOME	30.6.2015	30.6.2016
Interest on loans and advances to customers	1.369.814.077	1.250.540.901
Interest on amounts due from other banks	6.538.929	3.074.919
Interest income on financial investments	133.591.951	135.447.053
Interest on balances due from the central bank	103.967	102.038
Interest on derivative financial instruments	42.725.862	25.649.544
Interest income on impaired financial assets - loans and advances to customers	93.777.895	51.682.262
Interest on reverse repurchase agreements	6.285.873	4.886.829
Other interest income	8.612.066	37.017.519
	1.661.450.620	1.508.401.065

2. INTEREST EXPENSES	30.6.2015	30.6.2016
Interest on customer deposits	298.155.431	243.010.918
Interest on other borrowed funds	186.162.004	114.138.951
Interest on amounts due to other banks	45.375.876	49.198.362
Interest on subordinated debt	36.542.122	47.766.454
Interest on issued bonds	8.825.146	8.814.207
Interest on derivative financial instruments	1.318.501	2.160.313
Interest on repurchase agreements	1.437.854	1.489.559
Other interest expense	4.617.540	5.578.441
	582.434.474	472.157.205

4. FEE AND COMMISSION INCOME	30.6.2015	30.6.2016
Payments and money transfers	132.613.404	143.751.733
Bank cards services	183.242.119	178.803.623
Custodial fees	22.429.716	29.121.229
Guarantees and letter of credit	22.785.378	26.570.070
Other fee and commission income	24.218.017	22.243.031
	385.288.634	400.489.686

5. FEE AND COMMISSION EXPENSES	30.6.2015	30.6.2016
Payments and money transfers	18.002.762	17.819.569
Bank cards services	61.275.043	59.125.894
Custodial fees	1.645.715	1.966.049
Guarantees and letter of credit	1.374.935	1.396.302
Other fee and commission expense	7.622.081	12.443.694
	89.920.536	92.751.508

DECLARATION OF KEY PERSONNEL RESPONSIBLE FOR PREPARATION OF FINANCIAL STATEMENTS

According to our best knowledge:

1. Shortened set of half year financial statements for Erste&Steiermärkische Bank d.d. and subsidiaries prepared in accordance with appropriate standards of financial reporting of banks in Republic of Croatia gives complete and true state of assets and liabilities and financial result and affairs of Erste&Steiermärkische bank d.d.
2. Management report contains true and fair view of affairs and results of Erste & Steiermärkische Bank d.d.

Head of Accounting Division


Ivona Rakovac



Chairman of the Management Board


Christoph Schoefboeck

Rijeka, August 8th 2016