

Unaudited financial statements of Erste&Steiermärkische Bank d.d. for period January 1st - June 30th 2016

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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: erstebank@erstebank.hr

Internet address: www.erstebank.hr

Code and name of 373 RIJEKA

Code and name of county 8 PRIMORSKO GORANSKA

Broj zaposlenih: 2.427

(krajem izvještajnog razdoblja)

Consolidated report: NO

Šifra NKD-a: 6419

Names of subjects of consolidation (according to MSFI):

Headquarters:

MB:

Bookkeeping service:

Contact person: RAJIĆ ANDREJA

Phone number: 072 37 1778

Telefaks: 072 37 1942

E-mail address: arajic@erstebank.com

Last and first name: SCHOEFOECK 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

BANK DD

028

RIJEKA

095


 (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	8.086.507.999	7.007.712.351
1.1. Cash	002	1.093.172.839	1.194.788.608
1.2. Deposits with Central bank	003	6.993.335.160	5.812.923.743
2. DEPOSITS WITH BANKING INSTITUTIONS	004	1.288.421.182	2.113.968.340
3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK	005	37.990.562	10.979.597
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	006	130.125.727	293.283.412
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007	6.357.628.532	6.868.928.463
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008	870.455.671	844.117.052
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	63.922.454	94.120.363
9. LOANS TO FINANCIAL INSTITUTIONS	011	1.762.462.655	1.217.793.232
10. LOANS TO OTHER CUSTOMERS	012	37.459.759.761	34.941.186.623
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	013	1.023.446.572	1.063.630.587
12. REPOSSESSED ASSETS	014	532.311.601	588.393.941
13. TANGIBLE ASSET (MINUS DEPRECIATION)	015	562.525.868	547.771.920
14. INTEREST, FEES AND OTHER ASSETS	016	819.641.261	798.046.856
A) TOTAL ASSETS (001+004 to 016)	017	58.995.199.845	56.389.932.737
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	2.014.214.002	1.803.083.564
1.1. Short-term borrowings	019	466.310.000	326.000.000
1.2. Long-term borrowings	020	1.547.904.002	1.477.083.564
2. DEPOSITS (AOP 022 to 024)	021	44.155.660.142	42.544.595.263
2.1. Deposits of giro and current accounts	022	10.558.600.977	11.507.262.018
2.2. Savings deposits	023	2.361.425.061	2.163.806.274
2.3. Term deposits	024	31.235.634.104	28.873.526.971
3. OTHER BORROWINGS (026+027)	025	2.669.983.073	2.424.508.763
3.1. Short-term borrowings	026	607.404.085	333.189.835
3.2. Long-term borrowings	027	2.062.578.988	2.091.318.928
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	103.441.447	79.828.388
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	1.936.458.831	1.086.012.126
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	52.859.467.835	49.890.830.244
EQUITY			
1. SHARE CAPITAL	036	3.500.360.782	3.500.360.782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	037	-1.012.455.331	424.963.659
3. RETAINED PROFIT/(LOSS)	038	3.297.248.543	2.284.793.212
4. LEGAL RESERVES	039	84.921.058	84.921.058
5. STATUTORY AND OTHER CAPITAL RESERVES	040	479.851	479.851
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE	041	265.177.107	203.583.931
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS	042		
C) TOTAL EQUITY (036 to 042)	043	6.135.732.010	6.499.102.493
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	58.995.199.845	56.389.932.737
SUPPLEMENT TO STATEMENT OF FINANCIAL POSITION (filled out by banks that compose a consolidated financial report)			
1. TOTAL EQUITY	045		
2. Attributed to equity holders of the parent	046		
3. Minority shares (045-046)	047	0	0

INCOME STATEMENT

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

in HRK

Name of position	AOP	Prior period		Current period	
		Kumulativ	Quarterly diff.	Kumulativ	Quarterly diff.
1	2	3	4	5	6
1. Interest income	048	1.330.034.201	990.184.099	1.198.947.060	583.279.920
2. Interest expense	049	513.048.761	252.479.665	411.583.606	196.049.870
3. Net interest income (048-049)	050	816.985.440	737.704.434	787.363.454	387.230.050
4. Fee and commission income	051	250.182.775	134.192.184	256.113.779	134.939.354
5. Fee and commission expense	052	64.370.355	48.250.341	64.466.464	34.066.771
6. Net fee and commission income (051-052)	053	185.812.420	85.941.843	191.647.315	100.872.583
7. Profit/loss from investments in subsidiaries, associates and joint ventures	054	0	0	0	0
8. Profit/loss from trading	055	-41.210.621	10.850.123	62.294.945	6.190.171
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	89.233	37.914.822	59.902.581	59.756.584
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	44.785.171	44.784.975	8.282.082	8.282.022
16. Profit/loss from foreign currency differences	063	49.591.182	-305.174.309	43.938.570	37.363.692
17. Other income	064	72.792.193	54.855.984	79.287.874	50.422.247
18. Other expenses	065	55.741.354	39.637.671	56.623.893	35.005.015
19. General administrative expenses and depreciation	066	455.187.107	232.316.379	504.114.504	244.291.935
20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)	067	617.916.557	394.923.822	671.976.424	370.820.399
21. Expense of value adjustment and loan loss provisions	068	522.126.236	324.318.603	115.723.896	40.580.733
22. PROFIT/LOSS BEFORE TAX (067-068)	069	95.790.321	70.605.219	556.252.528	330.239.666
23. INCOME TAX EXPENSE	070	13.810.588	5.352.368	131.288.869	86.099.765
24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)	071	81.979.733	65.252.851	424.963.659	244.139.901
25. Earnings per share	072				
ANNEX TO INCOME STATEMENT (for the Banks that prepare consolidated financial statements)					
1. PROFIT/LOSS OF THE CURRENT YEAR	073				
2. Assign equity holders of the Bank	074				
3. Non controlling interest (073-074)	075	0	0	0	0

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	600.412.096	676.424.337
1.1. Profit/(loss) before income tax	002	95.790.321	556.252.528
1.2. Allowances and loss provisions	003	522.126.236	100.255.636
1.3. Depreciation	004	27.280.718	20.403.548
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	-44.785.179	-5.429
2. Net increase/(decrease) of operating assets (009 do 016)	008	-223.748.997	2.818.642.740
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	846.431.346	27.010.964
2.3. Deposits with banks and loans to financial institutions	011	-177.234.472	541.544.766
2.4. Loans to other customers	012	-87.208.643	2.398.611.850
2.5. Securities and other financial instruments held for trading	013	-223.659.458	-163.157.686
2.6. Securities and other financial instruments available for sale	014	-192.094.333	-580.864.559
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	-394.458.292	-171.367.488
3. Net increase/(decrease) of operating liabilities (018 do 021)	017	911.335.733	-2.461.627.869
3.1. Demand deposits	018	1.575.162.037	948.661.041
3.2. Savings and term deposits	019	-703.861.503	-2.559.725.920
3.3. Financial derivative liabilities and other liabilities actively traded	020	25.867.898	-23.613.059
3.4. Other liabilities	021	14.167.301	-826.949.931
4. Net cash flow from operating activities before income tax (001+008+017)	022	1.287.998.832	1.033.439.208
5. (Income tax paid)	023	-614.861	0
6. Net inflow/(outflow) of cash from operating activities (022+023)	024	1.287.383.971	1.033.439.208
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 do 030)	025	21.028.149	-39.108.491
7.1. Receipt from sale/(payment for buying) tangible and intangible assets	026	-15.216.707	-24.514.221
7.2. Receipt from sale/(payment for buying) investments in subsidiaries, associates and joint ventures	027	0	-40.184.015
7.3. Receipt from sale/(payment for buying) securities and other financial instruments held to maturity	028	-8.540.506	18.333.935
7.4. Dividend income	029	44.785.362	7.255.810
7.5. Other receipts/(payments) from investing activities	030	0	0
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 do 037)	031	-419.580.954	-483.512.947
8.1. Net increase/(decrease) of borrowings	032	-631.646.664	-456.604.747
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	0	0
8.6. Other receipts/(payments) from financial activities	037	0	0
9. Net Increase/(decrease) of cash and cash equivalents (024+025+031)	038	888.831.166	510.817.770
10. Effects of change in foreign exchange rates on cash and cash equivalents	039	0	0
11. Net increase/(decrease) cash and cash equivalents (038+039)	040	888.831.166	510.817.770
12. Cash and cash equivalents at the beginning of the year	041	4.902.492.610	5.434.528.850
13. Cash and cash equivalents at the end of the year (040+041)	042	5.791.323.776	5.945.346.620

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	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
AOP	2	3	4	5	6	7	8	9	10	
Balance at 1 January	001	3.500.360.782		85.400.909	3.297.248.543	-1.012.455.331	265.177.107			6.135.732.010
Changes in accounting policies and corrections of mistakes	002									
Corrected balance as at 1 January (1+2)	003	3.500.360.782	0	85.400.909	3.297.248.543	-1.012.455.331	265.177.107	0		6.135.732.010
Sale of financial assets available for sale	004						62.972.101			62.972.101
Change of fair value financial asset available for sale	005						-140.546.841			-140.546.841
Tax on items directly recognised or transferred from capital and reserves	006			0			15.981.564			15.981.564
Other profit/(loss) directly recognised in capital and reserves	007		0		0	0	0			0
Net profit/(loss) directly recognised in capital and reserves (004+005+006+007)	008		0	0	0	0	-61.593.176	0		-61.593.176
Profit/(loss) for the period	009					0	424.963.659			424.963.659
Total recognised income and expenses for the period (008+009)	010		0	0	0	0	424.963.659	0		424.963.659
Increase/(decrease) of share capital	011		0	0						363.370.483
Buy/sell of treasury shares	012		0							0
Other changes	013									0
Transfer to reserves	014				-1.012.455.331	1.012.455.331	0			0
Dividends paid	015									0
Distribution on income (014+015)	016		0	0	-1.012.455.331	1.012.455.331	0	0		0
Balance at reporting date (003+010+011+012+013+016)	017		3.500.360.782	0	85.400.909	2.284.793.212	424.963.659	203.583.931	0	6.499.102.493

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	1.770.947.557	1.229.935.896
Less: Allowance for loan impairment	(8.484.902)	(12.142.664)
	1.762.462.655	1.217.793.232

A 10. LOANS TO OTHER CUSTOMERS		
	31.12.2015	30.6.2016
Companies	14.941.673.095	13.295.905.626
Individuals	17.339.714.277	16.014.816.989
Public sector	9.132.631.291	8.518.946.058
Other institutions	144.956.488	199.157.261
Total loans before allowances for impairment	41.558.975.151	38.028.825.934
Less: Allowance for loan impairment	(4.099.215.390)	(3.087.639.311)
	37.459.759.761	34.941.186.623

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	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	38.098.985	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	38.646.285	38.642.285
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	0
				2.137.200	637.200	0
				63.334.470	40.146.285	38.642.285
Subsidiaries						
Erste nekretnine d.o.o.	100,00%	100,00%	Real estate business	4.223.836	800.180	800.180
Erste Factoring d.o.o.	75,00%	75,00%	Accounts Receivables repurchase	242.236.853	37.658.000	37.658.000
Erste Card Club d.d.	100,000%	100,000%	Financial intermediation and services	711.998.375	755.585.069	755.585.069
Erste Card d.o.o. Slovenia	100,00%	100,00%	Financial intermediation and services	14.330.533	-	-
Erste & Steiermärkische S-Leasing, d.o.o.	10,00%	50,00%	Financial and operative leasing	119.862.830	88.860.659	88.860.659
Erste group IT HR d.o.o.	20,00%	80,00%	IT engineering	-	3.798.380	2.002.000
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	100.396.379	100.396.379
Total subsidiaries:				1.489.290.121	983.300.287	1.024.988.302
Total:				1.552.624.591	1.023.446.572	1.063.630.587

A 12. REPOSESSED ASSETS

Reposessed assets are tangible assets repossessed 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	1.635.164.002	1.517.083.564
From other banking institutions	379.050.000	286.000.000
	2.014.214.002	1.803.083.564

B 2. DEPOSITS		
B 2.1. Deposits of giro and current accounts	31.12.2015	30.6.2016
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>	196.438.864	59.558.495
<i>Other banking institutions</i>	226.466.735	359.688.431
<i>Non-banking financial institutions</i>	139.080.919	534.424.206
<i>Banks in bankruptcy</i>	417.161	-
<i>Banks in liquidation</i>	3.581	2.552
Deposits from state commercial customers	144.401.871	256.573.401
Deposits from other commercial customers	4.149.066.850	4.181.316.923
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>	273.570.268	262.026.316
<i>Foreign states</i>	384.068	418.970
<i>Foreign commercial customers</i>	8.966.526	54.052.946
<i>Foreign individuals</i>	92.834.533	99.212.783
<i>Foreign non-profit institutions</i>	594.872	596.130
	10.558.600.977	11.507.262.018

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>	413.341.641	418.763.892
	2.361.425.061	2.163.806.274

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	665.544.605
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
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, new subordinated loan was contracted in the amount of up to EUR 80 million and tranche in amount of EUR 30 million has been withdrawn. The possibility of the tranches withdrawal is till 30.06.2016.

Also, maturity of the existing subordinated loan, which was contracted in 2011, was extended to 31.12.2022.

In September 2015, zero floor clause was incorporated in each of the three withdrawn subordinated lines.

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.

1. INTEREST INCOME	30.6.2015	30.6.2016
Interest on loans and advances to customers	1.060.848.999	961.860.903
Interest on amounts due from other banks	983.122	2.030.601
Interest income on financial investments	118.457.857	114.673.387
Interest on balances due from the central bank	103.564	102.038
Interest on derivative financial instruments	42.707.525	25.570.800
Interest income on impaired financial assets - loans and advances to customers	90.626.141	50.088.771
Interest on reverse repurchase agreements	7.694.074	7.047.877
Other interest income	8.612.919	37.572.683
	1.330.034.201	1.198.947.060

2. INTEREST EXPENSES	30.6.2015	30.6.2016
Interest on customer deposits	281.759.010	230.097.744
Interest on other borrowed funds	146.619.217	93.569.859
Interest on amounts due to other banks	32.580.913	24.475.122
Interest on subordinated debt	36.542.122	47.766.454
Interest on issued bonds	8.791.149	8.801.363
Interest on derivative financial instruments	1.315.594	202.537
Interest on repurchase agreements	823.561	1.157.013
Other interest expense	4.617.195	5.513.514
	513.048.761	411.583.606

4. FEE AND COMMISSION INCOME	30.6.2015	30.6.2016
Payments and money transfers	129.442.990	139.547.346
Bank cards services	64.939.305	58.351.673
Custodial fees	22.454.344	29.124.989
Guarantees and letter of credit	20.533.275	19.852.967
Other fee and commission income	12.812.861	9.236.804
	250.182.775	256.113.779

5. FEE AND COMMISSION EXPENSES	30.6.2015	30.6.2016
Payments and money transfers	16.373.827	16.315.253
Bank cards services	44.138.526	42.494.038
Custodial fees	1.434.925	1.821.004
Guarantees and letter of credit	749.491	741.434
Other fee and commission expense	1.673.586	3.094.735
	64.370.355	64.466.464

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. 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

ERSTE & STEIERMÄRKISCHE
BANK D.D.
026 RIJKA 026

Chairman of the Management Board



Christoph Schoefboeck

Rijeka, August 8th 2016