

Audited financial statements of the Erste&Steiermärkische Bank d.d. and subsidiaries (the Group) for period January 1st - December 31st 2016

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2016 results confirm the quality and sustainability of ESB group's business model in Croatia

"The financial results achieved in 2016 have confirmed the quality, soundness and sustainability of our business model. The stability of our operation, responsible risk policy management, increase in lending, the and use of the bank's digital channels have further consolidated our position on the Croatian banking market, while laying strong foundations for long-term business success," pointed out **Christoph Schoefboeck**, Chairman of the Management Board of Erste&Steiermärkische Bank d.d. in a comment of the 2016 business results. *"The bank's success can only come about if our clients are successful and satisfied,. Therefore we wish to remain their reliable partner in meeting their financial needs and business plans, while at the same time focusing strongly on further digitization of operations,"* Schoefboeck concluded.

HIGHLIGHTS

In 2016, the ESB group* achieved good financial results. Its net profit amounted to HRK 912.7 million, compared to HRK 769.0 million loss recorded in 2015 as a result of the one-time negative financial effects of the CHF conversion. Lower provisioning costs, a stable and moderate upward trend in the operating result, and the one-time effect of the divestment of the bank's share in VISA Europe Limited, amounting to HRK 74.9 million, were the most important influences on the profit. The group's total assets at 2016YE stood at HRK 65.6 billion and were down 3.9% compared to HRK 68.2 billion from 2015YE. As of 31 December 2016 total loans to customers stood at HRK 43.7 billion, down 5.4% from HRK 46.2 billion on 31 December 2015. The group's total deposits from customers at the end of December 2016 stood at HRK 43.3 billion and were up 4.5% from HRK 41.4 billion on 31 December 2015.

According to the unconsolidated financial statement, which includes the results of Erste&Steiermärkische Bank d.d. (Erste bank) without subsidiaries, net profit stood at HRK 626.5 million in 2016, compared to the HRK 1.0 billion loss recorded in 2015. The bank's total assets at the end of December 2016 stood at HRK 56.1 billion and were down 4.9% compared to HRK 59.0 billion at 2015YE. Total loans to customers amounted to HRK 36.3 billion on 31 December 2016 and were down 6.6% compared to the HRK 38.8 billion recorded at the end of December 2015, which is partially a consequence of the CHF loan conversion, i.e., the reduction of loan principals after the conversion. Total deposits from customers stood at HRK 41.3 billion at the end of December 2016 and were 4.1% up compared to 31 December 2015 when they stood at HRK 39.7 billion.

Generally, Erste bank saw a positive trends in new lending in 2016. For example, in the retail segment, which also includes micro enterprises, the bank saw new loans grow by around 13.7% from around HRK 3 billion in 2015, to around HRK 3.5 billion in 2016. Home and renovation loans grew by 71.3%, from around HRK 271.1 million of new loans in 2015 to HRK 464.2 million in 2016. The growing digitization is also reflected in the increased use of the bank's online channels. For example, the proportion of cash loans that were granted via an online loan application in 2016 was nearly 35.6% by number and 49.6% by volume. The proportion reached around 33% for housing loans. Positive trends were also noted in the corporate segment, which reflects a more favourable environment for business entities and increased demand for investment financing. In this segment, Erste bank saw an increase in new loans of around 26.0%, from HRK 5.6 billion in 2015 to around HRK 7.0 billion in 2016.

Having concluded that an adequate environment has slowly began to form in the market of Croatia and that circumstances have improved for the option of selling problematic liabilities in the banking sector, Erste bank decided to take advantage of the this option and, in line with a business practice that is customary in many EU

member states, to offer a selection of its NPLs to interested parties. It is important to stress here that only renowned and well-established companies were considered as the buyers of these liabilities. The aim of this decision was, on the one hand, to lower the share of NPLs in the bank's total credit portfolio (which, as a result dropped to 10.8% at 2016YE from 15.0% as of 31 December 2015), and on the other hand to focus on new opportunities for a more extensive backing of quality projects in the market.

OUTLOOK

Positive economic trends gaining momentum, a moderate GDP growth, the unemployment rate decline, continued fiscal consolidation, public debt stabilization, foreign debt decline, and a smaller risk premium signal the long-awaited beginning of Croatia's economic recovery, which is expected to continue in 2017. That is why it is important to lay a strong emphasis on the need to further consolidate public finances and ensure that the recovery of economic activity continues, primarily by implementing structural reforms more actively. Success in these two areas will pave the way for further macroeconomic stabilization, while also generating potential for positive developments with regard to the credit rating, meaning a further risk premium decline.

Political and legal stability present the main challenges for the banking system as the basic prerequisites for maintaining recovery and regaining investors' trust. Erste bank wants to continue to adequately support the citizens' financial needs, as well as all positive initiatives and quality projects in the private sector, which needs to be a generator of healthy economic growth and new jobs, while ensuring long-term stability. The focus should be on entrepreneurs and their initiatives and efforts must be invested to eliminate all obstacles that stand in the way of the realisation of their potentials. Erste bank wants to have an active role in reaching these goals, which will also contribute to the improvement of the overall quality of life of all Croatian citizens.

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

Statement of Profit or Loss

In HRK million	Notes	GROUP		BANK	
		2015	2016	2015	2016
Net interest income	1	2,148	2,060	1,632	1,582
Net fee and commission income	2	646	663	413	410
Dividend income	3	1	1	55	31
Net trading and fair value result	4	121	222	114	212
Net result from equity method investments		10	9	-	-
Rental income from investment properties & other operating leases	5	210	178	2	2
Personnel expenses	6	(586)	(635)	(422)	(453)
Other administrative expenses	6	(598)	(593)	(413)	(431)
Depreciation and amortisation	6	(249)	(236)	(50)	(42)
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	7	3	65	1	50
Net impairment loss on financial assets not measured at fair value through profit or loss	8	(1,274)	(364)	(1,248)	(363)
Other operating result	9	(1,365)	(157)	(1,325)	(167)
Pre-tax result from continuing operations		(933)	1,213	(1,241)	831
Taxes on income	10	164	(300)	229	(204)
Net result for the period		(769)	913	(1,012)	627
Net result attributable to non-controlling interests		47	38	-	-
Net result attributable to owners of the parent		(816)	875	-	-
Earnings per share					
Basic and diluted (HRK)	42	(48.07)	51.48	-	-

Statement of Financial Position as at 31 December 2016

in HRK million	Notes	GROUP		BANK	
		31 December 2015	31 December 2016	31 December 2015	31 December 2016
Assets					
Cash and cash balances	11	5,299	4,388	4,847	3,737
Financial assets - held for trading		233	73	232	76
Derivatives	12	61	73	64	76
Other trading assets	13	172	-	168	-
Financial assets - available for sale	14	6,824	7,832	6,445	7,254
Financial assets - held to maturity	15	1,432	1,653	889	1,137
Loans to and receivables from credit institutions	17	5,441	5,329	5,197	5,320
Loans to and receivables from customers	18	46,159	43,656	38,833	36,254
Property and equipment	20	1,221	1,309	545	548
Investment properties	20	20	59	18	36
Intangible assets	21	409	390	72	110
Investments in subsidiaries	19	-	-	983	972
Investments in associates	19	61	59	38	38
Current tax assets	22	100	30	84	10
Deferred tax assets	22	415	219	241	90
Other assets	23	617	607	571	537
Total assets		68,231	65,604	58,995	56,119
Liabilities and equity					
Financial liabilities - held for trading		103	77	103	76
Derivatives	12	103	77	103	76
Financial liabilities measured at amortised cost		59,234	56,687	51,220	48,720
Deposits from banks	24	16,174	11,652	10,581	6,341
Deposits from customers	24	41,445	43,323	39,654	41,298
Debt securities issued	24	931	924	931	924
Other financial liabilities	24	684	788	54	157
Provisions	25	1,169	260	1,111	216
Current tax liabilities	22	5	12	-	-
Deferred tax liabilities	22	1	2	-	-
Other liabilities	26	608	578	425	378
Total liabilities		61,120	57,616	52,859	49,390
Total equity	27	7,111	7,988	6,136	6,729
Equity attributable to non-controlling interests		201	235	-	-
Equity attributable to owners of the parent		6,910	7,753	-	-
Total liabilities and equity		68,231	65,604	58,995	56,119

For further information:

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Sud upisa u registar: Trgovački sud u Rijeci MBS: 040001037 · Matični broj: 3337367 · OIB: 23057039320 · IBAN: HR9524020061031262160 · SWIFT/BIC:

ESBCHR22 · Temeljni kapital 1.698.417.500,00 kn, uplaćen u cijelosti i podijeljen na 16.984.175 dionica, svaka nominalne vrijednosti 100,00 kn.

Uprava: Christoph Schoefferboeck, Borislav Centner, Martin Hornig, Slađana Jagar, Zdenko Matak

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Addendum 3.

Period of reporting:

1.1.2016

do

31.12.2016

Annual financial report for credit institutions - GFI-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

Adress: 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: 3,316
(krajem izvještajnog razdoblja)

Consolidated report: YES NKD code: 6419

Names of subjects of consolidation (according to IFRS):

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	2068249
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	8499002
Izbor Nekretnina d.o.o.	Zagreb, Ivana Lučića 2/a	4175590
Erste Card d.o.o. Slovenija	Slovenija, Ljubljana, Dunajska cesta 129	8705634

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Last and first name: JAGAR SLADANA
(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 & STEIERMÄRKISCHE
N.B.K. D.O.
025 RIJEKA 095


 (signature of person authorized for representing company)

STATEMENT OF FINANCIAL POSITION

as of

31.12.2016

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	6,970,854,306
1.1. Cash	002	1,187,095,439	1,215,504,369
1.2. Deposits with Central bank	003	7,268,858,448	5,755,349,937
2. DEPOSITS WITH BANKING INSTITUTIONS	004	1,605,050,645	691,211,314
3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK	005	569,271,530	327,247,545
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	006	134,125,727	4,513
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007	6,729,910,858	7,737,786,845
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008	871,736,944	1,284,912,632
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	72,965,576
9. LOANS TO FINANCIAL INSTITUTIONS	011	1,262,467,045	2,489,807,174
10. LOANS TO OTHER CUSTOMERS	012	45,214,427,221	42,818,979,042
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	013	63,334,470	59,168,968
12. REPOSSESSED ASSETS	014	541,457,484	506,359,451
13. TANGIBLE ASSET (MINUS DEPRECIATION)	015	1,241,663,858	1,367,667,984
14. INTEREST, FEES AND OTHER ASSETS	016	1,481,150,773	1,277,180,790
A) TOTAL ASSETS (001+004 to 016)	017	68,231,325,786	65,604,146,140
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	7,623,316,103	7,564,558,411
1.1. Short-term borrowings	019	4,011,327,040	4,571,666,365
1.2. Long-term borrowings	020	3,611,989,063	2,992,892,046
2. DEPOSITS (AOP 022 to 024)	021	45,937,923,558	43,890,848,388
2.1. Deposits of giro and current accounts	022	11,270,732,737	13,611,901,885
2.2. Savings deposits	023	2,509,970,211	2,831,624,912
2.3. Term deposits	024	32,157,220,610	27,447,321,591
3. OTHER BORROWINGS (026+027)	025	2,784,966,180	2,328,788,687
3.1. Short-term borrowings	026	607,404,085	88,878,210
3.2. Long-term borrowings	027	2,177,562,095	2,239,910,477
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	103,465,105	77,365,756
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	1,662,713,140
7. ISSUED HYBRID INSTRUMENTS	033	0	0
8. INTEREST, FEES AND OTHER LIABILITIES	034	2,691,343,518	1,791,795,684
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	61,120,724,804	57,616,070,066
EQUITY			
1. SHARE CAPITAL	036	3,500,360,782	3,500,360,782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	037	-816,399,161	874,403,229
3. RETAINED PROFIT/(LOSS)	038	4,047,977,120	3,265,758,699
4. LEGAL RESERVES	039	84,921,058	84,921,058
5. STATUTORY AND OTHER CAPITAL RESERVES	040	665,742	-3,289,686
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE	041	293,075,441	265,921,992
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS	042		
C) TOTAL EQUITY (036 to 042)	043	7,110,600,982	7,988,076,074
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	68,231,325,786	65,604,146,140
SUPPLEMENT TO STATEMENT OF FINANCIAL POSITION (filled out by banks that compose a consolidated financial report)			
1. TOTAL EQUITY	045	7,110,600,982	7,988,076,074
2. Attributed to equity holders of the parent	046	6,909,975,308	7,753,267,168
3. Minority shares (045-046)	047	200,625,674	234,808,906

INCOME STATEMENT

for period from

1.1.2016

 to

31.12.2016

in HRK

Name of position	AOP	Prior period	Current period
1	2	3	5
1. Interest income	048	3,266,729,029	2,910,538,250
2. Interest expense	049	1,118,881,192	851,033,929
3. Net interest income (048-049)	050	2,147,847,837	2,059,504,321
4. Fee and commission income	051	844,719,750	865,377,044
5. Fee and commission expense	052	198,928,961	202,210,325
6. Net fee and commission income (051-052)	053	645,790,789	663,166,719
7. Profit/loss from investments in subsidiaries, associates and joint ventures	054	0	0
8. Profit/loss from trading	055	-19,340,371	91,128,725
9. Profit/loss from embedded derivatives	056	0	0
10. Profit/loss from asset not actively traded measured at fair value through profit or loss	057	0	0
11. Profit/loss from asset available for sale	058	1,733,734	65,431,600
12. Profit/loss from asset held to maturity	059	0	0
13. Profit/loss from hedging	060	0	0
14. Income from investments in subsidiaries, associates and joint ventures	061	0	0
15. Income from other ownership investments	062	11,347,844	10,231,837
16. Profit/loss from foreign currency differences	063	140,102,822	130,826,638
17. Other income	064	553,603,960	518,675,921
18. Other expenses	065	303,076,831	277,969,683
19. General administrative expenses and depreciation	066	1,497,313,227	1,531,832,459
20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)	067	1,680,696,557	1,729,163,619
21. Expense of value adjustment and loan loss provisions	068	2,613,233,762	516,248,978
22. PROFIT/LOSS BEFORE TAX (067-068)	069	-932,537,205	1,212,914,641
23. INCOME TAX EXPENSE	070	-163,532,101	300,253,910
24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)	071	-769,005,104	912,660,731
25. Earnings per share	072	-45	54
ANNEX TO INCOME STATEMENT (for the Banks that prepare consolidated financial statements)			
1. PROFIT/LOSS OF THE CURRENT YEAR	073	-769,005,104	912,660,731
2. Assign equity holders of the Bank	074	-816,399,161	874,403,228
3. Non controlling interest (073-074)	075	47,394,057	38,257,503

CASH FLOW STATEMENT - indirect method

for period from **1.1.2016** to **31.12.2016** 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	1,791,060,856	-643,582,863
1.1. Profit/(loss) before income tax	002	-932,537,205	1,212,782,140
1.2. Allowances and loss provisions	003	2,489,062,174	-2,080,742,931
1.3. Depreciation	004	249,201,786	235,770,205
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	-12,023,590	-12,023,590
1.6. Other profit/(losses)	007	-2,642,309	631,313
2. Net increase/(decrease) of operating assets (009 do 016)	008	510,798,410	2,627,646,438
2.1. Deposits with Central bank	009	612,322,395	788,382,476
2.2. Treasury bills of Ministry of Finance and CB bills	010	664,623,463	242,023,985
2.3. Deposits with banks and loans to financial institutions	011	-309,489,170	-1,110,542,170
2.4. Loans to other customers	012	-392,931,659	3,768,045,937
2.5. Securities and other financial instruments held for trading	013	-127,803,736	134,121,213
2.6. Securities and other financial instruments available for sale	014	17,315,223	-1,035,364,201
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	46,761,894	-159,020,802
3. Net increase/(decrease) of operating liabilities (018 do 021)	017	-260,270,863	-2,136,685,193
3.1. Demand deposits	018	2,235,623,339	2,341,169,148
3.2. Savings and term deposits	019	-2,490,649,072	-4,390,010,784
3.3. Financial derivative liabilities and other liabilities actively traded	020	9,927,927	-26,099,349
3.4. Other liabilities	021	-15,173,057	-61,744,208
4. Net cash flow from operating activities before income tax (001+008+017)	022	2,041,588,403	-152,621,618
5. (Income tax paid)	023	-68,582,032	-10,661,793
6. Net inflow/(outflow) of cash from operating activities (022+023)	024	1,973,006,371	-163,283,411
INVESTING ACTIVITIES			
7. Net cash flow from Investing activities (026 do 030)	025	-172,131,905	-756,023,068
7.1. Receipt from sale/(payment for buying) tangible and intangible assets	026	-154,385,144	-326,453,073
7.2. Receipt from sale/(payment for buying) investments in subsidiaries, associates and joint ventures	027	-36,930	3,161,978
7.3. Receipt from sale/(payment for buying) securities and other financial instruments held to maturity	028	-10,249,887	-432,731,973
7.4. Dividend Income	029	-7,459,944	0
7.5. Other receipts/(payments) from investing activities	030	0	0
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 do 037)	031	-1,443,526,237	-583,094,842
8.1. Net increase/(decrease) of borrowings	032	-1,582,667,363	-560,587,346
8.2. Net increase/(decrease) Issued debt securities	033	0	0
8.3. Net increase/(decrease) subordinated and hybrid instruments	034	224,030,850	-16,997,200
8.4. Receipts from transmitted share capital	035	0	0
8.5. (Dividends paid)	036	-84,889,724	-5,510,296
8.6. Other receipts/(payments) from financial activities	037	0	0
9. Net increase/(decrease) of cash and cash equivalents (024+025+031)	038	357,348,229	-1,502,401,321
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	357,348,229	-1,502,401,321
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	6,041,186,693	4,538,785,372

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Name of position	for period		Attributable to the equity holders of the Bank							Total capital and reserves		
	1.1.2016	31.12.2016	1	2	3	4	5	6	7		8	9
			Share capital	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	
Balance at 1 January	1	2	3	4	5	6	7	8	9	10		
Changes in accounting policies and corrections of mistakes		001	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		
Corrected balance as at 1 January (1+2)		002										0
Sale of financial assets available for sale		003	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		
Change of fair value financial asset available for sale		004						-65,444,440		-65,444,440		-65,444,440
Tax on items directly recognised or transferred from capital and reserves		005						22,854,283		22,854,283		22,854,283
Other profit/(loss) directly recognised in capital and reserves		006			-65,333			15,438,198		15,438,198		15,372,865
Net profit/(loss) directly recognised in capital and reserves (004+005+006+007)		007	0	0	-3,890,095	0	0	0	0	-3,890,095		-3,890,095
Profit/(loss) for the period		008	0	0	-3,955,428	0	0	-27,151,959	0	-27,151,959	0	-31,107,387
Total recognised income and expenses for the period (008+009)		009	0	0	-3,955,428	0	874,403,229	-27,151,959	874,403,229	912,660,732	38,257,503	912,660,732
Increase/(decrease) of share capital		010	0	0	-3,955,428	0	874,403,229	-27,151,959	874,403,229	881,553,345	38,257,503	881,553,345
Buy/sell of treasury shares		011	0	0		0						0
Other changes		012	0	0								0
Transfer to reserves		013						-1,490		1,432,043	1,436,025	1,432,043
Dividends paid		014						-2,492				0
Distribution on income (014+015)		015	0	0	0	0	816,399,161	-816,399,161	816,399,161	-5,510,296	-5,510,296	-5,510,296
Balance at reporting date (003+010+011+012+013+014+015)		016	3,500,360,782	0	81,631,372	3,030,949,793	874,403,229	265,921,992	234,808,906	7,988,076,074		
Balance at reporting date (003+010+011+012+013+016)		017										

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	31.12.2016
Gross Loans	1,270,521,431	2,495,320,144
Less: Allowance for loan impairment	(8,054,386)	(5,512,970)
	1,262,467,045	2,489,807,174

A 10. LOANS TO OTHER CUSTOMERS	31.12.2015	31.12.2016
Companies	19,736,534,431	17,461,257,718
Individuals	20,928,396,802	19,336,556,916
Public sector	9,450,290,881	9,626,675,901
Other institutions	144,961,972	53,739,940
Total gross loans before allowances for impairment	50,260,184,086	46,478,230,475
Less: Allowance for loan impairment	(5,045,756,865)	(3,659,251,433)
	45,214,427,221	42,818,979,042

A 11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES						
	Ownership Interest	Ownership Interest	Activity	Group's Share of net assets		Investment at cost
	2015	2016		31.12.2015	31.12.2016	
Associates						
S Immorent leasing zeta d.o.o. za poslovanje nekretninama	49.00%	49.00%	Real estate business	-	-	-
Erste d.o.o	45.86%	45.86%	Management company for obligatory pension fund	59,796,280	38,098,985	38,098,985
Erste group IT HR d.o.o.	20.00%	-	- IT engineering	857,689	4,000	-
IMMOKOR BUZIN d.o.o.	49.00%	49.00%	Real estate business	-	-	-
Total associates:				60,653,970	38,102,985	38,098,985
Associates not consolidated						
FINAG DD	26.30%	26.30%	Manufacture of bricks, roof tiles and other clay products	-	-	-
RIBA D.D.	24.74%	24.74%	Cultivation of fish	543,300	543,300	543,300
Total associates not consolidated:				543,300	543,300	543,300
Total associates:				61,197,270	38,646,285	38,098,985
Subsidiaries not consolidated						
Izbor Nekretnina d.o.o.	100.00%	-	- For services	1,500,000	-	1,500,000
Diners Club BH d.o.o.	100.00%	100.00%	Other financial intermediation	-	-	-
DC Travel d.o.o.	100.00%	100.00%	Travel Agency	637,200	-	-
Total subsidiaries not consolidated:				2,137,200	-	1,500,000
Total associates and subsidiaries not consolidated:				63,334,470	38,646,285	38,098,985
Subsidiaries						
Erste nekretnine d.o.o.	100.00%	100.00%	Real estate business	4,223,836	4,398,100	800,180
Erste Factoring d.o.o.	74.996%	74.996%	Accounts Receivables repurchase	242,236,853	295,462,274	37,658,000
Erste Card Club d.d.	100.00%	100.00%	Financial intermediation and services	711,998,375	829,440,658	755,585,069
Erste Card d.o.o. Slovenia	100.00%	100.00%	Financial intermediation and services	14,330,533	15,769,074	-
Erste & Steiermärkische S-Leasing, d.o.o.	50.00%	50.00%	Financial and operative leasing	119,862,830	135,282,351	88,860,659
Erste bank a.d., Podgorica	100.00%	100.00%	Credit institution	396,637,694	453,591,601	100,396,379
Erste group IT HR d.o.o.	-	80.00%	IT engineering	-	4,072,474	2,002,000
Izbor Nekretnina d.o.o.	-	100.00%	For services	-	40,240,188	39,686,015
Total subsidiaries:				1,489,290,121	1,778,256,719	983,300,287
Total:				1,552,624,591	1,837,425,687	1,010,219,287

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	31.12.2016
From banks	7,244,266,103	6,780,858,411
From other banking institutions	379,050,000	783,700,000
	7,623,316,103	7,564,558,411

B 2. DEPOSITS		
B 2.1. Deposits of giro and current accounts	31.12.2015	31.12.2016
Deposits from public sector		
<i>Republic of Croatia</i>	48,514,567	36,927,675
<i>Republic funds</i>	130,679,045	139,941,511
<i>Local government</i>	202,565,247	232,897,567
Deposits from financial institutions		
<i>Banks</i>	196,851,608	72,200,716
<i>Other banking institutions</i>	226,656,658	122,972,545
<i>Non-banking financial institutions</i>	87,571,995	97,227,795
<i>Banks in bankruptcy</i>	417,161	-
<i>Banks in liquidation</i>	3,581	900
Deposits from state commercial customers	144,416,278	207,637,865
Deposits from other commercial customers	4,024,456,271	4,881,293,536
Deposits from non-profit institutions	181,974,026	208,268,086
Deposits from individuals	4,762,641,844	6,213,531,543
Deposits from non residents		
<i>Foreign financial institutions</i>	252,356,823	114,975,152
<i>Foreign states</i>	33,150,723	14,041,071
<i>Foreign commercial customers</i>	283,450,226	459,701,691
<i>Foreign individuals</i>	679,415,666	775,841,912
<i>Foreign non-profit institutions</i>	15,611,018	34,442,320
	11,270,732,737	13,611,901,885

B 2.2. Savings deposits	31.12.2015	31.12.2016
Deposits from public sector		
<i>Republic of Croatia</i>	338,348,089	438,257
<i>Local government</i>	7,159	4,510,449
Deposits from financial institutions		
<i>Banks</i>	1,711,132	6,684
<i>Other banking institutions</i>	159,959,041	459,877,275
<i>Non-banking financial institutions</i>	6,277,574	8,675,563
Deposits from state commercial customers	10,000,000	12,849,762
Deposits from other commercial customers	594,553,087	767,748,177
Deposits from non-profit institutions	1,234,068	2,213,786
Deposits from individuals	835,886,690	977,576,407
Deposits from non residents		
<i>Foreign financial institutions</i>	106,580	10,019
<i>Other non residents</i>	561,886,791	597,718,533
	2,509,970,211	2,831,624,912

B 2.3. Term deposits	31.12.2015	31.12.2016
Deposits from public sector		
<i>Republic of Croatia</i>	24,151,893	314,576,870
<i>Local government</i>	8,810,215	5,710,055
Deposits from financial institutions		
<i>Banks</i>	33,728,981	67,609,137
<i>Other banking institutions</i>	613,636,197	583,528,369
<i>HBOR-a</i>	35,000,000	-
<i>Non-banking financial institution</i>	591,134,865	468,705,732
<i>Banks in bankruptcy</i>	-	32,880
Deposits from state commercial customers	117,639,464	70,691,184
Deposits from other commercial customers	2,138,758,067	2,107,529,726
Deposits from non-profit institutions	76,692,218	92,411,825
Deposits from individuals	19,432,196,225	18,574,090,714
Deposits from non residents		
<i>Foreign financial institutions</i>	7,322,839,331	3,521,608,584
<i>Foreign states</i>	25,577,407	29,097,480
<i>Foreign commercial customers</i>	113,645,405	131,288,984
<i>Foreign individuals</i>	1,623,410,342	1,480,440,051
Term deposits	32,157,220,610	27,447,321,591

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

Bank withdrew first subordinated loan in June, 2011 (maturity 31 December 2022). New subordinated loan agreement was signed in 2014 pursuant to which Bank withdrew EUR 80 million (maturity 09 July 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 (maturity 19 March 2022). Interest rate on stated subordinated loans amounts 3 month EURIBOR plus margin, while weighted average margin amounts 3.82%. Also, in July 2011, bank issued its own subordinated bond in amount of EUR 80 million. Maturity of the bond is 6 years with interest to maturity 6.5% p.a.

1. INTEREST INCOME	31.12.2015	31.12.2016
Interest on loans and advances to customers	2.698.109.503	2.477.003.779
Interest on amounts due from other banks	13.153.564	4.057.703
Interest income on financial investments	267.320.348	276.886.897
Interest on derivative financial instruments	95.077.455	41.198.316
Interest income on impaired financial assets - loans and advances to customers	172.248.112	95.308.549
Interest on reverse repurchase agreements	16.259.972	13.355.236
Other interest income	4.560.075	2.727.770
	3.266.729.029	2.910.538.250

2. INTEREST EXPENSES	31.12.2015	31.12.2016
Interest on customer deposits	570.033.813	441.936.979
Interest on other borrowed funds	345.819.075	205.482.884
Interest on amounts due to other banks	84.908.599	75.378.172
Interest on subordinated debt	83.684.116	95.368.117
Interest on issued bonds	17.701.021	17.652.989
Interest on derivative financial instruments	3.739.631	3.782.950
Interest on repurchase agreements	6.018.792	2.845.110
Other interest expense	6.976.145	8.586.728
	1.118.881.192	851.033.929

4. FEE AND COMMISSION INCOME	31.12.2015	31.12.2016
Payments and money transfers	279.760.991	289.814.145
Bank cards services	412.671.577	412.958.433
Custodial fees	60.433.170	63.966.339
Guarantees and letter of credit	45.414.954	45.074.991
Other fee and commission income	46.439.058	53.563.136
	844.719.750	865.377.044

5. FEE AND COMMISSION EXPENSES	31.12.2015	31.12.2016
Payments and money transfers	34.523.950	36.352.725
Bank cards services	140.780.883	134.366.876
Custodial fees	3.708.320	4.317.430
Guarantees and letter of credit	2.792.804	2.744.210
Other fee and commission expense	17.123.004	24.429.084
	198.928.961	202.210.325

DECLARATION OF KEY PERSONNEL RESPONSIBLE FOR PREPARATION OF FINANCIAL STATEMENTS

According to our best knowledge:

1. Shortened set of annual 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.
025 RIJEKA 025

Management Board member



Slađana Jagar

Rijeka, March 23th 2017