

Unaudited financial statements of Erste&Steiermärkische Bank d.d. for period January 1st - June 30th 2017

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Management report for H1 2017

Erste Bank Croatia maintains stable operation with an increase in new loans; EBC Group's profit lower due to higher risk provisions

"EBC Group's financial results in H1 2017 were significantly impacted by increased risk provisions resulting from the situation in the Agrokor conglomerate. Operating results have remained stable, thereby additionally strengthening our position on the Croatian banking and financial market. We are especially pleased with the rising trend in new loans, especially in the retail housing loans and corporate loans segments. We will continue to strive to provide quality support to our clients in the realisation of their financial needs and business plans, also giving an adequate impetus towards the development of the Croatian economy as a whole", said Christoph Schoefboeck, Chairman of the Management Board of Erste Bank Croatia, commenting on the business results for the first half of the year.*

IN BRIEF

According to the non-consolidated financial report for Erste Bank Croatia (the bank), without subsidiaries, net profit in H1 2017 was HRK 330.4 million, down 22,2% compared to HRK 425.0 million in the same period of 2016. The reduction of the bank's net profit is partly the result of the fact that H1 2016 was impacted by one-off effects of the sale of a share in the company VISA Europe Limited in the amount of HRK 74.9 million. Additionally, lower profit from trading, as a consequence of a generally lower intensity of market activity in this segment in H1 2017, have also impacted the results. The bank's net interest income is up 3.2% from HRK 787.4 million in H1 2016 to HRK 812.7 million in the same period of this year. Net fee and commission income, at the same time, has achieved an 8.7% growth from HRK 191.6 million in H1 2016 to HRK 208.3 million in H1 2017.

The bank's total assets at the end of June 2017 amounted to HRK 57.3 billion, up 2.1% compared to the end of 2016, when they had amounted to HRK 56.1 billion. Total loans as of 30/06/2017 amounted to HRK 35.4 billion, up 1.3% compared to HRK 34.9 billion as of 31 December 2016. Total deposits as of 30/06/2017 amounted to HRK 43.1 billion and were 2.6% higher compared to the end of last year, when they amounted to HRK 42.0 billion.

In H1 2017, the bank has recorded stable trends in the segment of new loans. In the retail segment, which includes micro-companies, an increase in new loans of around 9% was achieved, from around HRK 1.6 billion in H1 2016 to around HRK 1.7 billion in the same period this year. In the home loans and home improvement loans retail segment, a growth of about 30% was achieved, from about HRK 213.2 million in H1 2016 to around HRK 276.3 million in the same period this year. Positive trends have also been recorded in the corporate segment, where an increase in new loans of a little over 13% was achieved in H1 2017, from about HRK 3.7 billion in H1 2016 to about HRK 4.2 billion in the same period this year.

EBC Group's net profit after minorities in H1 2017 amounted to HRK 98.1 million. The strongest impact on its reduction, compared to the same period 2016 when it amounted to HRK 585.4 million, came from increased risk provisions related to the situation in the Agrokor conglomerate and its associated companies. EBC group's net interest income has remained stable and stood at HRK 1.03 billion in H1 2017, compared to HRK 1.04 billion in the same period the year before. Net fee and commission income grew from HRK 307.7 million in H1 2016 to HRK 330.8 million in the same period this year.

EBC Group's total assets at the end of June 2017 amounted to HRK 66.2 billion and were up by 0.9% compared to the end of December 2016, when they had amounted to HRK 65.6 billion. Total loans as of 30/06/2017 amounted to HRK 42.3 billion, 1.1% less compared to HRK 42.8 billion as of 31/12/2016. Total deposits of EBC

Group at the end of June 2017 amounted to HRK 44.6 billion and were 1.6% higher compared to 31/12/2016, when they amounted to HRK 43.9 billion.

OUTLOOK

Political and legal stability, the need for further consolidation of public finance and ensuring an adequate framework for continued recovery of economic performance, primarily through a more active implementation of structural reforms, constitute the basic requirements for maintaining positive economic trends of the Croatian economy. Success on these paths paves the way towards further macroeconomic stabilisation and generates potential for positive credit rating changes and further reduction of risk premiums.

In the next period, Erste Bank Croatia will continue to follow the financial needs of the retail segment, while maintaining a strong focus on the SME segment, supporting quality projects that drive the development of the real economy and employment. Simultaneously, the bank will continue to develop its digital business, following modern trends and its clients' needs. By maintaining partnership relations with its clients, fostering open communication and understanding each-other's needs, the bank will continue to build a successful business in the future, thereby making an adequate contribution towards the development of the Croatian economy, with the goal of realising all of its potential. The bank's goal is sustainable development and long-term success on the Croatian market, where the bank's positive business results ultimately benefit the Croatian society as a whole.

EBC 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		
	30.6.2017.	31.12.2016.	% change	30.6.2017.	31.12.2016.	% change
ASSET	1.998	1.083	84,5%	2.402	1.639	46,6%
LIABILITIES	10.872	12.567	(13,5%)	7.009	8.379	(16,4%)
	30.6.2017.	30.6.2016.	% change	30.6.2017.	30.6.2016.	% change
REVENUES	202	223	(9,4%)	228	246	(7,3%)
EXPENSES	138	205	(32,7%)	127	184	(31,0%)

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:

1.1.2017

do

30.6.2017

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

Adress: 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: 2.805

(krajem izvještajnog razdoblja)

Consolidated report: NO

Šifra NKD-a: 6419

Names of subjects of consolidation (according to MSFI):

Headquarters:

MB:

Bookkeeping service:

Contact person: BURIC PETAR

Phone number: 072 37 2330

Telefaks: 072 37 1942

E-mail address: pburic@erstebank.com

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 & STEIERMARKISCHE
BANK D.D.
RIJEKA

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(signature of person authorized for representing company)

STATEMENT OF FINANCIAL POSITION

as of 30.6.2017

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	6.417.655.291	7.334.054.515
1.1. Cash	002	1.100.978.580	1.394.587.965
1.2. Deposits with Central bank	003	5.316.676.711	5.939.466.550
2. DEPOSITS WITH BANKING INSTITUTIONS	004	592.223.959	847.747.403
3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK	005	0	0
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	006	0	184.967.997
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007	7.166.661.281	7.236.192.737
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008	1.114.739.943	1.070.237.919
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	76.054.199	105.847.032
9. LOANS TO FINANCIAL INSTITUTIONS	011	3.048.359.937	2.298.866.199
10. LOANS TO OTHER CUSTOMERS	012	34.931.819.307	35.368.910.676
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	013	1.010.219.287	1.010.219.287
12. REPOSSESSED ASSETS	014	497.170.374	488.932.569
13. TANGIBLE ASSET (MINUS DEPRECIATION)	015	584.155.935	590.994.067
14. INTEREST, FEES AND OTHER ASSETS	016	679.667.833	744.985.022
A) TOTAL ASSETS (001+004 to 016)	017	56.118.727.346	57.281.955.423
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	2.223.679.809	1.965.235.543
1.1. Short-term borrowings	019	783.700.000	606.487.567
1.2. Long-term borrowings	020	1.439.979.809	1.358.747.976
2. DEPOSITS (AOP 022 to 024)	021	41.991.721.083	43.063.107.110
2.1. Deposits of giro and current accounts	022	12.783.231.049	14.979.221.616
2.2. Savings deposits	023	2.657.733.111	2.216.232.983
2.3. Term deposits	024	26.550.756.923	25.867.652.511
3. OTHER BORROWINGS (026+027)	025	2.138.730.372	2.150.490.040
3.1. Short-term borrowings	026	88.878.210	109.190.173
3.2. Long-term borrowings	027	2.049.852.162	2.041.299.867
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	76.441.107	91.888.792
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	1.662.713.140	1.629.461.900
7. ISSUED HYBRID INSTRUMENTS	033	0	0
8. INTEREST, FEES AND OTHER LIABILITIES	034	996.886.163	1.265.526.473
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	49.390.171.674	50.465.709.858
EQUITY			
1. SHARE CAPITAL	036	3.500.360.782	3.500.360.782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	037	626.514.008	330.419.554
3. RETAINED PROFIT/(LOSS)	038	2.284.793.212	2.692.720.887
4. LEGAL RESERVES	039	84.921.058	84.921.058
5. STATUTORY AND OTHER CAPITAL RESERVES	040	874.691	874.691
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILAIBLE FOR SALE	041	231.091.921	206.948.593
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS	042		
C) TOTAL EQUITY (036 to 042)	043	6.728.555.672	6.816.245.565
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	56.118.727.346	57.281.955.423
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 **1.1.2017** to **30.6.2017**

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	1.198.947.060	583.279.920	1.064.508.122	528.126.380
2. Interest expense	049	411.583.606	196.049.870	251.791.343	119.855.455
3. Net interest income (048-049)	050	787.363.454	387.230.050	812.716.779	408.270.925
4. Fee and commission income	051	256.113.779	134.939.354	276.689.861	141.935.815
5. Fee and commission expense	052	64.466.464	34.066.771	68.363.165	38.244.875
6. Net fee and commission income (051-052)	053	191.647.315	100.872.583	208.326.696	103.690.940
7. Profit/loss from investments in subsidiaries, associates and joint ventures	054	0	0	0	0
8. Profit/loss from trading	055	62.294.945	6.190.171	17.102.827	7.554.272
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	59.902.581	59.756.584	2.727	0
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	8.282.082	8.282.022	13.646.129	13.480.539
16. Profit/loss from foreign currency differences	063	43.936.570	37.363.692	79.050.576	43.190.372
17. Other income	064	79.287.874	50.422.247	85.290.702	44.825.430
18. Other expenses	065	56.623.893	35.005.015	64.580.718	32.634.626
19. General administrative expenses and depreciation	066	504.114.504	244.291.935	543.240.193	257.103.898
20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)	067	671.976.424	370.820.399	608.315.525	331.273.954
21. Expense of value adjustment and loan loss provisions	068	115.723.896	40.580.733	195.808.606	89.905.865
22. PROFIT/LOSS BEFORE TAX (067-068)	069	556.252.528	330.239.666	412.506.919	241.368.089
23. INCOME TAX EXPENSE	070	131.288.869	86.099.765	82.087.365	47.959.615
24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)	071	424.963.659	244.139.901	330.419.554	193.408.474
25. Earnings per share	072	25		19	
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 1.1.2017 to 30.6.2017 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	676.424.337	443.852.124
1.1. Profit/(loss) before income tax	002	556.252.528	412.506.920
1.2. Allowances and loss provisions	003	100.255.636	29.421.513
1.3. Depreciation	004	20.403.548	27.528.232
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	-481.946	-25.604.541
1.6. Other profit/(losses)	007	-5.429	0
2. Net increase/(decrease) of operating assets (009 do 016)	008	2.818.642.740	-34.812.200
2.1. Deposits with Central bank	009	766.864.893	22.348.602
2.2. Treasury bills of Ministry of Finance and CB bills	010	27.010.964	0
2.3. Deposits with banks and loans to financial institutions	011	541.544.766	753.846.822
2.4. Loans to other customers	012	2.398.611.850	-451.820.287
2.5. Securities and other financial instruments held for trading	013	-163.157.686	-184.967.997
2.6. Securities and other financial instruments available for sale	014	-580.864.559	-91.264.702
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	-171.367.488	-82.954.638
3. Net increase/(decrease) of operating liabilities (018 do 021)	017	-2.461.627.869	1.054.800.323
3.1. Demand deposits	018	948.661.041	2.195.990.567
3.2. Savings and term deposits	019	-2.559.725.920	-1.124.604.540
3.3. Financial derivative liabilities and other liabilities actively traded	020	-23.813.059	15.447.685
3.4. Other liabilities	021	-826.949.931	-32.033.369
4. Net cash flow from operating activities before income tax (001+008+017)	022	1.033.439.208	1.463.840.247
5. (Income tax paid)	023	0	0
6. Net inflow/(outflow) of cash from operating activities (022+023)	024	1.033.439.208	1.463.840.247
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 do 030)	025	-39.108.491	11.701.977
7.1. Receipt from sale/(payment for buying) tangible and intangible assets	026	-24.514.221	-7.379.647
7.2. Receipt from sale/(payment for buying) investments in subsidiaries, associates and joint ventures	027	-40.184.015	0
7.3. Receipt from sale/(payment for buying) securities and other financial instruments held to maturity	028	18.333.935	36.792.184
7.4. Dividend income	029	7.255.810	0
7.5. Other receipts/(payments) from investing activities	030	0	-17.710.560
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 do 037)	031	-483.512.947	-279.935.836
8.1. Net increase/(decrease) of borrowings	032	-456.604.747	-246.684.596
8.2. Net increase/(decrease) issued debt securities	033	0	0
8.3. Net increase/(decrease) subordinated and hybrid instruments	034	-26.908.200	-33.251.240
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	510.817.770	1.195.606.388
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	510.817.770	1.195.606.388
12. Cash and cash equivalents at the beginning of the year	041	5.434.528.850	3.886.895.438
13. Cash and cash equivalents at the end of the year (040+041)	042	5.945.346.620	5.082.501.826

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Name of position	for period		Attributable to the equity holders of the Bank						in HRK	
	1.1.2017	30.6.2017	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
1	2	3	4	5	6	7	8	9	10	
Balance at 1 January	001	3.500.360.782	0	85.795.749	2.284.793.212	626.514.008	231.091.921	0	6.728.555.672	
Changes in accounting policies and corrections of mistakes	002									
Corrected balance as at 1 January (1+2)	003	3.500.360.782	0	85.795.749	2.284.793.212	626.514.008	231.091.921	0	6.728.555.672	
Sale of financial assets available for sale	004						-2.727		-2.727	
Change of fair value financial asset available for sale	005						-29.440.356		-29.440.356	
Tax on items directly recognised or transferred from capital and reserves	006						5.299.755		5.299.755	
Other profit/(loss) directly recognised in capital and reserves	007								0	
Net profit/(loss) directly recognised in capital and reserves (004+005+006+007)	008						-24.143.328		-24.143.328	
Profit/(loss) for the period	009					330.419.554			330.419.554	
Total recognised income and expenses for the period (008+009)	010					330.419.554	-24.143.328		306.276.226	
Increase/(decrease) of share capital	011								0	
Buy/sell of treasury shares	012								0	
Other changes	013								0	
Transfer to reserves	014				626.514.008	-626.514.008			0	
Dividends paid	015				-218.586.333				-218.586.333	
Distribution on income (014+015)	016				407.927.675	-626.514.008			-218.586.333	
Balance at reporting date (003+010+011+012+013+016)	017	3.500.360.782	0	85.795.749	2.692.720.887	330.419.554	206.948.593	0	6.816.245.565	

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

Notes to financial statements

a) Balance notes - ASSETS

9) LOANS TO FINANCIAL INSTITUTIONS	31.12.2016.	30.6.2017.
Loans	3.056.680.353	2.304.323.410
Less: Allowance for loan impairment	(8.320.416)	(5.457.211)
	3.048.359.937	2.298.866.199

10) LOANS TO OTHER CUSTOMERS	31.12.2016.	30.6.2017.
Companies	12.732.973.577	13.798.931.747
Individuals	15.707.574.431	15.538.834.789
Public sector	9.395.839.967	8.898.073.045
Other institutions	53.729.660	110.253.722
Total loans before allowances for impairment	37.890.117.635	38.346.093.303
Less: Allowance for loan impairment	(2.958.298.328)	(2.977.182.627)
	34.931.819.307	35.368.910.676

11) INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES						
	Ownership Interest		Activity	Group's Share of net assets		Investment at cost
	2016	2017		31.12.2016	30.6.2017	
Associates						
S Immorent leasing zeta d.o.o. za poslovanje nekretninama	49,00%	49,00%	Real estate business	-	-	30.6.2017
Erste d.o.o	45,86%	45,86%	Management company for obligatory pension fund	59.168.968	38.098.985	38.098.985
SIT Solutions HR d.o.o.	-	-	- IT engineering	-	-	-
IMMOKOR BUZIN d.o.o.	49,00%	49,00%	Real estate business	-	-	-
Total associates:				59.168.968	38.098.985	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	-	-	-
Total associates not consolidated:				-	-	-
Total associates:				59.168.968	38.098.985	38.098.985
Subsidiaries not consolidated						
Izbor Nekretnina d.o.o.	-	-	- For services	-	-	-
DC Makedonija d.o.o.	-	-	100,00% Other financial intermediation	-	14.556.437	-
Diners Club BH d.o.o.	100,00%	100,00%	Other financial intermediation	-	2.288.108	-
DC Travel d.o.o.	100,00%	100,00%	Travel Agency	-	-	-
Total subsidiaries not consolidated:				-	16.844.544	-
Total subsidiaries:				59.168.968	80.863.686	38.098.985
Subsidiaries						
Erste nekretnine d.o.o.	100,00%	100,00%	Real estate business	4.398.100	800.180	800.180
Erste Factoring d.o.o.	74,996%	74,996%	Accounts Receivables repurchase	295.462.274	46.906.768	37.658.000
Erste Card Club d.d.	100,00%	100,00%	Financial intermediation and services	829.440.658	809.147.179	702.717.069
Erste Card d.o.o. Slovenia	100,00%	100,00%	Financial intermediation and services	15.769.074	16.440.028	-
Erste & Steiermärkische S-Leasing, d.o.o.	50,00%	50,00%	Financial and operative leasing	135.282.351	144.115.613	88.860.659
Erste bank a.d., Podgorica	100,00%	100,00%	Credit institution	453.591.601	469.798.861	100.396.379
Erste group IT HR d.o.o.	80,00%	80,00%	IT engineering	4.072.474	5.661.219	2.002.000
Izbor Nekretnina d.o.o.	100,00%	100,00%	For services	40.240.188	39.955.702	39.686.015
Total subsidiaries:				1.778.256.719	1.536.592.620	972.120.302
Total:				1.837.425.687	1.617.456.306	1.010.219.287

12. REPOSESSED ASSETS

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

a) Balance notes

- LIABILITIES

B 1. Amounts due to financial institutions	31.12.2016.	30.6.2017.
From banks	1.439.979.809	1.358.747.976
From other banking institutions	783.700.000	606.487.567
	2.223.679.809	1.965.235.543

2. DEPOSITS		
2.1. Deposits of giro and current accounts	31.12.2016.	30.6.2017.
Deposits from public sector		
<i>Republic of Croatia</i>	36.927.675	127.751.788
<i>Republic funds</i>	139.941.511	167.351.454
<i>Local government</i>	232.897.567	162.567.873
Deposits from financial institutions		
<i>Banks</i>	71.566.173	103.826.959
<i>Other banking institutions</i>	122.972.545	362.631.893
<i>Non-banking financial institutions</i>	134.476.670	512.270.374
<i>Banks in bankruptcy</i>	-	-
<i>Banks in liquidation</i>	900	9.766
Deposits from state commercial customers	207.623.603	131.396.659
Deposits from other commercial customers	5.135.954.069	6.026.768.964
Deposits from non-profit institutions	208.268.086	233.088.789
Deposits from individuals	6.213.531.543	6.632.448.197
Deposits from non residents		
<i>Foreign financial institutions</i>	158.102.612	383.465.299
<i>Foreign states</i>	279.692	360.062
<i>Foreign commercial customers</i>	12.490.909	22.745.998
<i>Foreign individuals</i>	107.263.786	111.823.244
<i>Foreign non-profit institutions</i>	933.708	714.297
	12.783.231.049	14.979.221.616

2.2. Savings deposits	31.12.2016.	30.6.2017.
Deposits from public sector		
<i>Republic of Croatia</i>	438.257	429.494
<i>Local government</i>	4.510.449	1.330.527
Deposits from financial institutions		
<i>Banks</i>	6.684	8.407
<i>Other banking institutions</i>	459.877.275	275.656.557
<i>Non-banking financial institutions</i>	8.675.563	9.576.716
Deposits from state commercial customers	12.849.762	50.329.623
Deposits from other commercial customers	767.748.177	435.919.182
Deposits from non-profit institutions	2.213.786	1.669.077
Deposits from individuals	977.576.407	1.012.406.840
Deposits from non residents		
<i>Foreign financial institutions</i>	10.019	10.521
<i>Other non residents</i>	423.826.732	428.896.039
	2.657.733.111	2.216.232.983

2.3. Term deposits	31.12.2016.	30.6.2017.
Deposits from public sector		
<i>Republic of Croatia</i>	314.576.870	250.146.840
<i>Local government</i>	5.710.055	25.427.909
Deposits from financial institutions		
<i>Banks</i>	67.609.137	102.639.813
<i>Other banking institutions</i>	583.528.369	542.736.584
<i>CBRD</i>	-	-
<i>Non-banking financial institution</i>	468.705.732	470.954.277
<i>Banks in bankruptcy</i>	32.880	32.223
Deposits from state commercial customers	70.691.184	315.911.304
Deposits from other commercial customers	1.883.514.445	1.769.916.434
Deposits from non-profit institutions	92.411.825	92.424.129
Deposits from individuals	18.574.090.714	17.510.712.431
Deposits from non residents		
<i>Foreign financial institutions</i>	3.506.876.409	3.904.836.227
<i>Foreign commercial customers</i>	11.533.309	4.597.354
<i>Foreign individuals</i>	971.475.994	877.316.986
Term deposits	26.550.756.923	25.867.652.511

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 2022. 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. 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.

b) Income statement notes

1. INTEREST INCOME	30.6.2016	30.6.2017
Interest on loans and advances to customers	961.860.903	893.100.082
Interest on amounts due from other banks	2.030.601	1.436.128
Interest income on financial investments	114.673.387	114.875.059
Interest on balances due from the central bank	102.038	-
Interest on derivative financial instruments	25.570.800	9.010.127
Interest income on impaired financial assets - loans and advances to customers	50.088.771	33.886.532
Interest on reverse repurchase agreements	7.047.877	8.135.905
Other interest income	37.572.683	4.064.289
	1.198.947.060	1.064.508.122

2. INTEREST EXPENSES	30.6.2016	30.6.2017
Interest on customer deposits	230.097.744	132.850.565
Interest on other borrowed funds	93.569.859	42.584.476
Interest on amounts due to other banks	24.475.122	22.136.775
Interest on subordinated debt	47.766.454	39.085.452
Interest on issued bonds	8.801.363	8.791.149
Interest on derivative financial instruments	202.537	2.403.293
Interest on repurchase agreements	1.157.013	330.615
Other interest expense	5.513.514	3.609.018
	411.583.606	251.791.343

4. FEE AND COMMISSION INCOME	30.6.2016	30.6.2017
Payments and money transfers	139.547.346	141.277.845
Bank cards services	58.351.673	67.084.280
Custodial fees	29.124.989	39.904.603
Guarantees and letter of credit	19.852.967	22.465.203
Other fee and commission income	9.236.804	5.957.930
	256.113.779	276.689.861

5. FEE AND COMMISSION EXPENSES	30.6.2016	30.6.2017
Payments and money transfers	16.315.253	16.188.326
Bank cards services	42.494.038	47.650.277
Custodial fees	1.821.004	1.780.866
Guarantees and letter of credit	741.434	727.354
Other fee and commission expense	3.094.735	2.016.342
	64.466.464	68.363.165

AUDIT AND NON-AUDIT SERVICES	30.6.2016	30.6.2017
Audit fees	817.000	1.091.000
Other non-audit fees	62.787	-
	879.787	1.091.000

c) Off-balance notes

Off-balance	31.12.2016	30.6.2017
Guarantees	1.994.133.345	2.001.882.819
Letters of credit	139.688.068	181.591.490
Bills of exchange	-	-
Undrawn credit and loan commitments	3.502.116.038	3.876.826.990
Other risk off-balance items	127.876.075	81.461.884
Futures	-	-
Options	15.413.964	3.865.372
Swap	14.306.385.213	14.739.811.789
Forwards	7.179.097.539	8.900.593.178
Other derivatives	-	-
	27.264.710.242	29.786.033.522

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

Member of the Management Board


Slađana Jagar

Rijeka, August 7th 2017