

**Audited financial statements of Erste&Steiermärkische Bank d.d. 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 | 683 | 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 | GROUP | | | | BANK |
|---|-------|------------------|------------------|------------------|------------------|
| | Notes | 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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Corporate Communications

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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 Schoefboeck, 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-KIIdentification 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: **2,432**

(krajem izvještajnog razdoblja)

Consolidated report: **NO** NKD code: **6419**

| Names of subjects of consolidation (according to IFRS): | Headquarters: | MB: |
|---|---------------|-----|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Bookkeeping service: _____

Contact person: **BURIĆ 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.****026 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 | 8,086,507,999 | 6,417,655,291 |
| 1.1. Cash | 002 | 1,093,172,839 | 1,100,978,580 |
| 1.2. Deposits with Central bank | 003 | 6,993,335,160 | 5,316,676,711 |
| 2. DEPOSITS WITH BANKING INSTITUTIONS | 004 | 1,288,421,182 | 592,223,959 |
| 3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK | 005 | 37,990,562 | 0 |
| 4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING | 006 | 130,125,727 | 0 |
| 5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE | 007 | 6,357,628,532 | 7,166,661,281 |
| 6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY | 008 | 870,455,671 | 1,114,739,943 |
| 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 | 76,054,199 |
| 9. LOANS TO FINANCIAL INSTITUTIONS | 011 | 1,762,462,655 | 3,048,359,937 |
| 10. LOANS TO OTHER CUSTOMERS | 012 | 37,459,759,761 | 34,931,819,307 |
| 11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES | 013 | 1,023,446,572 | 1,010,219,287 |
| 12. REPOSESED ASSETS | 014 | 532,311,801 | 497,170,374 |
| 13. TANGIBLE ASSET (MINUS DEPRECIATION) | 015 | 562,525,868 | 584,155,935 |
| 14. INTEREST, FEES AND OTHER ASSETS | 016 | 819,641,261 | 679,667,833 |
| A) TOTAL ASSETS (001+004 to 016) | 017 | 58,995,199,845 | 56,118,727,346 |
| LIABILITIES | | | |
| 1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020) | 018 | 2,014,214,002 | 2,223,679,809 |
| 1.1. Short-term borrowings | 019 | 466,310,000 | 783,700,000 |
| 1.2. Long-term borrowings | 020 | 1,547,904,002 | 1,439,979,809 |
| 2. DEPOSITS (AOP 022 to 024) | 021 | 44,155,660,142 | 41,991,721,083 |
| 2.1. Deposits of giro and current accounts | 022 | 10,558,600,977 | 12,783,231,049 |
| 2.2. Savings deposits | 023 | 2,361,425,061 | 2,657,733,111 |
| 2.3. Term deposits | 024 | 31,235,634,104 | 26,550,756,923 |
| 3. OTHER BORROWINGS (026+027) | 025 | 2,669,983,073 | 2,138,730,372 |
| 3.1. Short-term borrowings | 026 | 607,404,085 | 88,878,210 |
| 3.2. Long-term borrowings | 027 | 2,062,578,988 | 2,049,852,162 |
| 4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING | 028 | 103,441,447 | 76,441,107 |
| 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 | 1,936,458,831 | 996,886,163 |
| B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034) | 035 | 52,859,467,835 | 49,390,171,674 |
| 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 | 626,514,008 |
| 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 | 874,691 |
| 6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE | 041 | 265,177,107 | 231,091,921 |
| 7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS | 042 | | |
| C) TOTAL EQUITY (036 to 042) | 043 | 6,135,732,010 | 6,728,555,672 |
| D) TOTAL LIABILITIES AND EQUITY (035+043) | 044 | 58,995,199,845 | 56,118,727,346 |
| 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 **31.12.2016**

in HRK

| Name of position | AOP | Prior period | Current period |
|---|------------|-----------------------|----------------------|
| 1 | 2 | 3 | 5 |
| 1. Interest income | 048 | 2,622,090,535 | 2,314,247,418 |
| 2. Interest expense | 049 | 989,679,591 | 732,520,864 |
| 3. Net interest income (048-049) | 050 | 1,632,410,944 | 1,581,726,554 |
| 4. Fee and commission income | 051 | 564,277,339 | 560,511,706 |
| 5. Fee and commission expense | 052 | 151,114,639 | 150,349,149 |
| 6. Net fee and commission income (051-052) | 053 | 413,162,700 | 410,162,557 |
| 7. Profit/loss from investments in subsidiaries, associates and joint ventures | 054 | 0 | 0 |
| 8. Profit/loss from trading | 055 | -17,053,219 | 92,249,108 |
| 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 | -612,140 | 49,931,439 |
| 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 | 54,675,037 | 30,689,781 |
| 16. Profit/loss from foreign currency differences | 063 | 130,751,089 | 119,889,842 |
| 17. Other income | 064 | 170,160,689 | 211,336,278 |
| 18. Other expenses | 065 | 131,093,475 | 172,956,444 |
| 19. General administrative expenses and depreciation | 066 | 946,452,749 | 993,907,568 |
| 20. Net Income from business before value adjustment and loan loss provisions (050+053 to 064-065-066) | 067 | 1,305,948,876 | 1,329,121,547 |
| 21. Expense of value adjustment and loan loss provisions | 068 | 2,547,340,611 | 498,944,455 |
| 22. PROFIT/LOSS BEFORE TAX (067-068) | 069 | -1,241,391,735 | 830,177,092 |
| 23. INCOME TAX EXPENSE | 070 | -228,936,404 | 203,663,085 |
| 24. PROFIT/LOSS OF THE CURRENT YEAR (069-070) | 071 | -1,012,455,331 | 626,514,007 |
| 25. Earnings per share | 072 | -60 | 37 |
| 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 |

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 | 1,240,470,477 | -148,413,338 |
| 1.1. Profit/(loss) before income tax | 002 | -1,241,391,735 | 830,177,092 |
| 1.2. Allowances and loss provisions | 003 | 2,444,211,153 | -964,708,271 |
| 1.3. Depreciation | 004 | 49,605,250 | 41,564,498 |
| 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 | -55,446,657 |
| 1.6. Other profit/(losses) | 007 | 69,399 | 0 |
| 2. Net increase/(decrease) of operating assets (009 do 016) | 008 | 628,970,435 | 2,455,996,497 |
| 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 | 1,035,103,170 | 37,990,562 |
| 2.3. Deposits with banks and loans to financial institutions | 011 | -825,267,887 | -1,256,174,319 |
| 2.4. Loans to other customers | 012 | 151,541,851 | 3,668,576,906 |
| 2.5. Securities and other financial instruments held for trading | 013 | -123,803,736 | 130,125,727 |
| 2.6. Securities and other financial instruments available for sale | 014 | -177,272,190 | -843,911,450 |
| 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 | -43,653,168 | -68,993,405 |
| 3. Net increase/(decrease) of operating liabilities (018 do 021) | 017 | -1,099,949,160 | -3,170,795,830 |
| 3.1. Demand deposits | 018 | 2,140,189,679 | 2,224,630,072 |
| 3.2. Savings and term deposits | 019 | -3,247,152,400 | -4,388,569,131 |
| 3.3. Financial derivative liabilities and other liabilities actively traded | 020 | 9,913,380 | -27,000,340 |
| 3.4. Other liabilities | 021 | -2,899,819 | -979,856,431 |
| 4. Net cash flow from operating activities before Income tax (001+008+017) | 022 | 769,491,752 | -863,212,671 |
| 5. (Income tax paid) | 023 | 0 | 0 |
| 6. Net inflow/(outflow) of cash from operating activities (022+023) | 024 | 769,491,752 | -863,212,671 |
| INVESTING ACTIVITIES | | | |
| 7. Net cash flow from investing activities (026 do 030) | 025 | -219,220,317 | -345,636,646 |
| 7.1. Receipt from sale/(payment for buying) tangible and intangible assets | 026 | -49,275,433 | -45,811,824 |
| 7.2. Receipt from sale/(payment for buying) investments in subsidiaries, associates and joint ventures | 027 | 26,000 | -40,184,015 |
| 7.3. Receipt from sale/(payment for buying) securities and other financial instruments held to maturity | 028 | -15,812,613 | -259,640,807 |
| 7.4. Dividend income | 029 | 53,444,345 | 0 |
| 7.5. Other receipts/(payments) from investing activities | 030 | -207,602,616 | 0 |
| FINANCIAL ACTIVITIES | | | |
| 8. Net cash flow from financial activities (032 do 037) | 031 | -18,235,195 | -338,784,095 |
| 8.1. Net increase/(decrease) of borrowings | 032 | -165,837,257 | -321,786,895 |
| 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 | -76,428,788 | 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 | 532,036,240 | -1,547,633,412 |
| 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 | 532,036,240 | -1,547,633,412 |
| 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 | 5,434,528,850 | 3,886,895,438 |

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| Name of position | AOP | Attributable to the equity holders of the Bank | | | | | | Unrealised profit/(loss) from the basis of value adjustment of financial assets available for sale | Non controlling interest | Total capital and reserves |
|---|-----|--|-----------------|-------------------------------------|--------------------------|------------------------------|-------------|--|--------------------------|----------------------------|
| | | Share capital | Treasury shares | Legal, statutory and other reserves | Retained earnings/(loss) | Profit/(loss) for the period | 8 | | | |
| 1 | 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 | | | | | | -49,931,439 | | -49,931,439 | |
| Change of fair value financial asset available for sale | 005 | | | | | | -303,799 | | -303,799 | |
| Tax on items directly recognised or transferred from capital and reserves | 006 | | | -72,160 | | | 16,150,052 | | 16,077,892 | |
| Other profit/(loss) directly recognised in capital and reserves | 007 | 0 | 0 | 467,000 | 0 | 0 | 0 | 0 | 467,000 | |
| Net profit/(loss) directly recognised in capital and reserves (004+005+006+007) | 008 | 0 | 0 | 394,840 | 0 | 0 | -34,085,186 | 0 | -33,690,346 | |
| Profit/(loss) for the period | 009 | | | | | | | | | |
| Total recognised income and expenses for the period (008+009) | 010 | 0 | 0 | 394,840 | 0 | 626,514,008 | 626,514,008 | 0 | 626,514,008 | |
| Increase/(decrease) of share capital | 011 | 0 | 0 | | | | -34,085,186 | | 592,823,662 | |
| Buy/sell of treasury shares | 012 | 0 | 0 | | | | | | 0 | |
| Other changes | 013 | | | | | | | | 0 | |
| Transfer to reserves | 014 | | | | -1,012,455,331 | 1,012,455,331 | | | 0 | |
| Dividends paid | 015 | | | | | | | | 0 | |
| Distribution on income (014+015) | 016 | 0 | 0 | 0 | -1,012,455,331 | 1,012,455,331 | | 0 | 0 | |
| Balance at reporting date (003+010+011+012+013+016) | 017 | 3,500,360,782 | 0 | 85,795,749 | 2,284,793,212 | 626,514,008 | 231,091,921 | 0 | 6,728,555,672 | |

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

in HRK

Notes to financial statements

| A 9. LOANS TO FINANCIAL INSTITUTIONS | 31.12.2015 | 31.12.2016 |
|---|----------------------|----------------------|
| Gross Loans | 1,770,947,557 | 3,056,680,353 |
| Less: Allowance for loan impairment | (8,484,902) | (8,320,416) |
| | 1,762,462,655 | 3,048,359,937 |

| A 10. LOANS TO OTHER CUSTOMERS | 31.12.2015 | 31.12.2016 |
|--|-----------------------|-----------------------|
| Companies | 14,941,673,095 | 12,732,973,577 |
| Individuals | 17,339,714,277 | 15,707,574,431 |
| Public sector | 9,132,631,291 | 9,395,839,967 |
| Other institutions | 144,956,488 | 53,729,660 |
| Total gross loans before allowances for impairment | 41,558,975,151 | 37,890,117,635 |
| Less: Allowance for loan impairment | (4,099,215,390) | (2,958,298,328) |
| | 37,459,759,761 | 34,931,819,307 |

A 11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES

| | Ownership Interest | | Activity | Group's Share of net assets | | Investment at cost | |
|--|--------------------|---------|---|-----------------------------|---------------|--------------------|---------------|
| | 2015 | 2016 | | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 |
| Associates | | | | | | | |
| S Immorent leasing zeta d.o.o. za poslovanje nekretnih | 49.00% | 49.00% | Real estate business | - | - | - | - |
| Erste d.o.o. | 45.86% | 45.86% | Management company for obligatory pension fund | 59,796,280 | 59,168,968 | 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 | 59,168,968 | 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 | - |
| Total associates not consolidated: | | | | 543,300 | - | 543,300 | - |
| Total associates: | | | | 61,197,270 | 59,168,968 | 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 | - |
| | | | | 63,334,470 | 59,168,968 | 40,146,285 | 38,098,985 |
| Subsidiaries | | | | | | | |
| Erste nekretnine d.o.o. | 100.00% | 100.00% | Real estate business | 4,223,836 | 4,398,100 | 800,180 | 800,180 |
| Erste Factoring d.o.o. | 74.996% | 74.996% | Accounts Receivables repurchase | 242,236,853 | 295,462,274 | 37,658,000 | 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 | 702,717,069 |
| 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 | 88,860,659 |
| Erste bank a.d., Podgorica | 100.00% | 100.00% | Credit institution | 396,637,694 | 453,591,601 | 100,396,379 | 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 | 972,120,302 |
| Total: | | | | 1,552,624,591 | 1,837,425,687 | 1,023,446,572 | 1,010,219,287 |

A 12. REPOSESSED ASSETS

Repossessed 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 | 31.12.2016 |
|---|----------------------|----------------------|
| From banks | 1,635,164,002 | 1,439,979,809 |
| From other banking institutions | 379,050,000 | 783,700,000 |
| | 2,014,214,002 | 2,223,679,809 |

| 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> | 196,438,864 | 71,566,173 |
| <i>Other banking institutions</i> | 226,466,735 | 122,972,545 |
| <i>Non-banking financial institutions</i> | 139,080,919 | 134,476,670 |
| <i>Banks in bankruptcy</i> | 417,161 | - |
| <i>Banks in liquidation</i> | 3,581 | 900 |
| Deposits from state commercial customers | 144,401,871 | 207,623,603 |
| Deposits from other commercial customers | 4,149,066,850 | 5,135,954,069 |
| 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> | 273,570,268 | 158,102,612 |
| <i>Foreign states</i> | 384,068 | 279,692 |
| <i>Foreign commercial customers</i> | 8,966,526 | 12,490,909 |
| <i>Foreign individuals</i> | 92,834,533 | 107,263,786 |
| <i>Foreign non-profit institutions</i> | 594,872 | 933,708 |
| | 10,558,600,977 | 12,783,231,049 |

| 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> | 413,341,641 | 423,826,732 |
| | 2,361,425,061 | 2,657,733,111 |

| 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 | 1,903,502,853 | 1,883,514,445 |
| 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> | 7,305,602,412 | 3,506,876,409 |
| <i>Foreign commercial customers</i> | 12,907,377 | 11,533,309 |
| <i>Foreign individuals</i> | 1,080,631,404 | 971,475,994 |
| Term deposits | 31,235,634,104 | 26,550,756,923 |

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 | 2.095.783.017 | 1.923.908.988 |
| Interest on amounts due from other banks | 2.528.046 | 2.992.092 |
| Interest income on financial investments | 236.565.497 | 234.863.203 |
| Interest on derivative financial instruments | 94.942.272 | 40.926.409 |
| Interest income on impaired financial assets - loans and advances to customers | 166.011.370 | 92.064.815 |
| Interest on reverse repurchase agreements | 21.699.403 | 16.764.143 |
| Other interest income | 4.560.930 | 2.727.768 |
| | 2.622.090.535 | 2.314.247.418 |

| 2. INTEREST EXPENSES | 31.12.2015 | 31.12.2016 |
|--|--------------------|--------------------|
| Interest on customer deposits | 540.981.043 | 414.941.153 |
| Interest on other borrowed funds | 272.352.473 | 145.901.644 |
| Interest on amounts due to other banks | 59.927.568 | 47.654.211 |
| Interest on subordinated debt | 83.684.116 | 95.368.117 |
| Interest on issued bonds | 17.632.609 | 17.652.989 |
| Interest on derivative financial instruments | 3.223.756 | 279.221 |
| Interest on repurchase agreements | 5.093.199 | 2.275.192 |
| Other interest expense | 6.784.827 | 8.448.337 |
| | 989.679.591 | 732.520.864 |

| 4. FEE AND COMMISSION INCOME | 31.12.2015 | 31.12.2016 |
|-------------------------------------|--------------------|--------------------|
| Payments and money transfers | 275.398.209 | 280.709.426 |
| Bank cards services | 165.099.760 | 159.487.170 |
| Custodial fees | 60.473.159 | 60.763.401 |
| Guarantees and letter of credit | 40.233.132 | 40.444.132 |
| Other fee and commission income | 23.073.079 | 19.107.577 |
| | 564.277.339 | 560.511.706 |

| 5. FEE AND COMMISSION EXPENSES | 31.12.2015 | 31.12.2016 |
|---------------------------------------|--------------------|--------------------|
| Payments and money transfers | 35.501.576 | 33.692.572 |
| Bank cards services | 101.302.690 | 108.705.091 |
| Custodial fees | 3.730.760 | 3.343.818 |
| Guarantees and letter of credit | 1.187.063 | 1.520.453 |
| Other fee and commission expense | 3.232.983 | 3.852.705 |
| | 144.955.072 | 151.114.639 |

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

Head of Accounting Division


Ivona Rakovac

ERSTE & STEIERMÄRKISCHE
BANK D.D.
015 RIJKA 098

Management Board member


Slađana Jagar

Rijeka, March 23th 2017