

Audited financial statements of the Erste&Steiermärkische Bank d.d. and subsidiaries (the Group) for period January 1st - December 31st 2017

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Stable and quality operations of Erste Bank Croatia in 2017, EBC Group's profit lower due to higher provisions

*"In 2017, we maintained the stability and quality of our operating business and that way we have strengthened our position on Croatia's banking and financial market. We are especially pleased with the rising trend in new loans in the retail and corporate business segments. We witnessed some major challenges last year as well, like the process of restructuring in Agrokor that also had an impact on the operation of the banking sector", said **Christoph Schoefboeck**, Chairman of the Management Board of Erste Bank Croatia, commenting on the business results for 2017 and added: "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 growth of the Croatian economy as a whole."*

IN BRIEF

According to the non-consolidated financial report, which includes the results of Erste Bank Croatia (the bank), without subsidiaries, net profit was HRK 649.5 million, up by 3.67 percent compared to HRK 626.5 million in 2016. Net interest income was up by 4.72 percent, from HRK 1.6 billion in 2016 to HRK 1.7 billion in 2017. Net fee and commission income were up by 8.43 percent, from HRK 410.2 million the year before to HRK 444.7 million in 2017.

The bank's assets amounted to HRK 57.2 billion at the end of 2017, up 1.94 compared to HRK 56.1 billion at 2016YE. As of 31 December 2017, total loans stood at HRK 36.5 billion, up by 0.71 percent compared to HRK 36.3 billion at 2016YE. Total deposits as of end of December 2017 amounted to HRK 42.3 billion and were up 2.44 percent compared to HRK 41.3 billion at 2016YE.

In 2017, the bank has recorded positive trends in the segment of new loans. In the retail segment, which includes micro-companies, an increase in new loans of around 35% was achieved, from around HRK 3.1 billion in 2016 to around HRK 4.2 billion in 2017. In the new housing loans and home improvement loans, a growth of about 63% was achieved, from about HRK 579.8 million in 2016 to around HRK 946.3 million in 2017. Positive trends have also been recorded in the corporate business segment, where an increase in new loans of around 7% was achieved in 2017, from about HRK 7.1 billion in 2016 to about HRK 7.6 billion in the last year.

EBC Group's net profit after minority interest amounted to HRK 533.7 million. The most significant negative contribution to its decrease compared to 2016 (when it amounted to HRK 874.4 million) came from the increased risk provisions that resulted from the situation in Agrokor and its associated companies. EBC Group's net interest income remained stable and stood at HRK 2.07 billion, compared to HRK 2.06 billion in 2016. Net fee and commission income grew by 7.82 percent, from HRK 663.2 million in 2016 to HRK 715.0 million in 2017.

EBC Group's total assets amounted to HRK 65.9 billion at 2017YE and were up by 0.49 percent compared to HRK 65.6 billion at 2016YE. Total loans as of 31 December 2017 amounted to HRK 43.3 billion, down by 0.82 percent compared to HRK 43.7 billion as of 31 December 2016. Total deposits of EBC Group's clients amounted to HRK 44.4 billion and were 2.42 percent higher compared to HRK 43.3 as of the end of December 2016.

OUTLOOK

To a large extent, the year 2017 saw the continuation of positive economic trends from the previous period, which is a reason for slight optimism. One positive contribution also came from the continued fiscal consolidation in Croatia, consequently leading to the closure of the Excessive Deficit Procedure and setting the stage for an open debate about the potential of joining the euro area.

"During 2018, economic trends are expected to remain beneficial for growth and, hopefully, for maintaining the fiscal discipline. However, more effort is still needed to implement structural reforms, as well as to come up with both

political and economic responses to demographic challenges and the growing trend of population outflow. Legal and political stability both remain one of the basic prerequisites for maintaining the process of recovery. Moreover, it is necessary to build and nurture a secure investment environment for local and international investors”, said Schoefboeck and concluded: “The positions of Erste Bank Croatia and the EBC Group in the Croatian market remain stable and make a sound foundation for the future. We want our success to be sustainable and long-term, to result from the quality selection and financial backing of those projects that are sound and profitable, to be based on partnership relations that we maintain with our clients and other stakeholders in the social community and the produce stronger mutual trust based on open and transparent communication. Our common goals are success, satisfaction, and prosperity – of our clients and of society in Croatia 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.*

1. Statement of Financial Position as at 31 December 2017

HRK Million

	Bank		Group	
	12 2017	12 2016	12 2017	12 2016
ASSETS				
Cash and cash balances	4.170	3.737	4.639	4.388
Financial assets - held for trading	250	76	247	73
Derivatives	55	76	52	73
Other trading assets	195	-	195	-
Financial assets - available for sale	7.468	7.254	8.018	7.832
Financial assets - held to maturity	1.391	1.137	1.878	1.653
Loans and receivables to credit institutions	5.132	5.320	5.233	5.329
Loans and receivables to customers	36.512	36.254	43.297	43.656
Property, plant, equipment	583	548	1.262	1.309
Investment properties	20	36	53	59
Intangible assets	111	110	393	390
Investment in subsidiaries	951	972	-	-
Investments in joint ventures and associates	38	38	60	59
Current tax assets	-	10	17	30
Deferred tax assets	88	90	234	219
Other assets	492	537	594	607
TOTAL ASSETS	57.206	56.119	65.925	65.604
LIABILITIES				
Financial liabilities held for trading	52	76	52	77
Derivatives	52	76	52	77
Financial liabilities measured at amortised costs	49.235	48.720	56.632	56.687
Deposits from banks	6.394	6.341	11.025	11.652
Deposits from customers	42.307	41.298	44.374	43.323
Debt securities issued	376	924	376	924
Other financial liabilities	158	157	857	788
Provisions	212	216	267	260
Current tax liabilities	132	-	139	12
Deferred tax liabilities	-	-	2	2
Other Liabilities	433	378	627	578
Total equity	7.142	6.729	8.206	7.988
attributable to non-controlling interest	-	-	156	235
attributable to owners of the parent	7.142	6.729	8.050	7.753
Subscribed capital	1.698	1.698	1.698	1.698
Capital reserves and share premium	1.887	1.887	1.887	1.887
Retained earnings	3.342	2.912	4.221	3.906
Other reserves	215	232	244	262
TOTAL LIABILITIES AND EQUITY	57.206	56.119	65.925	65.604

2. Statement of Profit or Loss for the Year ended 31 December 2017

	HRK Million			
			Bank	Group
	2017	2016	2017	2016
Interest income	2.112	2.314	2.624	2.911
Interest expense	(456)	(732)	(553)	(851)
Net interest income	1.656	1.582	2.071	2.060
Fee and commission income	610	560	937	865
Fee and commission expenses	(165)	(150)	(222)	(202)
Net fee and commission income	445	410	715	663
Dividend income	25	31	1	1
Net trading and fair value result	202	212	199	222
Net result from equity method investments	-	-	10	9
Rental income from investment properties & other operating lease	2	2	147	178
Personnel expenses	(487)	(453)	(668)	(635)
Other administrative expenses	(467)	(431)	(644)	(593)
Depreciation and amortisation	(58)	(42)	(228)	(236)
Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	3	50	5	65
Net impairment loss on financial assets not measured at fair value through profit or loss	(440)	(363)	(866)	(364)
Other operating result	(70)	(167)	(102)	(157)
Pre-tax profit from continuing operations	811	831	640	1.213
Taxes on income	(162)	(204)	(183)	(300)
NET PROFIT OF THE YEAR	649	627	457	913
attributable to non-controlling interests	-	-	(77)	38
ATTRIBUTABLE TO OWNERS OF THE PARENT	649	627	534	875

For additional information:

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Addendum 3.

Period of reporting:

1.1.2017

do

31.12.2017

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 & STEIERMÄRKISCHE BANK DD

Postal code and town of: 51000 RIJEKA

Address: JADRANSKI TRG 3A

E-mail address: ersteinbank@ersteinbank.hr

Internet address: www.ersteinbank.hr

Code and name of: 373 RIJEKA

Code and name of county: 8 PRIMORSKO GORANSKA

Broj zaposlenih: 3.726

(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
Diners Club International Mak d.o.o.e.l. in Skopje	Makedonija, Skopje, Kej 13-ti Noemvri, 2/2 GTC	

Bookkeeping service:

Contact person: BERIŠIĆ ANDREJA

Phone number: 072 37 1778

Telefaks: 072 37 1942

E-mail address: aralic@ersteinbank.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 & STEIERMÄRKISCHE
BANK D.O.
026 RIJEKA 096


(signature of person authorized for representing company)



STATEMENT OF FINANCIAL POSITION

as of

31.12.2017

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	6.970.854.306	7.548.565.898
1.1. Cash	002	1.215.504.369	1.491.277.946
1.2. Deposits with Central bank	003	5.755.349.937	6.057.287.752
2. DEPOSITS WITH BANKING INSTITUTIONS	004	691.211.314	857.915.141
3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK	005	327.247.545	300.545.920
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	006	4.513	195.251.486
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007	7.737.786.845	7.936.400.937
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008	1.284.912.632	1.532.941.907
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	72.965.576	51.902.774
9. LOANS TO FINANCIAL INSTITUTIONS	011	2.489.807.174	2.235.544.845
10. LOANS TO OTHER CUSTOMERS	012	42.818.979.042	41.986.464.595
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	013	59.168.968	62.161.104
12. REPOSSESSED ASSETS	014	506.359.451	462.995.726
13. TANGIBLE ASSET (MINUS DEPRECIATION)	015	1.367.667.984	1.315.142.365
14. INTEREST, FEES AND OTHER ASSETS	016	1.277.180.790	1.439.078.594
A) TOTAL ASSETS (001+004 to 016)	017	65.604.146.140	65.924.911.092
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	7.564.558.411	6.050.459.761
1.1. Short-term borrowings	019	4.571.666.365	3.030.768.898
1.2. Long-term borrowings	020	2.992.892.046	3.019.690.863
2. DEPOSITS (AOP 022 to 024)	021	43.890.848.388	45.648.892.993
2.1. Deposits of giro and current accounts	022	13.611.901.885	18.088.685.238
2.2. Savings deposits	023	2.831.624.912	2.627.986.565
2.3. Term deposits	024	27.447.321.591	24.932.221.190
3. OTHER BORROWINGS (026+027)	025	2.328.788.687	2.313.401.716
3.1. Short-term borrowings	026	88.878.210	101.003.866
3.2. Long-term borrowings	027	2.239.910.477	2.212.397.850
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	77.365.756	51.640.007
5. ISSUED DEBT SECURITIES (030+031)	029	300.000.000	375.682.400
5.1. Short-term issued debt instruments	030	0	0
5.2. Long-term issued debt instruments	031	300.000.000	375.682.400
6. ISSUED SUBORDINATED INSTRUMENTS	032	1.662.713.140	1.277.320.160
7. ISSUED HYBRID INSTRUMENTS	033	0	0
8. INTEREST, FEES AND OTHER LIABILITIES	034	1.791.795.684	2.001.122.001
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	57.616.070.066	57.718.519.038
EQUITY			
1. SHARE CAPITAL	036	3.500.360.782	3.500.360.782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	037	912.660.731	457.105.840
3. RETAINED PROFIT/(LOSS)	038	3.227.501.197	3.919.794.989
4. LEGAL RESERVES	039	84.921.058	84.921.058
5. STATUTORY AND OTHER CAPITAL RESERVES	040	-3.289.686	-5.452.167
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE	041	265.921.992	249.661.552
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS	042		
C) TOTAL EQUITY (036 to 042)	043	7.988.076.074	8.206.392.054
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	65.604.146.140	65.924.911.092
SUPPLEMENT TO STATEMENT OF FINANCIAL POSITION (filled out by banks that compose a consolidated financial report)			
1. TOTAL EQUITY	045	7.988.076.074	8.206.392.054
2. Attributed to equity holders of the parent	046	7.753.267.168	8.049.980.604
3. Noncontrolling interest (045-046)	047	234.808.906	156.411.450

INCOME STATEMENT

for period from **1.1.2017** to **31.12.2017**

in HRK

Name of position	AOP	Prior period	Current period
1	2	3	5
1. Interest income	048	2.910.538.250	2.624.000.734
2. Interest expense	049	851.033.929	552.786.743
3. Net interest income (048-049)	050	2.059.504.321	2.071.213.991
4. Fee and commission income	051	865.377.044	937.298.374
5. Fee and commission expense	052	202.210.325	222.287.389
6. Net fee and commission income (051-052)	053	663.166.719	715.010.985
7. Profit/loss from investments in subsidiaries, associates and joint ventures	054	0	0
8. Profit/loss from trading	055	91.128.725	37.083.895
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	65.431.600	5.264.020
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	10.231.837	11.003.474
16. Profit/loss from foreign currency differences	063	130.826.638	161.554.265
17. Other income	064	518.675.921	490.171.464
18. Other expenses	065	277.969.683	289.834.577
19. General administrative expenses and depreciation	066	1.531.832.459	1.596.038.227
20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)	067	1.729.163.619	1.605.429.290
21. Expense of value adjustment and loan loss provisions	068	516.248.978	965.653.829
22. PROFIT/LOSS BEFORE TAX (067-068)	069	1.212.914.641	639.775.461
23. INCOME TAX EXPENSE	070	300.253.910	182.669.621
24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)	071	912.660.731	457.105.840
25. Earnings per share	072	51	31
ANNEX TO INCOME STATEMENT (for the Banks that prepare consolidated financial statements)			
1. PROFIT/LOSS OF THE CURRENT YEAR	073	912.660.731	457.105.840
2. Assign equity holders of the Bank	074	874.403.229	533.722.896
3. Non controlling interest (073-074)	075	38.257.502	-76.617.056

CASH FLOW STATEMENT - indirect method

for period from 1.1.2017 to 31.12.2017 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	-148.413.338	1.298.218.628
1.1. Profit/(loss) before income tax	002	830.177.093	811.728.644
1.2. Allowances and loss provisions	003	-964.708.272	486.348.514
1.3. Depreciation	004	41.564.498	57.806.806
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	-55.446.657	-57.665.336
1.6. Other profit/(losses)	007	0	0
2. Net increase/(decrease) of operating assets (009 do 016)	008	2.455.996.497	-304.878.609
2.1. Deposits with Central bank	009	788.382.476	-191.783.485
2.2. Treasury bills of Ministry of Finance and CB bills	010	37.990.562	149.601.600
2.3. Deposits with banks and loans to financial institutions	011	-1.256.174.319	669.220.765
2.4. Loans to other customers	012	3.668.576.906	-590.678.444
2.5. Securities and other financial instruments held for trading	013	130.125.727	-195.251.486
2.6. Securities and other financial instruments available for sale	014	-843.911.450	-231.786.047
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	-68.993.405	85.798.488
3. Net increase/(decrease) of operating liabilities (018 do 021)	017	-3.170.795.830	1.751.508.120
3.1. Demand deposits	018	2.224.630.072	4.192.446.322
3.2. Savings and term deposits	019	-4.388.569.131	-2.403.855.290
3.3. Financial derivative liabilities and other liabilities actively traded	020	-27.000.340	-24.801.100
3.4. Other liabilities	021	-979.856.431	-12.281.812
4. Net cash flow from operating activities before income tax (001+008+017)	022	-863.212.671	2.744.848.139
5. (Income tax paid)	023	0	-19.518.278
6. Net inflow/(outflow) of cash from operating activities (022+023)	024	-863.212.671	2.725.329.861
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 do 030)	025	-345.636.646	-313.263.429
7.1. Receipt from sale/(payment for buying) tangible and intangible assets	026	-45.811.824	-19.618.244
7.2. Receipt from sale/(payment for buying) investments in subsidiaries, associates and joint ventures	027	-40.184.015	-29.412.475
7.3. Receipt from sale/(payment for buying) securities and other financial instruments held to maturity	028	-259.640.807	-264.232.710
7.4. Dividend income	029	0	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	-338.784.095	-1.424.495.378
8.1. Net increase/(decrease) of borrowings	032	-321.786.895	-896.198.465
8.2. Net increase/(decrease) issued debt securities	033	0	75.682.400
8.3. Net increase/(decrease) subordinated and hybrid instruments	034	-16.997.200	-385.392.980
8.4. Receipts from transmitted share capital	035	0	0
8.5. (Dividends paid)	036	0	-218.586.333
8.6. Other receipts/(payments) from financial activities	037	0	0
9. Net increase/(decrease) of cash and cash equivalents (024+025+031)	038	-1.547.633.412	987.571.054
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	-1.547.633.412	987.571.054
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	3.886.895.438	4.874.466.492

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Name of position	for period		Attributable to the equity holders of the Bank						in HRK	
	1.1.2017	31.12.2017	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	81.631.372	3.030.949.794	874.403.228	265.921.992	234.808.906	7.988.076.074	
Changes in accounting policies and corrections of mistakes	002									
Corrected balance as at 1 January (1+2)	003	3.500.360.782	0	81.631.372	3.030.949.794	874.403.228	265.921.992	234.808.906	7.988.076.074	
Sale of financial assets available for sale	004						-519.250		-519.250	
Change of fair value financial asset available for sale	005						-19.494.682		-19.494.682	
Tax on items directly recognised or transferred from capital and reserves	006			-21.382			3.753.492		3.732.110	
Other profit/(loss) directly recognised in capital and reserves	007	0		-2.141.099	0	0	0		-2.141.099	
Net profit/(loss) directly recognised in capital and reserves (004+005+006+007)	008	0	0	-2.162.481	0	0	-16.260.440	0	-18.422.921	
Profit/(loss) for the period	009					533.722.896		-76.617.056	457.105.840	
Total recognised income and expenses for the period (008+009)	010	0	0	-2.162.481	0	533.722.896	-16.260.440	-76.617.056	438.682.919	
Increase/(decrease) of share capital	011	0	0						0	
Buy/sell of treasury shares	012	0							0	
Other changes	013				-206				-206	
Transfer to reserves	014			0	874.403.228	-874.403.228			0	
Dividends paid	015				-218.586.333			-1.780.400	-220.366.733	
Distribution on income (014+015)	016	0	0	0	655.816.895	-874.403.228	0	-1.780.400	-220.366.733	
Balance at reporting date (003+010+011+012+013+016)	017	3.500.360.782	0	79.468.891	3.686.766.483	533.722.896	249.661.552	156.411.450	8.206.392.054	

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

A 9. LOANS TO FINANCIAL INSTITUTIONS	31.12.2016	31.12.2017
Gross Loans	2.495.320.144	2.243.703.564
Less: Allowance for loan impairment	(5.512.970)	(8.158.719)
	2.489.807.174	2.235.544.845

A 10. LOANS TO OTHER CUSTOMERS	31.12.2016	31.12.2017
Companies	17.461.257.718	18.234.736.485
Individuals	19.336.556.916	20.256.835.471
Public sector	9.626.675.901	7.340.172.572
Other institutions	53.739.940	101.087.542
Total gross loans before allowances for impairment	46.478.230.475	45.932.832.070
Less: Allowance for loan impairment	(3.659.251.433)	(3.946.367.475)
	42.818.979.042	41.986.464.595

11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES						
	Ownership Interest	Ownership Interest	Activity	Group's Share of net assets		Investment at cost
	2016	2017		31.12.2016	31.12.2017	31.12.2016
Associates						
S limorent 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	59.168.968	59.872.996	38.098.985
Total associates:				59.168.968	59.872.996	38.098.985
Subsidiaries not consolidated						
Diners Club BH d.o.o.	100,00%	100,00%	Other financial intermediation	-	2.288.108	-
Total subsidiaries not consolidated:				-	2.288.108	-
Subsidiaries				59.168.968	62.161.104	38.098.985
Erste nekretnine d.o.o.	100,00%	100,00%	Real estate business	4.398.100	5.414.221	800.180
Erste Factoring d.o.o.	74,996%	74,996%	Accounts Receivables repurchase	393.970.711	22.886.471	37.658.000
Erste Card Club d.d.	100,00%	100,00%	Financial intermediation and services	829.440.658	906.801.123	702.717.069
Erste & Steiermärkische S-Leasing, d.o.o.	50,00%	50,00%	Financial and operative leasing	270.564.701	298.725.061	88.860.659
Erste bank a.d., Podgorica	100,00%	100,00%	Credit institution	453.591.601	511.836.099	100.396.379
Erste group IT HR d.o.o.	80,00%	80,00%	IT engineering	5.090.592	6.631.930	2.002.000
Izbor Nekretnina d.o.o.	100,00%	100,00%	For services	40.240.188	40.356.126	39.686.015
Direct control:				1.997.296.551	1.792.651.091	972.120.302
Erste Card d.o.o. Slovenia	100,00%	100,00%	Financial intermediation and services	15.769.074	18.464.961	23.562.680
DC Makedonija d.o.o.	-	-	Financial intermediation and services	-	(3.857.028)	-
Indirect control:						
Total:				2.056.465.519	1.854.812.135	1.010.219.287
						989.492.155

A 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	31.12.2017
From banks	6.780.858.411	5.893.459.761
From other banking institutions	783.700.000	157.000.000
	7.564.558.411	6.050.459.761

B 2. DEPOSITS		
B 2.1. Deposits of giro and current accounts	31.12.2016	31.12.2017
Deposits from public sector		
<i>Republic of Croatia</i>	36.927.675	136.051.563
<i>Republic funds</i>	139.941.511	31.388.861
<i>Local government</i>	232.897.567	231.972.892
Deposits from financial institutions		
<i>Banks</i>	72.200.716	211.079.752
<i>Other banking institutions</i>	122.972.545	376.417.861
<i>Non-banking financial institutions</i>	97.227.795	102.019.368
<i>Banks in bankruptcy</i>	-	-
<i>Banks in liquidation</i>	900	6.013.984
Deposits from state commercial customers	207.637.865	168.340.737
Deposits from other commercial customers	4.881.293.536	6.268.975.400
Deposits from non-profit institutions	208.268.086	284.585.691
Deposits from individuals	6.213.531.543	8.123.517.907
Deposits from non residents		
<i>Foreign financial institutions</i>	114.975.152	421.050.747
<i>Foreign states</i>	14.041.071	9.100.260
<i>Foreign commercial customers</i>	459.701.691	604.265.566
<i>Foreign individuals</i>	775.841.912	1.091.368.815
<i>Foreign non-profit institutions</i>	34.442.320	22.535.834
	13.611.901.885	18.088.685.238

B 2.2. Savings deposits	31.12.2016	31.12.2017
Deposits from public sector		
<i>Republic of Croatia</i>	438.257	435.697
<i>Local government</i>	4.510.449	31.396
Deposits from financial institutions		
<i>Banks</i>	6.684	3.187
<i>Other banking institutions</i>	459.877.275	339.588.422
<i>Non-banking financial institutions</i>	8.675.563	6.430.363
Deposits from state commercial customers	12.849.762	11.071.874
Deposits from other commercial customers	767.748.177	461.793.370
Deposits from non-profit institutions	2.213.786	3.118.322
Deposits from individuals	977.576.407	1.161.434.581
Deposits from non residents		
<i>Foreign financial institutions</i>	10.019	-
<i>Other non residents</i>	597.718.533	644.079.353
	2.831.624.912	2.627.986.565

B 2.3. Term deposits	31.12.2016	31.12.2017
Deposits from public sector		
<i>Republic of Croatia</i>	314.576.870	93.463.088
<i>Local government</i>	5.710.055	6.270.503
Deposits from financial institutions		
<i>Banks</i>	67.609.137	114.944.771
<i>Other banking institutions</i>	583.528.369	343.671.102
<i>HBOR-a</i>	-	-
<i>Non-banking financial institution</i>	468.705.732	667.476.644
<i>Banks in bankruptcy</i>	32.880	-
Deposits from state commercial customers	70.691.184	289.224.212
Deposits from other commercial customers	2.107.529.726	2.012.864.247
Deposits from non-profit institutions	92.411.825	106.329.995
Deposits from individuals	18.574.090.714	17.001.431.496
Deposits from non residents		
<i>Foreign financial institutions</i>	3.521.608.584	2.938.818.414
<i>Foreign states</i>	29.097.480	29.678.910
<i>Foreign commercial customers</i>	131.288.984	219.188.185
<i>Foreign individuals</i>	1.480.440.051	1.108.859.623
Term deposits	27.447.321.591	24.932.221.190

B 5. ISSUED DEBT SECURITIES

The Bank issued in 2017. bond in amount of 50 million EUR.

B 6. ISSUED SUBORDINATED INSTRUMENTS

On 31 December 2017 long-term funding amounted EUR 1,025 million which is for EUR 166 million lower compared to 31 December 2016. Domestic funding amounted EUR 335 million out of which EUR 285 million relates to funding from Croatian Bank for Reconstruction and Development (CBRD). Funding from the foreign banks amounted EUR 690 million out of which EUR 387 million relates to intra-group funding, EUR 170 million relates to subordinated loans and EUR 133 million relates to supranational funding.

b) Profit and loss Notes

1. INTEREST INCOME	31.12.2016	31.12.2017
Interest on loans and advances to customers	2.477.003.779	2.241.746.652
Interest on amounts due from other banks	4.057.703	2.291.776
Interest income on financial investments	276.886.897	273.156.411
Interest on derivative financial instruments	41.198.316	17.291.371
Interest income on impaired financial assets - loans and advances to customers	95.308.549	68.387.930
Interest on reverse repurchase agreements	13.355.236	14.466.299
Other interest income	2.727.770	6.660.295
	2.910.538.250	2.624.000.734

2. INTEREST EXPENSES	31.12.2016	31.12.2017
Interest on customer deposits	441.936.979	263.540.575
Interest on other borrowed funds	205.482.884	122.742.591
Interest on amounts due to other banks	75.378.172	72.465.155
Interest on subordinated debt	95.368.117	62.144.367
Interest on issued bonds	17.652.989	16.376.219
Interest on derivative financial instruments	3.782.950	6.569.522
Interest on repurchase agreements	2.845.110	880.241
Other interest expense	8.586.728	8.068.073
	851.033.929	552.786.743

4. FEE AND COMMISSION INCOME	31.12.2016	31.12.2017
Payments and money transfers	289.814.145	310.950.675
Bank cards services	412.958.433	432.853.741
Custodial fees	63.966.339	83.358.708
Guarantees and letter of credit	45.074.991	50.464.042
Other fee and commission income	53.563.136	59.671.208
	865.377.044	937.298.374

5. FEE AND COMMISSION EXPENSES	31.12.2016	31.12.2017
Payments and money transfers	36.352.725	38.518.613
Bank cards services	134.366.876	154.707.119
Custodial fees	4.317.430	3.975.449
Guarantees and letter of credit	2.744.210	2.508.672
Other fee and commission expense	24.429.084	22.577.536
	202.210.325	222.287.389

AUDIT AND NON AUDIT FEES	31.12.2016	31.12.2017
Audit fees	3.021.174	4.555.375
Other non audit fees	328.006	50.766
	3.349.180	4.606.141

c) OFF-balance Notes

Izvanbilančne stavke	31.12.2016	31.12.2017
Guarantees	2.462.343.255	2.838.385.232
Letters of credit	140.023.204	135.516.082
Bills of exchange	15.000	15.000
Undrawn credit and loan commitments	5.416.525.182	5.438.573.179
Other risk off-balance items	127.876.075	37.716.048
Futures	0	0
Options	15.413.964	3.329.099
Swap	14.074.173.549	12.242.938.160
Forwards	7.179.097.539	8.900.152.295
Other derivatives	0	0
	29.415.467.768	29.596.625.095

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 and Controlling Division

Krešimir Barić

Rijeka, March 23th 2018

Management Board member

Slađana Jagar



A handwritten signature in blue ink, appearing to read 'Sjagar', located below the name Slađana Jagar.