

**Audited financial statements of Erste&Steiermärkische Bank d.d. for period January 1<sup>st</sup> -  
December 31<sup>st</sup> 2017**

*Content:*

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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
<b>ASSETS</b>				
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
<b>TOTAL ASSETS</b>	<b>57.206</b>	<b>56.119</b>	<b>65.925</b>	<b>65.604</b>
<b>LIABILITIES</b>				
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
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>57.206</b>	<b>56.119</b>	<b>65.925</b>	<b>65.604</b>

## 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)
<b>Net Interest Income</b>	<b>1.656</b>	<b>1.582</b>	<b>2.071</b>	<b>2.060</b>
Fee and commission income	610	560	937	865
Fee and commission expenses	(165)	(150)	(222)	(202)
<b>Net fee and commission Income</b>	<b>445</b>	<b>410</b>	<b>715</b>	<b>663</b>
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)
<b>Pre-tax profit from continuing operations</b>	<b>911</b>	<b>831</b>	<b>640</b>	<b>1.213</b>
Taxes on income	(162)	(204)	(183)	(300)
<b>NET PROFIT OF THE YEAR</b>	<b>649</b>	<b>627</b>	<b>457</b>	<b>913</b>
attributable to non-controlling interests	-	-	(77)	38
<b>ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>649</b>	<b>627</b>	<b>534</b>	<b>875</b>

### For additional information:

Erste&Steiermärkische Bank d.d., 51000 Rijeka, Jadranski trg 3a, [www.erstebank.hr](http://www.erstebank.hr)

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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 & STEIERMARKISCHE BANK DD

Postal code and town of 51000 RIJEKA

Adress: JADRANSKI TRG 3A

E-mail address: ersteinbank@ersteinbank.hr

Internet address: www.ersteinbank.hr

Code and name of 373 RIJEKA

Code and name of county 8 PRIMORSKO GORANSKA Broj zaposlenih: 2.569

(krajem izvještajnog razdoblja)

Consolidated report: NO NKD code: 6419

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

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

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

M.P.  
ERSTE & STEIERMÄRKISCHE  
BANK D.D.  
026 RIJEKA 005

  
(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
<b>ASSETS</b>			
1. CASH AND DEPOSITS WITH Central bank (002+003)	001	6.417.655.291	7.209.582.570
1.1. Cash	002	1.100.978.580	1.366.013.120
1.2. Deposits with Central bank	003	5.316.676.711	5.843.569.450
2. DEPOSITS WITH BANKING INSTITUTIONS	004	592.223.959	631.947.509
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	195.251.486
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	007	7.166.661.281	7.391.928.289
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008	1.114.739.943	1.363.996.757
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	54.702.442
9. LOANS TO FINANCIAL INSTITUTIONS	011	3.048.359.937	2.577.204.155
10. LOANS TO OTHER CUSTOMERS	012	34.931.819.307	35.086.873.250
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	013	1.010.219.287	989.492.155
12. REPOSSESSED ASSETS	014	497.170.374	453.197.351
13. TANGIBLE ASSET (MINUS DEPRECIATION)	015	584.155.935	603.260.347
14. INTEREST, FEES AND OTHER ASSETS	016	679.667.833	648.188.707
<b>A) TOTAL ASSETS (001+004 to 016)</b>	<b>017</b>	<b>56.118.727.346</b>	<b>57.205.625.018</b>
<b>LIABILITIES</b>			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	2.223.679.809	1.327.060.293
1.1. Short-term borrowings	019	783.700.000	157.000.000
1.2. Long-term borrowings	020	1.439.979.809	1.170.060.293
2. DEPOSITS (AOP 022 to 024)	021	41.991.721.083	43.780.312.115
2.1. Deposits of giro and current accounts	022	12.783.231.049	16.975.677.371
2.2. Savings deposits	023	2.657.733.111	2.425.020.362
2.3. Term deposits	024	26.550.756.923	24.379.614.382
3. OTHER BORROWINGS (026+027)	025	2.138.730.372	2.139.151.422
3.1. Short-term borrowings	026	88.878.210	101.003.866
3.2. Long-term borrowings	027	2.049.852.162	2.038.147.556
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	76.441.107	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	996.886.163	1.112.586.127
<b>B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)</b>	<b>035</b>	<b>49.390.171.674</b>	<b>50.063.752.524</b>
<b>EQUITY</b>			
1. SHARE CAPITAL	036	3.500.360.782	3.500.360.782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	037	626.514.008	649.495.381
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	908.311
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE	041	231.091.921	213.466.075
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS	042		
<b>C) TOTAL EQUITY (036 to 042)</b>	<b>043</b>	<b>6.728.555.672</b>	<b>7.141.872.494</b>
<b>D) TOTAL LIABILITIES AND EQUITY (035+043)</b>	<b>044</b>	<b>56.118.727.346</b>	<b>57.205.625.018</b>
<b>SUPPLEMENT TO STATEMENT OF FINANCIAL POSITION (filled out by banks that compose a consolidated financial report)</b>			
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

31.12.2017

in HRK

Name of position	AOP	Prior period	Current period
1	2	3	5
1. Interest income	048	2.314.247.418	2.112.107.258
2. Interest expense	049	732.520.864	455.790.411
<b>3. Net interest income (048-049)</b>	<b>050</b>	<b>1.581.726.554</b>	<b>1.656.316.847</b>
4. Fee and commission income	051	560.511.706	609.667.894
5. Fee and commission expense	052	150.349.149	164.944.674
<b>6. Net fee and commission income (051-052)</b>	<b>053</b>	<b>410.162.557</b>	<b>444.723.220</b>
7. Profit/loss from investments in subsidiaries, associates and joint ventures	054	0	0
8. Profit/loss from trading	055	92.249.108	35.803.110
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	49.931.439	2.849.215
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	30.689.781	24.548.877
16. Profit/loss from foreign currency differences	063	119.889.842	166.400.546
17. Other income	064	211.336.279	184.671.108
18. Other expenses	065	172.956.444	139.140.234
19. General administrative expenses and depreciation	066	993.907.568	1.064.787.095
<b>20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)</b>	<b>067</b>	<b>1.329.121.548</b>	<b>1.311.385.594</b>
21. Expense of value adjustment and loan loss provisions	068	498.944.455	499.656.950
<b>22. PROFIT/LOSS BEFORE TAX (067-068)</b>	<b>069</b>	<b>830.177.093</b>	<b>811.728.644</b>
<b>23. INCOME TAX EXPENSE</b>	<b>070</b>	<b>203.663.085</b>	<b>162.233.263</b>
<b>24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)</b>	<b>071</b>	<b>626.514.008</b>	<b>649.495.381</b>
25. Earnings per share	072	37	38
<b>ANNEX TO INCOME STATEMENT (for the Banks that prepare consolidated financial statements)</b>			
<b>1. PROFIT/LOSS OF THE CURRENT YEAR</b>	<b>073</b>		
<b>2. Assign equity holders of the Bank</b>	<b>074</b>		
<b>3. Non controlling interest (073-074)</b>	<b>075</b>	0	0



**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
<b>OPERATING ACTIVITIES</b>			
<b>1. Cash flow from operating activities before changes of operating asset (002 do 007)</b>	<b>001</b>	<b>-148.413.338</b>	<b>1.298.218.628</b>
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
<b>2. Net increase/(decrease) of operating assets (009 do 016)</b>	<b>008</b>	<b>2.455.996.497</b>	<b>-304.878.609</b>
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
<b>3. Net increase/(decrease) of operating liabilities (018 do 021)</b>	<b>017</b>	<b>-3.170.795.830</b>	<b>1.751.508.120</b>
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
<b>4. Net cash flow from operating activities before income tax (001+008+017)</b>	<b>022</b>	<b>-863.212.671</b>	<b>2.744.848.139</b>
5. (Income tax paid)	023	0	-19.518.278
<b>6. Net inflow/(outflow) of cash from operating activities (022+023)</b>	<b>024</b>	<b>-863.212.671</b>	<b>2.725.329.861</b>
<b>INVESTING ACTIVITIES</b>			
<b>7. Net cash flow from investing activities (026 do 030)</b>	<b>025</b>	<b>-345.636.646</b>	<b>-313.263.429</b>
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
<b>FINANCIAL ACTIVITIES</b>			
<b>8. Net cash flow from financial activities (032 do 037)</b>	<b>031</b>	<b>-338.784.095</b>	<b>-1.424.495.378</b>
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
<b>9. Net increase/(decrease) of cash and cash equivalents (024+025+031)</b>	<b>038</b>	<b>-1.547.633.412</b>	<b>987.571.054</b>
10. Effects of change in foreign exchange rates on cash and cash equivalents	039		
<b>11. Net increase/(decrease) cash and cash equivalents (038+039)</b>	<b>040</b>	<b>-1.547.633.412</b>	<b>987.571.054</b>
<b>12. Cash and cash equivalents at the beginning of the year</b>	<b>041</b>	<b>5.434.528.850</b>	<b>3.886.895.438</b>
<b>13. Cash and cash equivalents at the end of the year (040+041)</b>	<b>042</b>	<b>3.886.895.438</b>	<b>4.874.466.492</b>

**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							
	AOP	Share capital	Treasury shares	Legal, statutory and other reserves	Retained earnings/(loss)	Profit/(loss) for the period	Unrealised profit/(loss) from the basis of value adjustment of financial assets available for sale	Non controlling interest	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								0	
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						1.353.573		1.353.573	
Change of fair value financial asset available for sale	005						-22.848.507		-22.848.507	
Tax on items directly recognised or transferred from capital and reserves	006			-7.380			3.869.088		3.861.708	
Other profit/(loss) directly recognised in capital and reserves	007	0		41.000	0	0	0		41.000	
Net profit/(loss) directly recognised in capital and reserves (004+005+006+007)	008	0	0	33.620	0	0	-17.625.846	0	-17.592.226	
Profit/(loss) for the period	009				0	649.495.381			649.495.381	
Total recognised income and expenses for the period (008+009)	010	0	0	33.620	0	649.495.381	-17.625.846	0	631.903.155	
Increase/(decrease) of share capital	011	0							0	
Buy/sell of treasury shares	012	0							0	
Other changes	013								0	
Transfer to reserves	014				626.514.008	-626.514.008	0		0	
Dividends paid	015				-218.586.333	0			-218.586.333	
Distribution on income (014+015)	016	0	0	0	407.927.675	-626.514.008	0	0	-218.586.333	
Balance at reporting date (003+010+011+012+013+016)	017	3.500.360.782	0	85.829.369	2.692.720.887	649.495.381	213.466.075	0	7.141.872.494	

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

<b>A 9. LOANS TO FINANCIAL INSTITUTIONS</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
Gross Loans	3.056.680.353	2.581.795.674
Less: Allowance for loan impairment	(8.320.416)	(4.591.519)
	<b>3.048.359.937</b>	<b>2.577.204.155</b>

<b>A 10. LOANS TO OTHER CUSTOMERS</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
Companies	12.732.973.577	14.459.482.130
Individuals	15.707.574.431	16.391.040.530
Public sector	9.395.839.967	7.104.973.806
Other institutions	53.729.660	101.046.556
Total gross loans before allowances for impairment	37.890.117.635	38.056.543.022
Less: Allowance for loan impairment	(2.958.298.328)	(2.969.669.772)
	<b>34.931.819.307</b>	<b>35.086.873.250</b>

11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES						
	Ownership Interest 2016	Ownership Interest 2017	Activity	Group's Share of net assets 31.12.2016	31.12.2017	Investment at cost 31.12.2016
<b>Associates</b>						
S Immorent leasing zeta d.o.o. za poslovanje nekretninama	49,00%	49,00%	Real estate business	-	-	-
Erste d.o.o.	45,86%	45,86%	Management company for obligatory pension fund	59.168.968	59.872.996	38.098.985
<b>Total associates:</b>				<b>59.168.968</b>	<b>59.872.996</b>	<b>38.098.985</b>
<b>Subsidiaries not consolidated</b>						
Diners Club BH d.o.o.	100,00%	100,00%	Other financial intermediation	-	2.288.108	-
<b>Total subsidiaries not consolidated:</b>				<b>-</b>	<b>2.288.108</b>	<b>-</b>
<b>Subsidiaries</b>						
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
<b>Direct control:</b>				<b>1.997.296.551</b>	<b>1.792.651.031</b>	<b>972.120.302</b>
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)	-
<b>Indirect control:</b>						
<b>Total:</b>				<b>2.056.465.519</b>	<b>1.854.812.135</b>	<b>1.010.219.287</b>
						<b>989.492.155</b>

#### A 12. REPOSSESSED ASSETS

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

**a) Balance Notes**  
**-LIABILITIES**

<b>B 1. AMOUNTS DUE TO FINANCIAL INSTITUTIONS</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
From banks	1.439.979.809	1.170.060.293
From other banking institutions	783.700.000	157.000.000
	<b>2.223.679.809</b>	<b>1.327.060.293</b>

<b>B 2. DEPOSITS</b>		
<b>B 2.1. Deposits of giro and current accounts</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
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>	71.566.173	196.625.217
<i>Other banking institutions</i>	122.972.545	376.416.935
<i>Non-banking financial institutions</i>	134.476.670	132.066.775
<i>Banks in bankruptcy</i>	-	-
<i>Banks in liquidation</i>	900	6.013.984
Deposits from state commercial customers	207.623.603	168.326.558
Deposits from other commercial customers	5.135.954.069	6.587.723.057
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>	158.102.612	529.136.239
<i>Foreign states</i>	279.692	400.118
<i>Foreign commercial customers</i>	12.490.909	40.759.591
<i>Foreign individuals</i>	107.263.786	129.652.938
<i>Foreign non-profit institutions</i>	933.708	1.039.045
	<b>12.783.231.049</b>	<b>16.975.677.371</b>

<b>B 2.2. Savings deposits</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
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	460.591.186
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>	423.826.732	442.315.334
	<b>2.657.733.111</b>	<b>2.425.020.362</b>

<b>B 2.3. Term deposits</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
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	926.697.500
<i>Banks in bankruptcy</i>	32.880	-
Deposits from state commercial customers	70.691.184	289.224.212
Deposits from other commercial customers	1.883.514.445	1.884.735.130
Deposits from non-profit institutions	92.411.825	106.329.995
Deposits from individuals	18.574.090.714	17.001.431.499
Deposits from non residents		
<i>Foreign financial institutions</i>	3.506.876.409	2.931.010.272
<i>Foreign commercial customers</i>	11.533.309	4.597.354
<i>Foreign individuals</i>	971.475.994	677.238.956
<b>Term deposits</b>	<b>26.550.756.923</b>	<b>24.379.614.382</b>

#### **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

<b>1. INTEREST INCOME</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
Interest on loans and advances to customers	1.923.908.988	1.775.352.302
Interest on amounts due from other banks	2.992.092	2.368.262
Interest income on financial investments	234.863.203	229.398.836
Interest on derivative financial instruments	40.926.409	17.290.832
Interest income on impaired financial assets - loans and advances to customers	92.064.815	65.196.648
Interest on reverse repurchase agreements	16.764.143	15.842.018
Other interest income	2.727.768	6.658.360
	<b>2.314.247.418</b>	<b>2.112.107.258</b>

<b>2. INTEREST EXPENSES</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
Interest on customer deposits	414.941.153	238.678.801
Interest on other borrowed funds	145.901.644	78.780.917
Interest on amounts due to other banks	47.654.211	44.750.077
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	279.221	6.569.522
Interest on repurchase agreements	2.275.192	562.342
Other interest expense	8.448.337	7.928.166
	<b>732.520.864</b>	<b>455.790.411</b>

<b>4. FEE AND COMMISSION INCOME</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
Payments and money transfers	280.709.426	293.069.698
Bank cards services	159.487.170	177.254.725
Custodial fees	60.763.401	81.540.661
Guarantees and letter of credit	40.444.132	44.915.134
Other fee and commission income	19.107.577	12.887.676
	<b>560.511.706</b>	<b>609.667.894</b>

<b>5. FEE AND COMMISSION EXPENSES</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
Payments and money transfers	33.105.004	32.198.843
Bank cards services	106.725.621	123.433.894
Custodial fees	3.916.757	3.404.145
Guarantees and letter of credit	1.514.711	1.401.095
Other fee and commission expense	5.087.056	4.506.697
	<b>150.349.149</b>	<b>164.944.674</b>

<b>AUDIT AND NON AUDIT FEES</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
Audit fees	1.634.394	2.552.582
Other non audit fees	218.252	44.792
	<b>1.852.646</b>	<b>2.597.374</b>

**c) OFF-balance Notes**

<b>Izvanbilančne stavke</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
Guarantees	1.994.133.345	2.434.273.842
Letters of credit	139.688.068	135.516.082
Bills of exchange	0	0
Undrawn credit and loan commitments	3.502.116.038	3.440.290.653
Other risk off-balance items	127.876.075	37.716.048
Futures	0	0
Options	15.413.964	3.329.099
Swap	14.306.385.213	12.896.048.901
Forwards	7.179.097.539	8.900.152.295
Other derivatives	0	0
	<b>27.264.710.242</b>	<b>27.847.326.920</b>



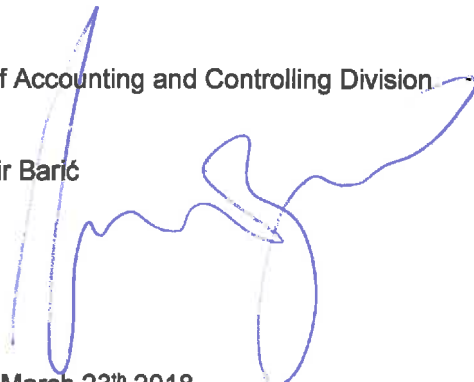
## DECLARATION OF KEY PERSONNEL RESPONSIBLE FOR PREPARATION OF FINANCIAL STATEMENTS

According to our best knowledge:

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

Head of Accounting and Controlling Division

Krešimir Barić



Rijeka, March 23<sup>th</sup> 2018

Management Board member

  
Slađana Jagar

ERSTE & STEIERMÄRKISCHE  
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