

**Unaudited financial statements of Erste&Steiermärkische Bank d.d. for period January 1st –
June 30th 2018**

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Positive operating trends and new loan growth dominant in H1 2018

“We are pleased with our H1 2018 results. Stable operation, new loan growth in both segments, retail and corporate, along with responsible risk policy management, provide a confirmation that we are following the right business model and give us cause for optimism in the remainder of the year”, said Christoph Schoefboeck, Chairman of the Management Board of Erste Bank Croatia, commenting on the business results for H1 2018, and added: “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. Our common goals are success, satisfaction, and prosperity – of our clients and of society in Croatia as a whole.”

IN BRIEF

According to the non-consolidated financial report for Erste Bank Croatia (the Bank), without subsidiaries, net profit in H1 2018 was HRK 505.4 million, up 53.0% from HRK 330.4 million in H1 2017. Lower provision costs in comparison with H1 2017, partly a result of the general positive portfolio trends and the lower NPL share, and partly a result of the fact that provision costs increased in H1 2017 due to the situation of the Agrokor conglomerate and its associate companies, were the main driver of the increase in net profit. At the same time, net income from business before value adjustment and loan loss provisions was up 3.1%, from HRK 608.3 million in H1 2017 to HRK 627.5 million in H1 2018. Net interest income was up 4.0%, from HRK 812.7 million in H1 2017 to HRK 845.1 million in H1 2018, and net fee and commission income maintained a stable trend and amounted to HRK 209.6 million in H1 2018, up 0.6% from HRK 208.3 million in H1 2017.

The bank's total assets on 30/06/2018 were HRK 58.3 billion, up 1.8% from HRK 57.2 billion at 2017YE. As of 30/06/2018, total loans were HRK 36.2 billion, up 3.3% from HRK 35.1 billion at 2017YE. Total deposits as of 30/06/2018 were HRK 44.8 billion, up 2.3% from HRK 43.8 billion at 2017YE.

In H1 2018, the bank continued to record stable trends in the segment of new loans. In the retail segment, which includes micro-companies, new loans grew by around 50%, from around HRK 1.9 billion in H1 2017 to around HRK 2.8 billion in H1 2018. Increase in retail segment was around 52%, from HRK 1.7 billion in H1 2017 to HRK 2.6 billion in H1 2018, and increase in micro-companies segment was around 26%, from HRK 186 million in H1 2017 to HRK 235 million in H1 2018. Positive trends were also recorded in the corporate segment, where new loans were up around 9%, from around HRK 3.7 billion in H1 2017 to around HRK 4.0 billion in H1 2018.

EBC Group's net profit* in H1 2018 was HRK 595.7 million compared to HRK 24.5 million in H1 2017. Increase in net profit is largely due to the substantially lower provision costs compared to the previous year, when provision costs had been impacted by the situation in the Agrokor conglomerate and its associated companies. EBC Group's operating net income before value adjustment and loan loss provisions increased from HRK 764.4 million in H1 2017 to HRK 803.6 million in H1 2018. EBC Group's net fee and commission income increased from HRK 1,028.8 million in H1 2017 to HRK 1,054.7 million in H1 2018. Net fee and commission income was up 3.3%, from HRK 330.8 million in H1 2017 to HRK 341.7 million in H1 2018.

EBC Group's total assets on 30/06/2018 were HRK 67.1 billion and were up 1.7% from HRK 65.9 billion at 2017YE. Total loans as of 30/06/2018 were HRK 43.1 billion, up 2.8% from HRK 42.0 billion at 2017YE. EBC Group's total deposits on 30/06/2018 were HRK 46.7 billion and were up 2.4% from HRK 45.6 billion at 2017YE.

OUTLOOK

"The Croatian banking system is stable and the banks continue to have the capacity and the opportunity to adequately support positive initiatives and sound projects in the private sector, which should be the driver of healthy economic growth and new job generation, ensuring long-term stability. This year, economic trends are expected to remain beneficial for growth and, hopefully, for maintaining the fiscal discipline. However, the need remains to reinforce the efforts in conducting structural reforms in order to raise the potential growth rate, increase resilience to possible global shocks, and set a sustainable course for the positive trends. It is also important to find a political and economic response to the demographic challenges and the growing emigration trend", Schoefboeck underlined.

"The clear message that introduction of the euro is a strategic goal sends a positive signal. Reduction of foreign exchange risk and access to euro area financial stability mechanisms will further increase financial stability in Croatia. In terms of challenges, legal and political stability remain the fundamental prerequisites of continued recovery. Investment security should be built, and initiatives that could undermine it by changing the rules of the game as we go should be avoided. Banking is the bloodstream of any economy, and only a stable blood count can help improve the quality of its functioning", concluded Schoefboeck.

EBC Group's consolidated financial statement includes the following subsidiaries in addition to Erste & Steiermärkische Bank d.d.: Erste Nekretnine d.o.o., Erste & Steiermärkische S-Leasing d.o.o., Erste Bank a.d., Podgorica, Erste Card Club group, Erste Factoring d.o.o., Erste Group IT HR d.o.o. and Izbor Nekretnina d.o.o.

Related party

| In HRK mio | ESB GROUP | | | BANK | | |
|-------------|------------|-------------|----------|------------|-------------|----------|
| | 30.6.2018. | 31.12.2017. | % change | 30.6.2018. | 31.12.2017. | % change |
| ASSET | 1.356 | 2.234 | (39,3%) | 1.768 | 2.569 | (31,2%) |
| LIABILITIES | 9.902 | 9.687 | 2,2% | 6.527 | 6.016 | 8,5% |
| | 30.6.2018. | 30.6.2017. | % change | 30.6.2018. | 30.6.2017. | % change |
| REVENUES | 86 | 202 | (57,4%) | 108 | 228 | (52,6%) |
| EXPENSES | 162 | 138 | 17,4% | 163 | 127 | 28,3% |

Risk management

Risk management is a set of procedures and methods established for identifying, measuring, assessing, controlling and monitoring of risks, including reporting of risks to which the credit institution is or might be exposed in its operations. The Bank is obliged to regularly measure and assess the risks identified in its business. Methods of measuring and assessing risk must include appropriate quantitative and/or qualitative measurement methods and risk assessment that will enable the observation of changes in Bank's risk profile, including the emergence of new risks.

The most significant risks that affect Bank's business operations are credit, market, operational and liquidity risk.

Credit risk is the risk of potential loss due to a debtor's non-payment of obligations towards the Bank, and it arises from the possibility that the Bank's credit claims and related fees and interest will not be repaid in the foreseen amount and timeframe. The Bank identifies, measures, follows up on, controls, i.e. actively manages the credit risk as one of the most important risks and determines existence of appropriate capital level for covering of such risks. Risks related to credit risk are: default risk, migration risk, counterparty credit risk, settlement risk, equity risk, free delivery risk, currency induced credit risk, residual risk, country and political risk, and dilution risk.

Market risks represent the risk of loss in open position stemming from the change in the movements of the market prices and rates (including interest rates, equity prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility. In this sense, market risk include: position risk,, interest rate risk, currency risk, commodity risk, credit spread risk, equity/price risk and volatility risk.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including in particular legal, regulatory, compliance, outsourcing, staff, security, fraud, vendor, execution and processing and financial statement risk.

Liquidity risk is a risk of loss stemming from an existing or expected inability of a credit institution to settle its monetary obligations upon maturity. Liquidity risk arises from maturity mismatch between assets and liabilities. Liquidity risk contains (i) funding liquidity risk which is then divided into insolvency risk and structural liquidity risk and (ii) market liquidity risk.

Except above mentioned risks the Bank manages and all other risk that could affect their business operations such as: risk concentrations, business/strategic risk, systemic risk, management risk etc.

Addendum 3.

Period of reporting:

1.1.2018

do

30.6.2018

Three-month financial report for credit institutions - TFI-KI

Identification number (MB): 03337367

Identification number of the 040001037

Personal identification number (OIB): 23057039320

Name of the issuer: ERSTE & STEIERMARKISCHE BANK DD

Postal code and town of 51000 RIJEKA

Address: JADRANSKI TRG 3A

E-mail address: erstebank@erstebank.hrInternet address: www.erstebank.hr

Code and name of 373 RIJEKA

Code and name of county 8 PRIMORSKO GORANSKA

Broj zaposlenih: 2.616

(krajem izvještajnog razdoblja)

Consolidated report: NO

Šifra NKD-a: 6419

Names of subjects of consolidation (according to MSFI):

Headquarters:

MB:

Bookkeeping service:

Contact person: ANDREJA BERIŠIĆ

Phone number: 072 37 1778

Telefaks: 072 37 1942

E-mail address: arajic@erstebank.hr

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.


 (signature of person authorized for representing company)

ERSTE & STEIERMARKISCHE BANK DD
 RIJEKA
 025



STATEMENT OF FINANCIAL POSITION

as of

30.6.2018

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 | 7,209,582,570 | 7,192,532,429 |
| 1.1. Cash | 002 | 1,366,013,120 | 1,686,810,620 |
| 1.2. Deposits with Central bank | 003 | 5,843,569,450 | 5,505,721,809 |
| 2. DEPOSITS WITH BANKING INSTITUTIONS | 004 | 631,947,509 | 385,129,424 |
| 3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK | 005 | 730,758,448 | 799,629,210 |
| 4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING | 006 | 195,251,486 | 191,696,320 |
| 5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE | 007 | 6,661,169,841 | 7,278,415,033 |
| 6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY | 008 | 1,363,996,757 | 1,243,971,005 |
| 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 | 54,702,442 | 71,364,037 |
| 9. LOANS TO FINANCIAL INSTITUTIONS | 011 | 2,577,204,155 | 2,017,607,113 |
| 10. LOANS TO OTHER CUSTOMERS | 012 | 35,086,873,250 | 36,240,780,690 |
| 11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES | 013 | 989,492,155 | 989,492,155 |
| 12. REPOSSESSED ASSETS | 014 | 453,197,351 | 457,324,769 |
| 13. TANGIBLE ASSET (MINUS DEPRECIATION) | 015 | 603,260,347 | 639,361,587 |
| 14. INTEREST, FEES AND OTHER ASSETS | 016 | 648,188,707 | 750,960,852 |
| A) TOTAL ASSETS (001+004 to 016) | 017 | 57,205,625,018 | 58,258,264,624 |
| LIABILITIES | | | |
| 1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020) | 018 | 1,327,060,293 | 1,339,951,030 |
| 1.1. Short-term borrowings | 019 | 157,000,000 | 189,590,384 |
| 1.2. Long-term borrowings | 020 | 1,170,060,293 | 1,150,360,646 |
| 2. DEPOSITS (AOP 022 to 024) | 021 | 43,780,312,115 | 44,794,489,590 |
| 2.1. Deposits of giro and current accounts | 022 | 16,975,677,371 | 18,838,969,949 |
| 2.2. Savings deposits | 023 | 2,425,020,362 | 2,400,189,084 |
| 2.3. Term deposits | 024 | 24,379,614,382 | 23,555,330,557 |
| 3. OTHER BORROWINGS (026+027) | 025 | 2,139,151,422 | 2,031,198,814 |
| 3.1. Short-term borrowings | 026 | 101,003,866 | 89,112,303 |
| 3.2. Long-term borrowings | 027 | 2,038,147,556 | 1,962,086,511 |
| 4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING | 028 | 51,640,007 | 59,885,619 |
| 5. ISSUED DEBT SECURITIES (030+031) | 029 | 375,682,400 | 368,978,850 |
| 5.1. Short-term issued debt instruments | 030 | 0 | 0 |
| 5.2. Long-term issued debt instruments | 031 | 375,682,400 | 368,978,850 |
| 6. ISSUED SUBORDINATED INSTRUMENTS | 032 | 1,277,320,160 | 1,254,528,090 |
| 7. ISSUED HYBRID INSTRUMENTS | 033 | 0 | 0 |
| 8. INTEREST, FEES AND OTHER LIABILITIES | 034 | 1,112,586,127 | 944,135,781 |
| B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034) | 035 | 50,063,752,524 | 50,793,167,774 |
| EQUITY | | | |
| 1. SHARE CAPITAL | 036 | 3,500,360,782 | 3,500,360,782 |
| 2. PROFIT/(LOSS) OF THE CURRENT YEAR | 037 | 649,495,381 | 505,405,596 |
| 3. RETAINED PROFIT/(LOSS) | 038 | 2,692,720,887 | 3,153,698,570 |
| 4. LEGAL RESERVES | 039 | 84,921,058 | 84,921,058 |
| 5. STATUTORY AND OTHER CAPITAL RESERVES | 040 | 908,311 | 908,311 |
| 6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE | 041 | 213,466,075 | 219,802,533 |
| 7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS | 042 | 0 | 0 |
| C) TOTAL EQUITY (036 to 042) | 043 | 7,141,872,494 | 7,465,096,850 |
| D) TOTAL LIABILITIES AND EQUITY (035+043) | 044 | 57,205,625,018 | 58,258,264,624 |
| 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 | | |

Certain prior period positions are reclassified for comparability to current period

INCOME STATEMENT

for period from **1.1.2018** to **30.6.2018**

in HRK

| Name of position | AOP | Prior period | | Current period | |
|---|------------|--------------------|--------------------|--------------------|--------------------|
| | | Cumulative | Quarterly diff. | Cumulative | Quarterly diff. |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1. Interest income | 048 | 1,064,508,122 | 528,126,380 | 1,008,880,768 | 507,717,754 |
| 2. Interest expense | 049 | 251,791,343 | 119,855,455 | 163,739,398 | 76,319,089 |
| 3. Net interest income (048-049) | 050 | 812,716,779 | 408,270,925 | 845,141,370 | 431,398,665 |
| 4. Fee and commission income | 051 | 276,689,861 | 141,935,815 | 286,942,121 | 158,458,908 |
| 5. Fee and commission expense | 052 | 68,363,165 | 38,244,875 | 77,328,340 | 43,381,950 |
| 6. Net fee and commission income (051-052) | 053 | 208,326,696 | 103,690,940 | 209,613,781 | 115,076,958 |
| 7. Profit/loss from investments in subsidiaries, associates and joint ventures | 054 | 0 | 0 | 0 | 0 |
| 8. Profit/loss from trading | 055 | 17,102,827 | 7,554,272 | 13,586,437 | 6,342,938 |
| 9. Profit/loss from embedded derivatives | 056 | 0 | 0 | 0 | 0 |
| 10. Profit/loss from asset not actively traded measured at fair value through profit or loss | 057 | 0 | 0 | 2,701,724 | 2,801,430 |
| 11. Profit/loss from asset available for sale | 058 | 2,727 | 0 | 13,767,636 | 13,767,636 |
| 12. Profit/loss from asset held to maturity | 059 | 0 | 0 | 0 | 0 |
| 13. Profit/loss from hedging | 060 | 0 | 0 | 0 | 0 |
| 14. Income from investments in subsidiaries, associates and joint ventures | 061 | 0 | 0 | 0 | 0 |
| 15. Income from other ownership investments | 062 | 13,646,129 | 13,480,539 | 9,533,552 | 8,936,127 |
| 16. Profit/loss from foreign currency differences | 063 | 79,050,576 | 43,190,372 | 90,124,310 | 43,950,457 |
| 17. Other income | 064 | 85,290,702 | 44,825,430 | 62,235,005 | 29,966,737 |
| 18. Other expenses | 065 | 103,276,054 | 26,710,338 | 85,307,138 | 25,374,452 |
| 19. General administrative expenses and depreciation | 066 | 504,544,857 | 263,028,186 | 533,926,349 | 273,352,177 |
| 20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066) | 067 | 608,315,525 | 331,273,954 | 627,470,328 | 353,514,319 |
| 21. Expense of value adjustment and loan loss provisions | 068 | 195,808,606 | 89,905,865 | 5,363,134 | -32,758,536 |
| 22. PROFIT/LOSS BEFORE TAX (067-068) | 069 | 412,506,919 | 241,368,089 | 622,107,194 | 386,272,855 |
| 23. INCOME TAX EXPENSE | 070 | 82,087,365 | 47,959,615 | 116,701,598 | 75,362,043 |
| 24. PROFIT/LOSS OF THE CURRENT YEAR (069-070) | 071 | 330,419,554 | 193,408,474 | 505,405,596 | 310,910,812 |
| 25. Earnings per share | 072 | 19 | | 30 | |
| 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 | | | | |

Certain prior period positions are reclassified for comparability to current period

CASH FLOW STATEMENT - indirect method

for period from 1.1.2018 to 30.6.2018 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 | 443,852,124 | 369,530,141 |
| 1.1. Profit/(loss) before income tax | 002 | 412,508,920 | 622,107,194 |
| 1.2. Allowances and loss provisions | 003 | 29,421,513 | -284,962,459 |
| 1.3. Depreciation | 004 | 27,528,232 | 35,826,458 |
| 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 | -25,604,541 | -3,441,052 |
| 1.6. Other profit/(losses) | 007 | 0 | 0 |
| 2. Net increase/(decrease) of operating assets (009 do 016) | 008 | -34,812,200 | -1,182,209,251 |
| 2.1. Deposits with Central bank | 009 | 22,348,602 | 52,953,252 |
| 2.2. Treasury bills of Ministry of Finance and CB bills | 010 | -728,935,496 | -218,472,362 |
| 2.3. Deposits with banks and loans to financial institutions | 011 | 753,846,822 | 385,146,370 |
| 2.4. Loans to other customers | 012 | -451,820,287 | -955,967,535 |
| 2.5. Securities and other financial instruments held for trading | 013 | -184,967,997 | 3,551,083 |
| 2.6. Securities and other financial instruments available for sale | 014 | 637,670,794 | -355,796,547 |
| 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 | -82,954,638 | -93,623,512 |
| 3. Net increase/(decrease) of operating liabilities (018 do 021) | 017 | 1,054,800,323 | 976,894,555 |
| 3.1. Demand deposits | 018 | 2,195,990,567 | 1,863,292,578 |
| 3.2. Savings and term deposits | 019 | -1,124,804,540 | -849,116,209 |
| 3.3. Financial derivative liabilities and other liabilities actively traded | 020 | 15,447,685 | 8,245,613 |
| 3.4. Other liabilities | 021 | -32,033,389 | -45,527,427 |
| 4. Net cash flow from operating activities before income tax (001+008+017) | 022 | 1,463,840,247 | 164,215,445 |
| 5. (Income tax paid) | 023 | | -167,893,465 |
| 6. Net inflow/(outflow) of cash from operating activities (022+023) | 024 | 1,463,840,247 | -3,678,020 |
| INVESTING ACTIVITIES | | | |
| 7. Net cash flow from investing activities (026 do 030) | 025 | 11,701,977 | -228,765,222 |
| 7.1. Receipt from sale/(payment for buying) tangible and intangible assets | 026 | -7,379,647 | -74,899,551 |
| 7.2. Receipt from sale/(payment for buying) Investments in subsidiaries, associates and joint ventures | 027 | 0 | 0 |
| 7.3. Receipt from sale/(payment for buying) securities and other financial instruments held to maturity | 028 | 36,792,184 | -153,865,671 |
| 7.4. Dividend income | 029 | 0 | 0 |
| 7.5. Other receipts/(payments) from investing activities | 030 | -17,710,560 | 0 |
| FINANCIAL ACTIVITIES | | | |
| 8. Net cash flow from financial activities (032 do 037) | 031 | -279,935,836 | -284,718,261 |
| 8.1. Net increase/(decrease) of borrowings | 032 | -246,684,596 | -95,061,871 |
| 8.2. Net increase/(decrease) issued debt securities | 033 | 0 | -6,703,550 |
| 8.3. Net increase/(decrease) subordinated and hybrid instruments | 034 | -33,251,240 | -22,792,070 |
| 8.4. Receipts from transmitted share capital | 035 | 0 | 0 |
| 8.5. (Dividends paid) | 036 | 0 | -180,160,770 |
| 8.6. Other receipts/(payments) from financial activities | 037 | 0 | 0 |
| 9. Net increase/(decrease) of cash and cash equivalents (024+025+031) | 038 | 1,195,606,388 | -517,161,503 |
| 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 | 1,195,606,388 | -517,161,503 |
| 12. Cash and cash equivalents at the beginning of the year | 041 | 3,886,895,438 | 4,874,466,492 |
| 13. Cash and cash equivalents at the end of the year (040+041) | 042 | 5,082,501,826 | 4,357,304,989 |

Certain prior period positions are reclassified for comparability to current period

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| Name of position | for period | | Attributable to the equity holders of the Bank | | | | | | in HRK | |
|---|------------|---------------|--|-----------------|-------------------------------------|--------------------------|------------------------------|--|--------------------------|----------------------------|
| | 1.1.2018 | 30.6.2018 | 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 | | 85,829,369 | 2,692,720,887 | 649,495,381 | 213,466,075 | | 7,141,872,494 | |
| Changes in accounting policies and corrections of mistakes | 002 | | | | -28,356,928 | | 21,678,140 | | -6,678,788 | |
| Corrected balance as at 1 January (1+2) | 003 | 3,500,360,782 | 0 | 85,829,369 | 2,664,363,959 | 649,495,381 | 235,144,215 | 0 | 7,135,193,706 | |
| Sale of financial assets available for sale | 004 | | | | | | -13,767,636 | | -13,767,636 | |
| Change of fair value financial asset available for sale | 005 | | | | | | -3,996,043 | | -3,996,043 | |
| Tax on items directly recognised or transferred from capital and reserves | 006 | | | | | | 2,421,997 | | 2,421,997 | |
| Other profit/(loss) directly recognised in capital and reserves | 007 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Net profit/(loss) directly recognised in capital and reserves (004+005+006+007) | 008 | 0 | 0 | 0 | 0 | 0 | -15,341,682 | 0 | -15,341,682 | |
| Profit/(loss) for the period | 009 | | | | | 505,405,596 | | | 505,405,596 | |
| Total recognised income and expenses for the period (008+009) | 010 | 0 | 0 | 0 | 0 | 505,405,596 | -15,341,682 | 0 | 490,063,914 | |
| Increase/(decrease) of share capital | 011 | 0 | 0 | | | | | | 0 | |
| Buy/sell of treasury shares | 012 | 0 | | | | | | | 0 | |
| Other changes | 013 | | | | | | | | 0 | |
| Transfer to reserves | 014 | | | | 649,495,381 | -649,495,381 | 0 | | 0 | |
| Dividends paid | 015 | | | | -160,160,770 | 0 | | | -160,160,770 | |
| Distribution on income (014+015) | 016 | 0 | 0 | 0 | 489,334,611 | -649,495,381 | 0 | 0 | -160,160,770 | |
| Balance at reporting date (003+010+011+012+013+016) | 017 | 3,500,360,782 | 0 | 85,829,369 | 3,153,698,570 | 505,405,596 | 219,802,533 | 0 | 7,465,096,850 | |

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

*Effects of mandatory IFRS 9 Financial Instruments implementation are presented in Changes in accounting policies and corrections of mistakes position

Notes to financial statements

a) Balance Notes

-ASSETS

| A 9. LOANS TO FINANCIAL INSTITUTIONS | 31.12.2017 | 30.6.2018 |
|---|----------------------|----------------------|
| Gross Loans | 2,581,795,674 | 2,037,653,710 |
| Less: Allowance for loan impairment | (4,591,519) | (20,046,597) |
| | 2,577,204,155 | 2,017,607,113 |

| A 10. LOANS TO OTHER CUSTOMERS | 31.12.2017 | 30.6.2018 |
|--|-----------------------|-----------------------|
| Companies | 14,459,482,130 | 15,418,799,018 |
| Individuals | 16,391,040,530 | 17,083,823,425 |
| Public sector | 7,104,973,806 | 6,063,145,758 |
| Other institutions | 101,046,556 | 378,689,292 |
| Total gross loans before allowances for impairment | 38,056,543,022 | 38,944,457,493 |
| Less: Allowance for loan impairment | (2,969,669,772) | (2,703,676,803) |
| | 35,086,873,250 | 36,240,780,690 |

| 11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES | | | | | | |
|--|--------------------|--------------------|--|-----------------------------|----------------------|--------------------|
| | Ownership interest | Ownership interest | Activity | Group's Share of net assets | | Investment at cost |
| | 2017 | 2018 | | 31.12.2017 | 30.6.2018 | |
| Associates | | | | | | |
| S Immorent leasing zeta d.o.o. za poslovanje nekretninama | 49.00% | 49.00% | Real estate business | - | - | - |
| Erste d.o.o | 45.86% | 45.86% | Management company for obligatory pension fund | 59,872,996 | 64,660,310 | 38,098,985 |
| Total associates: | | | | 59,872,996 | 64,660,310 | 38,098,985 |
| Subsidiaries not consolidated | | | | | | |
| Diners Club BH d.o.o. | 100.00% | 100.00% | Other financial intermediation | 2,288,108 | 2,288,108 | - |
| Total subsidiaries not consolidated: | | | | 2,288,108 | 2,288,108 | - |
| | | | | 62,161,104 | 66,948,418 | 38,098,985 |
| Subsidiaries | | | | | | |
| Erste nekretnine d.o.o. | 100.00% | 100.00% | Real estate business | 5,414,221 | 6,367,764 | 800,180 |
| Erste Factoring d.o.o. | 74.996% | 74.996% | Accounts Receivables repurchase | 22,886,471 | -57,486,016 | 16,930,868 |
| Erste Card Club d.d. | 100.00% | 100.00% | Financial intermediation and services | 906,801,123 | 990,485,981 | 702,717,069 |
| Erste & Steiermärkische S-Leasing, d.o.o. | 50.00% | 50.00% | Financial and operative leasing | 298,725,061 | 328,032,296 | 88,860,659 |
| Erste bank a.d., Podgorica | 100.00% | 100.00% | Credit institution | 511,836,099 | 531,497,779 | 100,396,379 |
| Erste group IT HR d.o.o. | 80.00% | 80.00% | IT engineering | 6,631,930 | 7,748,085 | 2,002,000 |
| Izbor Nekretnina d.o.o. | 100.00% | 100.00% | For services | 40,356,126 | 40,146,274 | 39,686,015 |
| Direct control: | | | | 1,792,651,031 | 1,846,792,163 | 951,393,170 |
| Erste Card d.o.o. Slovenia | 100.00% | 100.00% | Financial intermediation and services | 18,464,961 | 18,011,866 | 23,562,680 |
| DC Makedonija d.o.o. | 100.00% | 100.00% | Financial intermediation and services | -3,857,028 | 9,856,758 | 7,278,218 |
| Indirect control: | | | | 14,607,933 | 27,868,624 | 30,840,898 |
| Total: | | | | 1,854,812,135 | 1,913,740,581 | 989,492,155 |

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 1. AMOUNTS DUE TO FINANCIAL INSTITUTIONS | 31.12.2017 | 30.6.2018 |
|---|----------------------|----------------------|
| From banks | 1,170,060,293 | 1,150,360,646 |
| From other banking institutions | 157,000,000 | 189,590,384 |
| | 1,327,060,293 | 1,339,951,030 |

| B 2. DEPOSITS | | |
|---|-----------------------|-----------------------|
| B 2.1. Deposits of giro and current accounts | 31.12.2017 | 30.6.2018 |
| Deposits from public sector | | |
| <i>Republic of Croatia</i> | 136,051,563 | 309,190,597 |
| <i>Republic funds</i> | 31,388,861 | 149,761,271 |
| <i>Local government</i> | 231,972,892 | 293,512,731 |
| Deposits from financial institutions | | |
| <i>Banks</i> | 196,625,217 | 74,608,156 |
| <i>Other banking institutions</i> | 376,416,935 | 210,564,935 |
| <i>Non-banking financial institutions</i> | 132,066,775 | 228,832,476 |
| <i>Banks in liquidation</i> | 6,013,984 | 75,082,096 |
| Deposits from state commercial customers | 168,326,558 | 578,165,370 |
| Deposits from other commercial customers | 6,587,723,057 | 6,909,228,405 |
| Deposits from non-profit institutions | 284,585,691 | 256,645,021 |
| Deposits from individuals | 8,123,517,907 | 9,329,061,976 |
| Deposits from non residents | | |
| <i>Foreign financial institutions</i> | 529,136,239 | 242,342,980 |
| <i>Foreign states</i> | 400,118 | 478,373 |
| <i>Foreign commercial customers</i> | 40,759,591 | 26,987,370 |
| <i>Foreign individuals</i> | 129,652,938 | 153,734,654 |
| <i>Foreign non-profit institutions</i> | 1,039,045 | 773,538 |
| | 16,975,677,371 | 18,838,969,949 |

| B 2.2. Savings deposits | 31.12.2017 | 30.6.2018 |
|---|----------------------|----------------------|
| Deposits from public sector | | |
| <i>Republic of Croatia</i> | 435,697 | 6 |
| <i>Local government</i> | 31,396 | - |
| Deposits from financial institutions | | |
| <i>Banks</i> | 3,187 | 2,114 |
| <i>Other banking institutions</i> | 339,588,422 | 290,069,033 |
| <i>Non-banking financial institutions</i> | 6,430,363 | 2,949,567 |
| Deposits from state commercial customers | 11,071,874 | 2,346,668 |
| Deposits from other commercial customers | 460,591,186 | 387,994,296 |
| Deposits from non-profit institutions | 3,118,322 | 2,889,776 |
| Deposits from individuals | 1,161,434,581 | 1,233,801,112 |
| Deposits from non residents | | |
| <i>Other non residents</i> | 442,315,334 | 480,136,512 |
| | 2,425,020,362 | 2,400,189,084 |

| B 2.3. Term deposits | 31.12.2017 | 30.6.2018 |
|--|-----------------------|-----------------------|
| Deposits from public sector | | |
| <i>Republic of Croatia</i> | 93,463,088 | 47,240,090 |
| <i>Local government</i> | 6,270,503 | 17,738,131 |
| Deposits from financial institutions | | |
| <i>Banks</i> | 114,944,771 | 79,153,233 |
| <i>Other banking institutions</i> | 343,671,102 | 770,613,912 |
| <i>Non-banking financial institution</i> | 926,697,500 | 824,591,021 |
| <i>Banks in bankruptcy</i> | - | - |
| Deposits from state commercial customers | 289,224,212 | 156,162,975 |
| Deposits from other commercial customers | 1,884,735,130 | 1,649,860,969 |
| Deposits from non-profit institutions | 106,329,995 | 117,866,122 |
| Deposits from individuals | 17,001,431,499 | 16,013,235,826 |
| Deposits from non residents | | |
| <i>Foreign financial institutions</i> | 2,931,010,272 | 3,285,240,059 |
| <i>Foreign commercial customers</i> | 4,597,354 | 1,000,000 |
| <i>Foreign individuals</i> | 677,238,956 | 592,628,219 |
| Term deposits | 24,379,614,382 | 23,555,330,557 |

b) Profit and loss Notes

| 1. INTEREST INCOME | 30.6.2017 | 30.6.2018 |
|--|----------------------|----------------------|
| Interest on loans and advances to customers | 893,100,082 | 849,688,117 |
| Interest on amounts due from other banks | 1,436,128 | 813,318 |
| Interest income on financial investments | 114,875,059 | 107,889,699 |
| Interest on derivative financial instruments | 9,010,127 | 93,889 |
| Interest income on impaired financial assets - loans and advances to customers | 33,886,532 | 39,488,078 |
| Interest on reverse repurchase agreements | 8,135,905 | 6,801,206 |
| Other interest income | 4,064,289 | 4,106,461 |
| | 1,064,508,122 | 1,008,880,768 |

| 2. INTEREST EXPENSES | 30.6.2017 | 30.6.2018 |
|--|--------------------|--------------------|
| Interest on customer deposits | 132,850,565 | 81,415,204 |
| Interest on other borrowed funds | 42,584,476 | 27,894,475 |
| Interest on amounts due to other banks | 22,136,775 | 17,425,981 |
| Interest on subordinated debt | 39,085,452 | 22,267,064 |
| Interest on issued bonds | 8,791,149 | 3,350,962 |
| Interest on derivative financial instruments | 2,403,293 | 561,138 |
| Interest on repurchase agreements | 330,615 | 2,195,566 |
| Other interest expense | 3,609,018 | 8,629,008 |
| | 251,791,343 | 163,739,398 |

| 4. FEE AND COMMISSION INCOME | 30.6.2017 | 30.6.2018 |
|-------------------------------------|--------------------|--------------------|
| Payments and money transfers | 141,277,845 | 147,509,317 |
| Bank cards services | 67,084,280 | 77,926,927 |
| Custodial fees | 39,904,603 | 34,367,172 |
| Guarantees and letter of credit | 22,465,203 | 20,908,980 |
| Other fee and commission income | 5,957,930 | 6,229,725 |
| | 276,689,861 | 286,942,121 |

| 5. FEE AND COMMISSION EXPENSES | 30.6.2017 | 30.6.2018 |
|---------------------------------------|-------------------|-------------------|
| Payments and money transfers | 16,188,326 | 14,534,160 |
| Bank cards services | 47,650,277 | 57,750,305 |
| Custodial fees | 1,780,866 | 1,869,367 |
| Guarantees and letter of credit | 727,354 | 905,207 |
| Other fee and commission expense | 2,016,342 | 2,269,301 |
| | 68,363,165 | 77,328,340 |

c) OFF-balance Notes

| Izvanbilančne stavke | 31.12.2017 | 30.6.2018 |
|-------------------------------------|-----------------------|-----------------------|
| Guarantees | 2,434,273,842 | 2,594,467,861 |
| Letters of credit | 135,516,082 | 174,827,760 |
| Undrawn credit and loan commitments | 3,440,290,653 | 3,468,662,960 |
| Other risk off-balance items | 37,716,048 | 89,526,242 |
| Options | 3,329,099 | 3,768,040 |
| Swap | 12,896,048,901 | 13,665,083,337 |
| Forwards | 8,900,152,295 | 7,443,056,002 |
| | 27,847,326,920 | 27,439,392,202 |

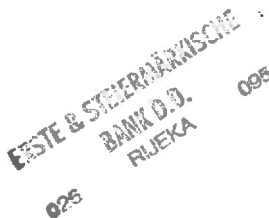
DECLARATION OF KEY PERSONNEL RESPONSIBLE FOR PREPARATION OF FINANCIAL STATEMENTS

According to our best knowledge:

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

Management Board member


Slađana Jagar



Management Board member

Zdenko Matak



Rijeka, July 31st 2018