

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

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

### IN BRIEF

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

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

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

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

EBC Group's total assets at the end of June 2017 amounted to HRK 66.2 billion and were up by 0.9% compared to the end of December 2016, when they had amounted to HRK 65.6 billion. Total loans as of 30/06/2017 amounted to HRK 42.3 billion, 1.1% less compared to HRK 42.8 billion as of 31/12/2016. Total deposits of EBC Group at the end of June 2017 amounted to HRK 44.6 billion and were 1.6% higher compared to 31/12/2016, when they amounted to HRK 43.9 billion.

## **OUTLOOK**

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

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

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

## 1. Balance sheet as of 30/06/2017 – Group (in HRK)

Line item name	Prior period	Current period
<b>ASSETS</b>		
1. CASH AND DEPOSITS WITH CENTRAL BANK (002+003)	6,970,854,306	7,838,802,391
1.1.Cash	1,215,504,369	1,512,856,818
1.2.Deposits with Central bank	5,755,349,937	6,325,945,573
2. DEPOSITS WITH BANKING INSTITUTIONS	691,211,314	974,184,056
3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK	327,247,545	298,488,318
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	4,513	184,967,997
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	7,737,786,845	7,870,619,031
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	1,284,912,632	1,236,955,140
7. SECURITIES AND OTHER FINANCIAL INSTRUMENTS NOT ACTIVELY TRADED, MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS	0	0
8. DERIVATIVE FINANCIAL ASSETS	72,965,576	103,727,155
9. LOANS TO FINANCIAL INSTITUTIONS	2,489,807,174	1,971,633,909
10. LOANS TO OTHER CUSTOMERS	42,818,979,042	42,328,731,747
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	59,168,968	80,863,686
12. REPOSSESSED ASSETS	506,359,451	498,892,076
13. TANGIBLE ASSETS (MINUS DEPRECIATION)	1,367,667,984	1,340,755,623
14. INTEREST, FEES AND OTHER ASSETS	1,277,180,790	1,483,352,940
<b>A) TOTAL ASSETS (001+004 to 016)</b>	<b>65,604,146,140</b>	<b>66,211,974,069</b>
<b>LIABILITIES</b>		
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	7,564,558,411	7,368,650,897
1.1. Short-term borrowings	4,571,666,365	3,961,136,542
1.2. Long-term borrowings	2,992,892,046	3,407,514,355
2. DEPOSITS (AOP 022 to 024)	43,890,848,388	44,590,598,332
2.1. Deposits of giro and current accounts	13,611,901,885	15,500,744,593
2.2. Savings deposits	2,831,624,912	2,395,720,743
2.3. Term deposits	27,447,321,591	26,694,132,996
3. OTHER BORROWINGS (026+027)	2,328,788,687	2,346,099,956
3.1. Short-term borrowings	88,878,210	109,190,173
3.2. Long-term borrowings	2,239,910,477	2,236,909,783
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	77,365,756	91,888,792
5. ISSUED DEBT SECURITIES (030+031)	300,000,000	300,000,000
5.1. Short-term issued debt instruments	0	0
5.2. Long-term issued debt instruments	300,000,000	300,000,000
6. ISSUED SUBORDINATED INSTRUMENTS	1,662,713,140	1,629,461,900
7. ISSUED HYBRID INSTRUMENTS	0	0
8. INTEREST, FEES AND OTHER LIABILITIES	1,791,795,684	2,124,510,310
<b>B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)</b>	<b>57,616,070,066</b>	<b>58,451,210,187</b>
<b>EQUITY</b>		
1. SHARE CAPITAL	3,500,360,782	3,500,360,782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	912,660,731	24,501,146
3. RETAINED PROFIT/(LOSS)	3,227,501,197	3,921,578,277
4. LEGAL RESERVES	84,921,058	84,921,058
5. STATUTORY AND OTHER CAPITAL RESERVES	-3,289,686	-12,667,354
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE	265,921,992	242,069,973
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS		
<b>C) TOTAL EQUITY (036 to 042)</b>	<b>7,988,076,074</b>	<b>7,760,763,882</b>
<b>D) TOTAL LIABILITIES AND EQUITY (035+043)</b>	<b>65,604,146,140</b>	<b>66,211,974,069</b>
<b>SUPPLEMENT TO STATEMENT OF FINANCIAL POSITION (filled out by banks that compose a consolidated financial report)</b>		
<b>1. TOTAL EQUITY</b>	<b>7,988,076,074</b>	<b>7,760,763,882</b>
2. Attributed to equity holders of the parent	7,753,267,168	7,599,594,040
3. Non-controlling interest (045-046)	234,808,906	161,169,842

## 2. Balance sheet as of 30/06/2017 – Bank (in HRK)

Line item name	Prior period	Current period
<b>ASSETS</b>		
1. CASH AND DEPOSITS WITH CENTRAL BANK (002+003)	6,417,655,291	7,334,054,515
1.1.Cash	1,100,978,580	1,394,587,965
1.2.Deposits with Central bank	5,316,676,711	5,939,466,550
2. DEPOSITS WITH BANKING INSTITUTIONS	592,223,959	847,747,403
3. TREASURY BILLS WITH MINISTRY OF FINANCE AND BILLS OF EXCHANGE WITH CENTRAL BANK	0	0
4. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	0	184,967,997
5. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	7,166,661,281	7,236,192,737
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	1,114,739,943	1,070,237,919
7. SECURITIES AND OTHER FINANCIAL INSTRUMENTS NOT ACTIVELY TRADED, MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS	0	0
8. DERIVATIVE FINANCIAL ASSETS	76,054,199	105,847,032
9. LOANS TO FINANCIAL INSTITUTIONS	3,048,359,937	2,298,866,199
10. LOANS TO OTHER CUSTOMERS	34,931,819,307	35,368,910,676
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	1,010,219,287	1,010,219,287
12. REPOSSESSED ASSETS	497,170,374	488,932,569
13. TANGIBLE ASSETS (MINUS DEPRECIATION)	584,155,935	590,994,067
14. INTEREST, FEES AND OTHER ASSETS	679,667,833	744,985,022
<b>A) TOTAL ASSETS (001+004 to 016)</b>	<b>56,118,727,346</b>	<b>57,281,955,423</b>
<b>LIABILITIES</b>		
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	2,223,679,809	1,965,235,543
1.1. Short-term borrowings	783,700,000	606,487,567
1.2. Long-term borrowings	1,439,979,809	1,358,747,976
2. DEPOSITS (AOP 022 to 024)	41,991,721,083	43,063,107,110
2.1. Deposits of giro and current accounts	12,783,231,049	14,979,221,616
2.2. Savings deposits	2,657,733,111	2,216,232,983
2.3. Term deposits	26,550,756,923	25,867,652,511
3. OTHER BORROWINGS (026+027)	2,138,730,372	2,150,490,040
3.1. Short-term borrowings	88,878,210	109,190,173
3.2. Long-term borrowings	2,049,852,162	2,041,299,867
4. DERIVATIVE FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	76,441,107	91,888,792
5. ISSUED DEBT SECURITIES (030+031)	300,000,000	300,000,000
5.1. Short-term issued debt instruments	0	0
5.2. Long-term issued debt instruments	300,000,000	300,000,000
6. ISSUED SUBORDINATED INSTRUMENTS	1,662,713,140	1,629,461,900
7. ISSUED HYBRID INSTRUMENTS	0	0
8. INTEREST, FEES AND OTHER LIABILITIES	996,886,163	1,265,526,473
<b>B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)</b>	<b>49,390,171,674</b>	<b>50,465,709,858</b>
<b>EQUITY</b>		
1. SHARE CAPITAL	3,500,360,782	3,500,360,782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	626,514,008	330,419,554
3. RETAINED PROFIT/(LOSS)	2,284,793,212	2,692,720,887
4. LEGAL RESERVES	84,921,058	84,921,058
5. STATUTORY AND OTHER CAPITAL RESERVES	874,691	874,691
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE	231,091,921	206,948,593
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS		
<b>C) TOTAL EQUITY (036 to 042)</b>	<b>6,728,555,672</b>	<b>6,816,245,565</b>
<b>D) TOTAL LIABILITIES AND EQUITY (035+043)</b>	<b>56,118,727,346</b>	<b>57,281,955,423</b>
<b>SUPPLEMENT TO STATEMENT OF FINANCIAL POSITION (filled out by banks that compose a consolidated financial report)</b>		
<b>1. TOTAL EQUITY</b>		
2. Attributed to equity holders of the parent		
3. Non-controlling interest (045-046)	0	0

### 3. Profit and loss statement for the period from 01/01/2016 to 30/06/2016 – Group (in HRK)

Line item name	Prior period		Current period	
	Cumulative	Quarter	Cumulative	Quarter
1. Interest income	1,508,401,065	739,176,520	1,332,022,289	653,373,068
2. Interest expense	472,157,205	226,959,689	303,183,805	145,079,198
<b>3. Net interest income (048-049)</b>	<b>1,036,243,860</b>	<b>512,216,831</b>	<b>1,028,838,484</b>	<b>508,293,870</b>
4. Fee and commission income	400,489,686	209,395,992	429,094,309	223,253,407
5. Fee and commission expense	92,751,508	48,282,029	98,266,251	53,485,264
<b>6. Net fee and commission income (051-052)</b>	<b>307,738,178</b>	<b>161,113,963</b>	<b>330,828,058</b>	<b>169,768,143</b>
7. Profit/loss from investments in subsidiaries, associates and joint ventures	0	0	0	0
8. Profit/loss from trading	60,246,831	5,831,918	16,919,659	6,940,993
9. Profit/loss from embedded derivatives	0	0	0	0
10. Profit/loss from asset not actively traded measured at fair value through profit or loss	0	0	0	0
11. Profit/loss from asset available for sale	60,894,614	60,226,958	789,179	610,864
12. Profit/loss from asset held to maturity	0	0	0	0
13. Profit/loss from hedging	0	0	0	0
14. Income from investments in subsidiaries, associates and joint ventures	0	0	0	0
15. Income from other ownership investments	5,119,364	5,112,833	5,858,270	3,098,226
16. Profit/loss from foreign currency differences	66,007,032	53,538,521	88,736,595	46,021,469
17. Other income	248,388,963	152,289,446	219,693,988	110,777,550
18. Other expenses	116,762,279	73,049,719	120,611,919	62,603,845
19. General administrative expenses and depreciation	763,278,837	377,786,815	806,679,592	389,395,642
<b>20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)</b>	<b>904,597,726</b>	<b>499,493,936</b>	<b>764,372,722</b>	<b>393,511,628</b>
21. Expense of value adjustment and loan loss provisions	122,757,501	47,495,661	716,231,501	585,744,863
<b>22. PROFIT/LOSS BEFORE TAX (067-068)</b>	<b>781,840,225</b>	<b>451,998,274</b>	<b>48,141,221</b>	<b>-192,233,235</b>
<b>23. PROFIT TAX</b>	<b>173,395,071</b>	<b>109,572,423</b>	<b>23,640,075</b>	<b>-21,665,023</b>
<b>24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)</b>	<b>608,445,154</b>	<b>342,425,851</b>	<b>24,501,146</b>	<b>-170,568,212</b>
25. Earnings per share				
<b>ANNEX TO INCOME STATEMENT (for Banks that prepare consolidated financial statements)</b>				
<b>1. PROFIT/LOSS OF THE CURRENT YEAR</b>	<b>608,445,154</b>	<b>342,425,851</b>	<b>24,501,146</b>	<b>-170,568,212</b>
<b>2. Assign equity holders of the Bank</b>	<b>585,397,997</b>	<b>331,971,038</b>	<b>98,143,096</b>	<b>-88,861,703</b>
<b>3. Non-controlling interest (073-074)</b>	<b>23,047,157</b>	<b>10,454,813</b>	<b>-73,641,950</b>	<b>-81,706,509</b>

#### 4. Profit and loss statement for the period from 01/01/2016 to 30/06/2016 – Bank (in HRK)

Line item name	Prior period		Current period	
	Cumulative	Quarter	Cumulative	Quarter
1. Interest income	1,198,947,060	583,279,920	1,064,508,122	528,126,380
2. Interest expense	411,583,606	196,049,870	251,791,343	119,855,455
<b>3. Net interest income (048-049)</b>	<b>787,363,454</b>	<b>387,230,050</b>	<b>812,716,779</b>	<b>408,270,925</b>
4. Fee and commission income	256,113,779	134,939,354	276,689,861	141,935,815
5. Fee and commission expense	64,466,464	34,066,771	68,363,165	38,244,875
<b>6. Net fee and commission income (051-052)</b>	<b>191,647,315</b>	<b>100,872,583</b>	<b>208,326,696</b>	<b>103,690,940</b>
7. Profit/loss from investments in subsidiaries, associates and joint ventures	0	0	0	0
8. Profit/loss from trading	62,294,945	6,190,171	17,102,827	7,554,272
9. Profit/loss from embedded derivatives	0	0	0	0
10. Profit/loss from asset not actively traded measured at fair value through profit or loss	0	0	0	0
11. Profit/loss from asset available for sale	59,902,581	59,756,584	2,727	0
12. Profit/loss from asset held to maturity	0	0	0	0
13. Profit/loss from hedging	0	0	0	0
14. Income from investments in subsidiaries, associates and joint ventures	0	0	0	0
15. Income from other ownership investments	8,282,082	8,282,022	13,646,129	13,480,539
16. Profit/loss from foreign currency differences	43,936,570	37,363,692	79,050,576	43,190,372
17. Other income	79,287,874	50,422,247	85,290,702	44,825,430
18. Other expenses	56,623,893	35,005,015	64,580,718	32,634,626
19. General administrative expenses and depreciation	504,114,504	244,291,935	543,240,193	257,103,898
<b>20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)</b>	<b>671,976,424</b>	<b>370,820,399</b>	<b>608,315,525</b>	<b>331,273,954</b>
21. Expense of value adjustment and loan loss provisions	115,723,896	40,580,733	195,808,606	89,905,865
<b>22. PROFIT/LOSS BEFORE TAX (067-068)</b>	<b>556,252,528</b>	<b>330,239,666</b>	<b>412,506,919</b>	<b>241,368,089</b>
<b>23. PROFIT TAX</b>	<b>131,288,869</b>	<b>86,099,765</b>	<b>82,087,365</b>	<b>47,959,615</b>
<b>24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)</b>	<b>424,963,659</b>	<b>244,139,901</b>	<b>330,419,554</b>	<b>193,408,474</b>
25. Earnings per share				
<b>ANNEX TO INCOME STATEMENT (for Banks that prepare consolidated financial statements)</b>				
<b>1. PROFIT/LOSS OF THE CURRENT YEAR</b>				
<b>2. Attributed to equity holders of the parent</b>				
<b>3. Non-controlling interest (073-074)</b>	0	0	0	0

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