

Audited financial statements of the Erste&Steiermärkische Bank d.d. and subsidiaries (the Group) for period January 1st - June 30st 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: 3.507

(krajem izvještajnog razdoblja)

Consolidated report: YES

Šifra NKD-a: 6419

Names of subjects of consolidation (according to MSFI):

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 G	

Bookkeeping service:

Contact person: ANDREJA BERIŠIĆ

Phone number: 072 37 1778

Telefaks: 072 37 1942

E-mail address: arajic@erstebank.hrLast and first name: JAGAR SLADANA
(person authorized for representing company)

Reporting documentation:

1. Financial statements (statement of financial position, income statement, cash flow statement, statement of changes in equity and notes to financial statements)
2. Management report
3. Declaration of key personnel responsible for preparation of financial statements

ERSTE & STEIERMARKISCHE BANK DD
RIJEKA

035


 (signature of person authorized for representing company)

026



STATEMENT OF FINANCIAL POSITION

as of

30.6.2017

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	7,548,565,698	7,434,898,808
1.1. Cash	002	1,491,277,946	1,830,760,911
1.2. Deposits with Central bank	003	6,057,287,752	5,604,137,897
2. DEPOSITS WITH BANKING INSTITUTIONS	004	857,915,141	750,843,260
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	7,506,188,409	8,029,377,869
6. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	008	1,532,941,907	1,484,824,956
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	51,902,774	69,637,085
9. LOANS TO FINANCIAL INSTITUTIONS	011	2,235,544,845	1,801,379,854
10. LOANS TO OTHER CUSTOMERS	012	41,986,464,595	43,150,339,795
11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	013	62,161,104	66,948,418
12. REPOSSESSED ASSETS	014	462,995,726	466,732,815
13. TANGIBLE ASSET (MINUS DEPRECIATION)	015	1,315,142,365	1,287,104,249
14. INTEREST, FEES AND OTHER ASSETS	016	1,439,078,594	1,526,102,815
A) TOTAL ASSETS (001+004 to 016)	017	65,924,911,092	67,059,515,454
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	6,050,459,761	5,359,354,565
1.1. Short-term borrowings	019	3,030,768,898	2,156,872,181
1.2. Long-term borrowings	020	3,019,690,863	3,202,482,384
2. DEPOSITS (AOP 022 to 024)	021	45,648,892,993	46,736,964,665
2.1. Deposits of giro and current accounts	022	18,088,685,238	20,205,866,799
2.2. Savings deposits	023	2,627,986,565	2,584,910,335
2.3. Term deposits	024	24,932,221,190	23,946,187,531
3. OTHER BORROWINGS (026+027)	025	2,313,401,716	2,208,179,053
3.1. Short-term borrowings	026	101,003,866	69,112,303
3.2. Long-term borrowings	027	2,212,397,850	2,139,066,750
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	2,001,122,001	2,465,234,653
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	57,718,519,038	58,453,125,495
EQUITY			
1. SHARE CAPITAL	036	3,500,360,782	3,500,360,782
2. PROFIT/(LOSS) OF THE CURRENT YEAR	037	457,105,840	595,669,879
3. RETAINED PROFIT/(LOSS)	038	3,919,794,989	4,187,289,277
4. LEGAL RESERVES	039	84,921,058	84,921,058
5. STATUTORY AND OTHER CAPITAL RESERVES	040	-5,452,167	-14,703,533
6. UNREALISED PROFIT/(LOSS) FROM VALUE ADJUSTMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE	041	249,661,552	252,852,496
7. RESERVES RESULTING FROM PROTECTIVE TRANSACTIONS	042	0	0
C) TOTAL EQUITY (036 to 042)	043	8,206,392,054	8,606,389,959
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	65,924,911,092	67,059,515,454
SUPPLEMENT TO STATEMENT OF FINANCIAL POSITION (filled out by banks that compose a consolidated financial report)			
1. TOTAL EQUITY	045	8,206,392,054	8,606,389,959
2. Attributed to equity holders of the parent	046	8,049,980,604	8,455,065,237
3. Minority shares (045-046)	047	156,411,450	151,324,722

Certain prior period positions are reclassified for comparability to current period

INCOME STATEMENT

for period from **1.1.2017** to **30.6.2017**

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	1,332,022,289	653,373,068	1,257,801,741	630,864,327
2. Interest expense	049	303,183,805	145,079,198	203,080,506	95,882,395
3. Net interest income (048-049)	050	1,028,838,484	508,293,870	1,054,721,235	534,981,932
4. Fee and commission income	051	429,094,309	223,253,407	453,074,125	244,672,978
5. Fee and commission expense	052	98,266,251	53,485,264	111,352,081	60,863,520
6. Net fee and commission income (051-052)	053	330,828,058	169,768,143	341,722,044	183,809,458
7. Profit/loss from investments in subsidiaries, associates and joint ventures	054	0	0	0	0
8. Profit/loss from trading	055	16,919,659	6,940,993	11,484,211	6,341,185
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	3,636,267	2,961,147
11. Profit/loss from asset available for sale	058	789,179	610,864	26,690,525	25,859,202
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	-8,824,002	-8,824,002
15. Income from other ownership investments	062	5,858,270	3,098,226	14,511,968	11,420,959
16. Profit/loss from foreign currency differences	063	88,736,595	46,021,469	111,506,061	49,886,816
17. Other income	064	219,693,988	110,777,550	184,337,161	82,796,584
18. Other expenses	065	160,563,302	57,181,402	150,882,075	50,003,272
19. General administrative expenses and depreciation	066	766,728,209	394,818,085	785,297,970	399,661,651
20. Net income from business before value adjustment and loan loss provisions (050+053 to 064-065-066)	067	764,372,722	393,511,628	803,605,425	439,568,358
21. Expense of value adjustment and loan loss provisions	068	716,231,501	585,744,863	58,356,102	22,030,755
22. PROFIT/LOSS BEFORE TAX (067-068)	069	48,141,221	-192,233,235	745,249,323	417,537,603
23. INCOME TAX EXPENSE	070	23,640,075	-21,665,023	149,579,444	92,419,712
24. PROFIT/LOSS OF THE CURRENT YEAR (069-070)	071	24,501,146	-170,568,212	595,669,879	325,117,891
25. Earnings per share	072	1		35	
ANNEX TO INCOME STATEMENT (for the Banks that prepare consolidated financial statements)					
1. PROFIT/LOSS OF THE CURRENT YEAR	073	24,501,146	-170,568,212	595,669,879	325,117,890
2. Assign equity holders of the Bank	074	98,143,096	-88,861,703	600,375,639	339,558,969
3. Non controlling Interest (073-074)	075	-73,641,950	-81,706,509	-4,705,760	-14,441,079

Certain prior period positions are reclassified for comparability to current period

CASH FLOW STATEMENT - indirect method

for period from 1.1.2017 to 30.6.2017 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	544,548,366	365,841,197
1.1. Profit/(loss) before income tax	002	48,141,221	745,249,323
1.2. Allowances and loss provisions	003	461,729,332	-283,848,777
1.3. Depreciation	004	115,553,494	111,735,676
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	-71,498,013	-198,163,243
1.6. Other profit/(losses)	007	-9,377,668	-9,131,782
2. Net increase/(decrease) of operating assets (009 do 016)	008	143,857,502	-1,324,300,961
2.1. Deposits with Central bank	009	22,348,602	-48,186,972
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	422,421,718	340,814,684
2.4. Loans to other customers	012	93,364,466	-981,736,693
2.5. Securities and other financial instruments held for trading	013	-184,963,484	3,551,083
2.6. Securities and other financial instruments available for sale	014	603,424,132	-337,694,917
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	-83,802,436	-82,575,784
3. Net increase/(decrease) of operating liabilities (018 do 021)	017	741,030,605	1,692,485,916
3.1. Demand deposits	018	1,888,842,708	2,117,203,923
3.2. Savings and term deposits	019	-1,189,092,764	-1,029,110,995
3.3. Financial derivative liabilities and other liabilities actively traded	020	14,523,036	8,245,613
3.4. Other liabilities	021	26,757,625	596,147,375
4. Net cash flow from operating activities before income tax (001+008+017)	022	1,429,436,473	734,026,152
5. (Income tax paid)	023	-74,119,115	-188,391,097
6. Net inflow/(outflow) of cash from operating activities (022+023)	024	1,355,317,358	545,635,055
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 do 030)	025	-15,617,964	-50,151,807
7.1. Receipt from sale/(payment for buying) tangible and intangible assets	026	-16,460,338	104,302,262
7.2. Receipt from sale/(payment for buying) investments in subsidiaries, associates and joint ventures	027	-14,556,437	-4,797,367
7.3. Receipt from sale/(payment for buying) securities and other financial instruments held to maturity	028	40,247,653	-149,656,702
7.4. Dividend income	029	0	0
7.5. Other receipts/(payments) from investing activities	030	-24,848,842	0
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 do 037)	031	-211,847,485	-985,984,249
8.1. Net increase/(decrease) of borrowings	032	-178,596,245	-796,327,859
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	-160,160,770
8.6. Other receipts/(payments) from financial activities	037	0	0
9. Net increase/(decrease) of cash and cash equivalents (024+025+031)	038	1,127,851,909	-490,501,001
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	1,127,851,909	-490,501,001
12. Cash and cash equivalents at the beginning of the year	041	4,538,785,372	5,345,226,865
13. Cash and cash equivalents at the end of the year (040+041)	042	5,666,637,281	4,854,725,864

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	
	1.1.2017	30.6.2017	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	79,468,891	3,686,766,483	533,722,896	249,661,552	156,411,450	8,206,392,054	
Changes in accounting policies and corrections of mistakes		002				-29,069,813		29,736,690	-380,969	285,908	
Corrected balance as at 1 January (1+2)		003	3,500,360,782	0	79,468,891	3,657,696,670	533,722,896	279,398,242	156,030,481	8,206,677,962	
Sale of financial assets available for sale		004						-26,627,345		-26,627,345	
Change of fair value financial asset available for sale		005						-3,651,193		-3,651,193	
Tax on items directly recognised or transferred from capital and reserves		006			827			3,732,792		3,733,619	
Other profit/(loss) directly recognised in capital and reserves		007	0		-9,252,194	0	0	0		-9,252,194	
Net profit/(loss) directly recognised in capital and reserves (004+005+006+007)		008	0	0	-9,251,366	0	0	-26,545,746	0	-35,797,112	
Profit/(loss) for the period		009					600,375,639			600,375,639	
Total recognised income and expenses for the period (008+009)		010	0	0	-9,251,366	0	600,375,639	-26,545,746	-4,705,760	595,669,879	
Increase/(decrease) of share capital		011	0	0						0	
Buy/sell of treasury shares		012								0	
Other changes		013								0	
Transfer to reserves		014			0	533,722,896	-533,722,896			0	
Dividends paid		015				-160,160,770	0			-160,160,770	
Distribution on income (014+015)		016	0	0	0	373,562,126	-533,722,896	0	0	-160,160,770	
Balance at reporting date (003+010+011+012+013+016)		017	3,500,360,782	0	70,217,525	4,031,258,796	600,375,639	252,852,496	151,324,721	8,606,389,959	

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	2,243,703,564	1,821,942,198
Less: Allowance for loan impairment	(8,158,719)	(20,562,344)
	2,235,544,845	1,801,379,854

A 10. LOANS TO OTHER CUSTOMERS	31.12.2017	30.6.2018
Companies	18,234,736,485	19,961,692,959
Individuals	20,256,835,471	20,757,681,888
Public sector	7,340,172,572	5,750,758,802
Other institutions	101,087,542	379,977,322
Total gross loans before allowances for impairment	45,932,832,070	46,850,110,971
Less: Allowance for loan impairment	(3,946,367,475)	(3,699,771,176)
	41,986,464,595	43,150,339,795

11. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES							
	Ownership Interest 2017	Ownership Interest 2018	Activity	Group's Share of net assets 31.12.2017	30.6.2018	Investment at cost 31.12.2017	30.6.2018
Associates							
S Immorent leasing zeta d.o.o. za poslovanje nekretninoma	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	38,098,985
Total associates:				59,872,996	64,660,310	38,098,985	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	-	-
Subsidiaries							
Erste nekretnine d.o.o.	100.00%	100.00%	Real estate business	5,414,221	6,367,764	800,180	800,180
Erste Factoring d.o.o.	74.996%	74.996%	Accounts Receivables repurchase	22,886,471	-57,486,016	16,930,868	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	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	88,860,659
Erste bank a.d., Podgorica	100.00%	100.00%	Credit institution	511,836,099	531,497,779	100,396,379	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	2,002,000
Izbor Nekretnina d.o.o.	100.00%	100.00%	For services	40,356,126	40,146,274	39,686,015	39,686,015
Direct control:				1,792,651,031	1,846,792,163	951,393,170	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	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	7,278,218
Indirect control:				14,607,933	27,868,624	30,840,898	30,840,898
Total:				1,854,812,135	1,913,740,581	989,492,155	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	5,893,459,761	5,166,578,708
From other banking institutions	157,000,000	192,775,857
	6,050,459,761	5,359,354,565

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>	211,079,752	90,772,398
<i>Other banking institutions</i>	376,417,861	210,564,935
<i>Non-banking financial institutions</i>	102,019,368	135,256,863
<i>Banks in liquidation</i>	6,013,984	75,082,096
Deposits from state commercial customers	168,340,737	578,179,295
Deposits from other commercial customers	6,268,975,400	6,511,533,396
Deposits from non-profit institutions	284,585,691	256,645,021
Deposits from individuals	8,123,517,907	9,329,275,864
Deposits from non residents		
<i>Foreign financial institutions</i>	421,050,747	240,512,230
<i>Foreign states</i>	9,100,260	71,701,972
<i>Foreign commercial customers</i>	604,265,566	758,380,626
<i>Foreign individuals</i>	1,091,368,815	1,172,336,733
<i>Foreign non-profit institutions</i>	22,535,834	23,160,771
	18,088,685,238	20,205,866,799

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	461,793,370	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>	644,079,353	664,857,763
	2,627,986,565	2,584,910,335

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>	667,476,644	595,824,134
<i>Banks in bankruptcy</i>	289,224,212	156,162,975
Deposits from state commercial customers	2,012,864,247	1,807,103,280
Deposits from other commercial customers	106,329,995	117,866,122
Deposits from non-profit institutions	17,001,431,496	16,013,235,827
Deposits from individuals		
Deposits from non residents	2,938,818,414	3,264,315,974
<i>Foreign financial institutions</i>	29,678,910	7,010,598
<i>Foreign commercial customers</i>	219,188,185	51,304,346
<i>Foreign individuals</i>	1,108,859,623	1,018,618,909
Term deposits	24,932,221,190	23,946,187,531

b) Profit and loss Notes

1. INTEREST INCOME	30.6.2017	30.6.2018
Interest on loans and advances to customers	1,138,514,220	1,075,695,320
Interest on amounts due from other banks	1,330,996	1,249,953
Interest income on financial investments	136,396,389	127,943,456
Interest on derivative financial instruments	9,010,665	93,889
Interest income on impaired financial assets - loans and advances to customers	35,385,563	42,230,558
Interest on reverse repurchase agreements	7,320,167	6,290,923
Other interest income	4,064,289	4,297,642
	1,332,022,289	1,257,801,741

2. INTEREST EXPENSES	30.6.2017	30.6.2018
Interest on customer deposits	146,283,908	90,601,888
Interest on other borrowed funds	66,863,946	43,322,891
Interest on amounts due to other banks	35,577,905	32,116,716
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	500,384	2,211,727
Other interest expense	3,677,768	8,648,120
	303,183,805	203,080,506

4. FEE AND COMMISSION INCOME	30.6.2017	30.6.2018
Payments and money transfers	146,562,292	159,174,781
Bank cards services	187,306,957	204,269,372
Custodial fees	40,951,862	36,088,591
Guarantees and letter of credit	25,610,011	23,617,154
Other fee and commission income	28,663,187	29,924,227
	429,094,309	453,074,125

5. FEE AND COMMISSION EXPENSES	30.6.2017	30.6.2018
Payments and money transfers	17,960,361	17,761,601
Bank cards services	66,171,892	78,020,213
Custodial fees	1,998,815	3,236,654
Guarantees and letter of credit	1,404,933	1,371,869
Other fee and commission expense	10,730,250	10,961,744
	98,266,251	111,352,081

c) OFF-balance Notes

Izvanbilančne stavke	31.12.2017	30.6.2018
Guarantees	2,838,385,232	2,981,945,608
Letters of credit	135,516,082	175,111,385
Exchange bill	15,000	15,000
Undrawn credit and loan commitments	5,438,573,179	5,560,813,803
Other risk off-balance items	37,716,048	89,526,242
Options	3,329,099	3,768,040
Swap	12,242,938,160	13,141,688,695
Forwards	8,900,152,295	7,443,056,002
	29,596,625,095	29,395,924,775

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, July 31th 2018

Management Board member

Sladana Jagar