



**CONSOLIDATED ANNUAL BUSINESS REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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## CONSOLIDATED ANNUAL BUSINESS REPORT

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### 1. BUSINESS ACTIVITIES AND ORGANIZATIONAL STRUCTURE OF THE BANK

#### • Introduction

The consolidated annual business report includes information on Erste Bank a.d. Novi Sad (the "Bank") and its subsidiary S-Leasing doo Beograd. The consolidated annual business report of the Bank and the subsidiary (collectively: the "Group") has been prepared in accordance with Article 29 of the Law on Accounting (Official Gazette of RS, no. 62/2013).

The report is based on the audited financial information. A more detailed presentation of the business operation of the Group on the consolidated level is provided in the Notes to consolidated financial statements as of December 31, 2017.

#### • About the Bank

Erste Bank a.d. Novi Sad (the "Bank") is the oldest financial institution in the country. It was founded in 1864 as the first savings bank (Novosadska štedionica). At the beginning of August 2005, subsequent to the successful finalization of privatization process, Novosadska banka a.d. Novi Sad became a member of Erste Bank Group, established in 1819 as the first savings bank in Austria. Since 1997 Erste Group has been growing into one of the largest companies for financial services in the Central and Eastern Europe with about 47,300 employees, serving around 16.1 million clients through 2,577 branches in 7 countries (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia).

The Bank's shareholders are Erste Group Banka AG, Vienna and Steiermärkische Bank und Sparkassen AG, Graz, with 74% and 26% interests in the Bank's share capital respectively.

The Bank's headquarter is in Novi Sad, at number 5 Bulevar Oslobođenja Street. The Bank operates through 7 business centres, 46 branches, 9 sub-branches and 4 counters.

The Bank's corporate ID number is 08063818, and its tax ID number (fiscal code) is 101626723.

As of December 31, 2017 the Bank had 1,075 employees (December 31, 2016: 1.021 employees).

As of December 31, 2017 members of the Bank's Management Board were:

1. Gernot Mittendorfer, Chairman, Erste Group Bank AG, Vienna
2. Suzan Tanriyar, member, Erste Group Bank AG, Vienna
3. Sava Dalbokov, member, Steiermärkische Bank und Sparkassen AG, Graz
4. Dragana Plavšić, independent member, Beograd,
5. Aleksandar Vlahović, independent member, Beograd.

As of December 31, 2017 members of the Bank's Executive Board were:

1. Slavko Carić, Chairman, CEO,
2. Jasna Terzić, Member of the Executive Board ,
3. Aleksandra Radić, Member of the Executive Board
4. Tomislav Stena, Member of the Executive Board

As of December 31, 2017 members of the Bank's Audit Committee were:

Mario Catasta, Chairman, Erste Group Bank AG, Vienna,  
Sava Dalbokov, member, Steiermärkische Bank und Sparkassen AG, Graz,  
Aleksandar Vlahović, independent member, Belgrade

S – Leasing doo Beograd (the "Company") was established in June 2003 as a limited liability company. The Company was registered with the Commercial Court of Belgrade on June 18, 2003 and re-registered with the Serbian Business Registers Agency under Decision number BD 33349/2005 dated June 7, 2005.

Prior to the Law on Financial Leasing effective date, the Company was issued an operating license for performance of finance leasing activities under Decision of the National Bank of Serbia number 622 dated January 25, 2006.

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### 1. BUSINESS ACTIVITIES AND ORGANIZATIONAL STRUCTURE OF THE BANK (continued)

In 2014 the equity ownership structure of S-Leasing underwent a change with Erste Bank a.d., Novi Sad, Serbia becoming the majority owner of the Company holding a 75.0% equity interest therein, while Steiermaerkische Bank und Sparkassen AG, Graz, Austria decreased its equity interest in the Company to 25.0%. As of December 31, 2013 the Company's permanent investments comprised capital contribution investments of the founders Steiermaerkische Bank und Sparkassen AG, Graz, Austria (50.0%) and Immorent International Holding GmbH, Vienna, Austria (50.0%).

The Company's principal business activity involves services of finance lease over movable assets to individuals and legal entities in the territory of the Republic of Serbia.

The Company's headquarter is in Beograd, at number 11a/4 Milutina Milankovića Street.

As of December 31, 2017 the Company had 41 employees (December 31, 2016: 41 employees).

The Company's corporate ID number is 17488104, and its tax ID number (fiscal code) is 102941384.

Members of the Company's Management Board are:

1. Jasna Terzić, Chairman, Erste Bank a.d., Novi Sad,
2. Vladan Mihajlićin, member, Erste Bank a.d., Novi Sad,
3. Nikola Maslovarić, member, Erste Bank a.d., Novi Sad,
4. Marko Markić, member, Steiermaerkische Bank und Sparkassen AG, Graz.
5. Sava Dalbokov, member, Steiermaerkische Bank und Sparkassen AG, Graz.

Members of the Company's Executive Board are:

1. Bojan Vračević, Chairman and
2. Vuk Vučević, member.

In 2014, under the Agreement on Purchase and Transfer of Equity Interest executed by and between Steiermaerkische Bank und Sparkassen AG and Erste Group Immorent International Holding GMBH Serbia d.o.o., Beograd, Erste Bank a.d. Novi Sad, Serbia acquired a 75% equity interest in the company S-Leasing d.o.o., Beograd.

The consolidated annual business report included the separate financial information of Erste Bank a.d. Novi Sad and financial information of S-Leasing d.o.o. Beograd. As the parent entity of the subsidiary S-Leasing d.o.o., Beograd, Erste Bank a.d. Novi Sad, prepares the consolidated annual business report.

Figures in the accompanying report are stated in thousands of dinars, unless otherwise specified.

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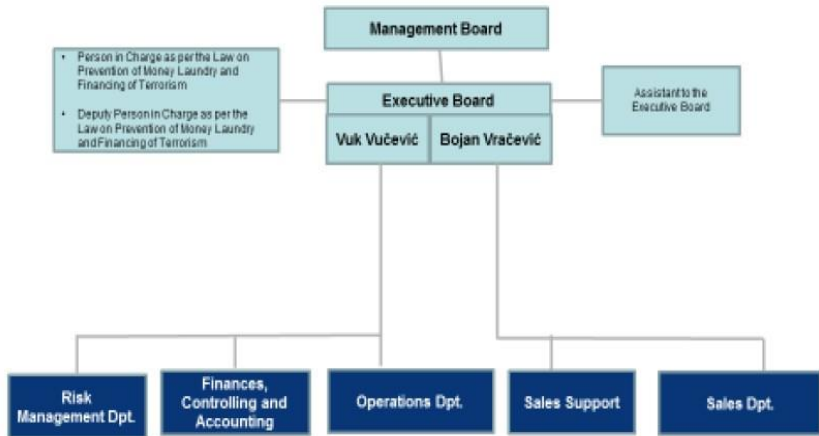
**1. BUSINESS ACTIVITIES AND ORGANIZATIONAL STRUCTURE OF THE BANK (continued)**

Organizational chart of the Bank is provided below:



Organizational chart of the Company is provided below:

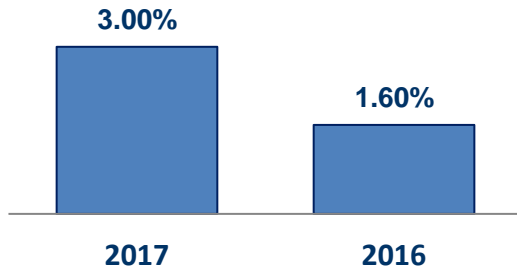
**Organizational Chart**



**2. AUTHENTIC PRESENTATION OF THE BANK'S DEVELOPMENT AND PERFORMANCE, PARTICULARLY THE FINANCIAL SITUATION OF THE BANK AND DATA RELEVANT FOR THE ASSESSMENT OF THE BANK'S ASSETS**

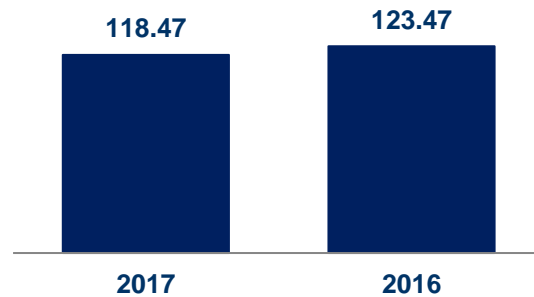
**Macroeconomic conditions during 2017**

**Inflation movement**



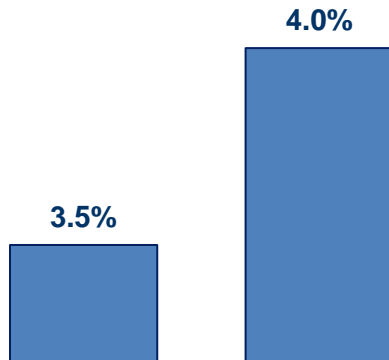
The rate of inflation during 2017 fluctuated from 3.0% to 1.5%. The inflation rate oscillated from 3.6% to 3.0%, at the end of the year it was targeted at 3.0%, which is its average value for 2017. According to the projection, the yearly inflation will continue to move within the targeted boundaries, until the end of the projection period, ie. in the next two years.

**RSD exchange rate**



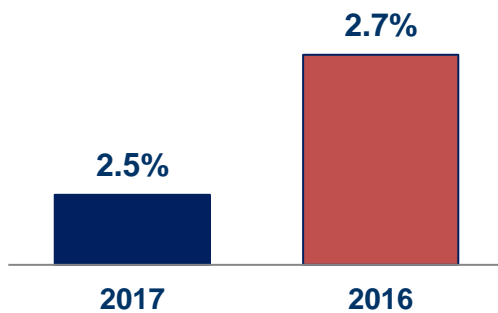
In the course of 2017 RSD appreciated against EUR and the RSD to EUR exchange rate dropped from RSD 123.47 to RSD 118.47 for EUR 1.

**Key policy rate**



The reference interest rate of the NBS movement during 2017 was in the range from 4.00% to 3.50% and according to the NBS decision will remain unchanged until the end of 2018.

**GDP growth**



The GDP growth rate registered a positive value of 2.5% in 2017. The projection of sustained growth of GDP growth in the next two years is 3.5%.

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**2. AUTHENTIC PRESENTATION OF THE BANK'S DEVELOPMENT AND PERFORMANCE, PARTICULARLY THE FINANCIAL SITUATION OF THE BANK AND DATA RELEVANT FOR THE ASSESSMENT OF THE BANK'S ASSETS (continued)**

**The Bank operation indicators – comparative data 2016 – 2017  
Profit and Loss Statement**

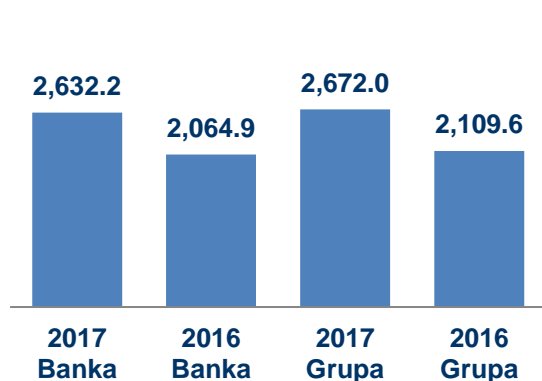
The profit and loss balance structure for the year ended as of 31 December 2017 and 2016, including the growth percentages in relation to the previous year, is as follows:

	Consolidated			Bank		
	01.01.- 31.12.2017.	01.01.- 31.12.2016.	% growth /(drop)	01.01.- 31.12.2017.	01.01.- 31.12.2016.	% growth /(drop)
	<b>RSD thousand</b>					
<b>INCOME AND EXPENSES</b>						
<b>REGULAR BUSINESS OPERATIONS</b>						
Interest income	7,740,108	7,239,279	6.92	7,498,937	7,049,967	6.37
Interest expenses	(1,386,166)	(1,317,933)	5.18	(1,280,969)	(1,227,200)	4.38
<b>Net interest income</b>	<b>6,353,942</b>	<b>5,921,346</b>	<b>7.31</b>	<b>6,217,968</b>	<b>5,822,767</b>	<b>6.79</b>
Fee and commission income	2,294,654	2,187,934	4.88	2,258,961	2,143,153	5.40
Fee and commission expenses	(787,891)	(703,912)	11.93	(771,004)	(685,132)	12.53
<b>Net fee and commission income</b>	<b>1,506,763</b>	<b>1,484,022</b>	<b>1.53</b>	<b>1,487,957</b>	<b>1,458,021</b>	<b>2.05</b>
Net income from financial assets held for trading	281,304	198,957	41.39	281,304	198,957	41.39
Net income from risk protection	2,067	1,238	66.96	2,067	1,238	66.96
Net gain from financial assets available for sale	213,998	-	4.65	225,060	-	10.85
Net income from foreign currency exchange difference and effects of contractual foreign currency clause	254,083	204,495	(6.67)	237,493	203,037	(8.19)
Other operating income	-	272,254	(100.00)	-	258,681	(100.00)
Net expenses from financial assets impairment and credit risky off-balance items	41,310	(605,711)	100.00	26,473	(630,331)	100.00
<b>TOTAL NET OPERATING INCOME</b>	<b>8,653,467</b>	<b>7,476,601</b>	<b>15.74</b>	<b>8,478,322</b>	<b>7,312,370</b>	<b>15.94</b>
Costs of salaries, contributions and other personnel expenses	(2,006,206)	(1,870,076)	7.28	(1,932,260)	(1,802,560)	7.20
Depreciation costs	(293,554)	(266,926)	9.98	(290,092)	(263,278)	10.18
Other expenses	(3,472,391)	(3,129,899)	10.94	(3,419,750)	(3,089,221)	10.70
<b>PROFIT BEFORE TAX</b>	<b>2,881,316</b>	<b>2,209,700</b>	<b>30.39</b>	<b>2,836,220</b>	<b>2,157,311</b>	<b>31.47</b>
Income tax	(166,319)	(11,739)	1.316.81	(160,965)	(2,205)	7.200.00
Loss from deferred tax	(43,976)	(88,346)	(52.30)	(43,015)	(90,186)	(52.30)
<b>PROFIT FOR THE YEAR</b>	<b>2,672,021</b>	<b>2,109,615</b>	<b>22.66</b>	<b>2,632,240</b>	<b>2,064,920</b>	<b>27.47</b>

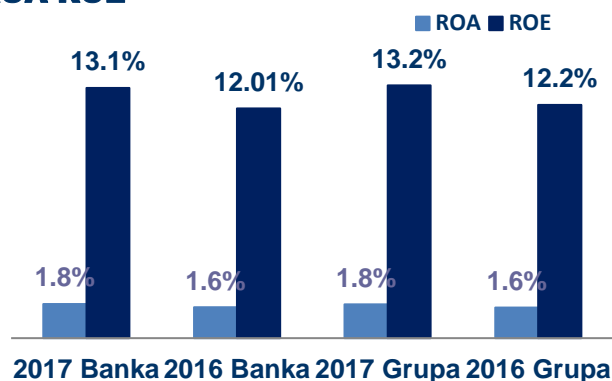
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2. AUTHENTIC PRESENTATION OF THE BANK'S DEVELOPMENT AND PERFORMANCE, PARTICULARLY THE FINANCIAL SITUATION OF THE BANK AND DATA RELEVANT FOR THE ASSESSMENT OF THE BANK'S ASSETS (continued)

**Profit (mil RSD)**



**ROA ROE**

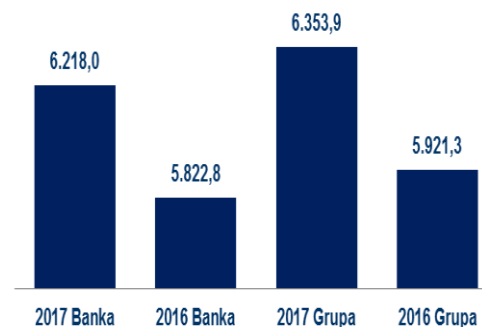


In the period from 1 January to 31 December 2017, the Bank generated net profit of RSD 2,632,240 thousand (2016: RSD 2,064,920 thousand), which is a 27.47% increase, compared to the previous year. In the period from 1 January to 31 December 2017, the Group generated net profit of RSD 2,672,018 thousand (2016: RSD 2,109,615 thousand), which is a 26.66% increase in compared to the previous year.

**Interest income** in 2017, at the Group level, amount to RSD 7,740,108 thousand (2016: RSD 7,239,279 thousand) which is an increase of 6.92% compared to the previous year. Interest income of the Bank in 2017 amount to RSD 7,498,937 thousand (2016: RSD 7,049,967 thousand), and have increased by 6.37% compared to the previous year.

**Interest expenses** in 2017 at Group level amount to RSD 1,386,166 thousand (2016: RSD 1,317,933 thousand), is a increase of 5.18% compared to the previous year. Interest expenses of the Bank in 2017 amount to RSD 1,280,969 thousand (2016: RSD 1,227,200 thousand), and have increased by 4.38% compared to the previous year.

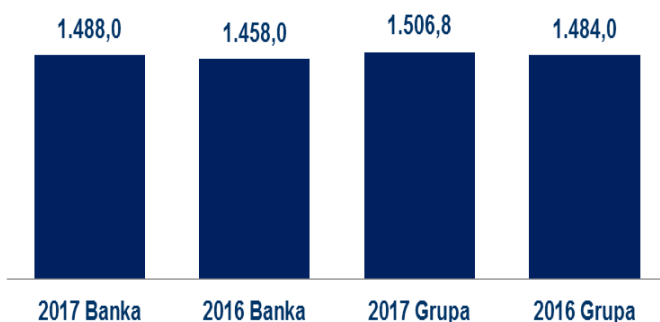
**Neto prihod po osnovu kamata (mil RSD)**





**2. AUTHENTIC PRESENTATION OF THE BANK'S DEVELOPMENT AND PERFORMANCE, PARTICULARLY THE FINANCIAL POSITION OF THE BANK AND DATA RELEVANT FOR THE ASSESSMENT OF THE BANK'S ASSETS (continued)**

**Net Fee Income  
(RSD mil)**



**Fee and commission income** generated in 2017, at the Group level, amount to RSD 2,294,654 thousand (2016: RSD 2,187,934 thousand), a increase of 4.88% compared to the previous year. Fee and commission income of the Bank generated in 2017, amount to RSD 2,258,961 thousand (2016: RSD 2,143,153 thousand), and have increased by 5.40% compared to the previous year.

**Fee and commission expenses** in 2017, at the Group level, amount to RSD 787,891 thousand (2016: RSD 703,912 thousand), a increase of 11.39% compared to the previous year. Fee and commission expenses of the Bank in 2017. amount to 771,004 thousand (2016: RSD 685,132 thousand), and have increased by 12.53% compared to the previous year.

Within the structure of the total income and the total expenses, in addition to the interest and fee, the foreign exchange rate differences and expenses from the impairment of financial assets and credit risk off-balance items have got the highest share. **Positive foreign exchange rate difference net effect** in 2017, at the Group level, amounts to RSD 213,998 thousand, thereof RSD 225,060 thousand is at the Bank level, and RSD 11,062 thousand at S-Leasing level. **Positive net effect from the financial assets held for trade** at the Group level, amounts to RSD 281,304, all of which are at the level of the Bank.

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2. AUTHENTIC PRESENTATION OF THE BANK'S DEVELOPMENT AND PERFORMANCE, PARTICULARLY THE FINANCIAL POSITION OF THE BANK AND DATA RELEVANT FOR THE ASSESSMENT OF THE BANK'S ASSETS (continued)

Balance Sheet

	Consolidated					Bank					RSD thousand
	2017.	in %	2016.	in %	%growth /drop	2017.	in %	2016.	in %	% growth/drop	
<b>ASSETS</b>											
Cash and assets with the central bank	20,774,027	12.35	19,246,670	13.00	7.94	20,774,027	12.83	19,246,670	13.47	7.94	
Financial assets at fair value through profit and loss held for trade	11,539,464	6.86	13,048,357	8.81	(11.56)	11,539,464	7.13	13,048,357	9.13	(11.56)	
Financial assets available for sale	12,488,593	7.42	7,182,702	4.85	73.87	12,488,593	7.71	7,182,702	5.03	73.87	
Financial assets held to maturity	8,284,452	4.92	8,635,103	5.83	(4.06)	8,284,452	5.12	8,635,103	6.04	(4.06)	
Loans and receivables from banks and other financial institutions	2,198,970	1.31	1,210,065	2.25	81.77	2,210,553	1.37	1,211,779	0.85	82.47	
Loans and receivables from customers	110,472,729	65.65	96,462,922	65.13	14.52	104,140,053	64.32	91,213,573	63.82	14.17	
Investments in affiliates and joint ventures	118	0.00	118	0.00	-	-	-	-	-	-	
Investments in subsidiaries	-	-	-	-	-	93,560	0.06	93,560	0.07	-	
Intangible investments	255,553	0.15	281,395	0.19	(9.18)	247,298	0.15	278,845	0.20	(11.31)	
Property, plant and equipment	1,078,617	0.64	817,267	0.55	31.98	1,070,689	0.66	811,073	0.57	32.01	
Investment property	-	0.00	232,417	0.16	(100.00)	-	-	232,417	0.16	(100.00)	
Current tax assets	3,386	0.00	6,513	0.00	(48.01)	-	-	-	-	-	
Deferred tax assets	2,261	0.00	61,745	0.04	(96.34)	-	-	59,523	0.04	(100.00)	
Non-current assets held for sale and disposal group	12,288	0.01	56,695	0.04	(78.33)	11,901	-	56,294	-	-	
Other assets	1,154,111	0.69	864,863	0.58	33.44	1,060,415	0.65	846,585	0.59	25.26	
<b>TOTAL ASSETS</b>	<b>168,264,569</b>	<b>100</b>	<b>148,106,832</b>	<b>100</b>	<b>13.61</b>	<b>161,921,005</b>	<b>100</b>	<b>142,916,481</b>	<b>100</b>	<b>13.30</b>	

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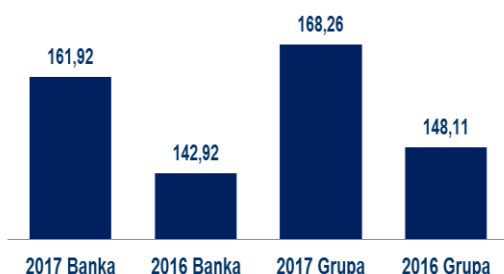
2. AUTHENTIC PRESENTATION OF THE BANK'S DEVELOPMENT AND PERFORMANCE, PARTICULARLY THE FINANCIAL POSITION OF THE BANK AND DATA RELEVANT FOR THE ASSESSMENT OF THE BANK'S ASSETS (continued)

Balance Sheet

	Consolidated					Bank					RSD thousand
	2017.	in%	2016.	in%	%growth / drop	2017.	in%	2016.	in%	%growth / drop	
<b>LIABILITIES</b>											
Financial liabilities at fair value through profit and loss held for trade	44,458	0.03	54,690	0.04	(18.71)	44,458	0,03	54,690	0.04	(18.71)	
Deposits and other liabilities to banks and other financial institutions and central bank	51,859,707	30.82	51,428,201	28.23	24.02	45,570,431	28,14	46,322,420	25.69	24.14	
Deposits and other liabilities to other customers	91,982,128	54.67	75,290,829	57.33	8.34	91,982,128	56,81	75,290,829	59.41	8.34	
Subordinated liabilities	1,354,523	0.80	1,764,606	1.19	(23.24)	1,354,523	0,84	1,754,606	1.23	(23.24)	
Provisions	766,609	0.46	690,714	0.47	10.99	752,742	0,46	670,642	0.47	12.24	
Current tax liabilities	160,965	0.10	1,090	0.00	100.00	160,965	0,10	1,090	0.00	14.667	
Deferred tax liabilities	5,248	0.00	-	-	100.00	5,248	-	-	-	100	
Other liabilities	1,030,505	0.61	622,694	0.42	65.49	1,155,947	0,71	684,202	0.48	68.95	
<b>TOTAL LIABILITIES</b>	<b>147,204,143</b>	<b>87.48</b>	<b>129.852.823</b>	<b>87.68</b>	<b>13.36</b>	<b>141,026,442</b>	<b>87,10</b>	<b>124,788,479</b>	<b>87.32</b>	<b>13.01</b>	
<b>CAPITAL</b>											
Share capital	10,164,475	6.04	10,164,475	6.86	0.00	10,164,475	6,28	10,164,475	7.11	0.00	
Gain	2,732,925	1.62	2,135,770	1.44	27.96	2,632,240	1,63	2,064,920	1.44	27.47	
Reserves	8,098,170	4.81	5,898,873	3.98	37.28	8,097,848	5,00	5,898,607	4.13	37.28	
Participations excluding the control right	64,856	0.04	54,892	0.04	18.15	-	-	-	-	-	
<b>TOTAL CAPITAL</b>	<b>21,060,426</b>	<b>12.52</b>	<b>18,254,009</b>	<b>12.32</b>	<b>15.37</b>	<b>20,894,563</b>	<b>12,90</b>	<b>18,128,002</b>	<b>12.68</b>	<b>15.26</b>	
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>168,264,569</b>	<b>100</b>	<b>148,106,832</b>	<b>100</b>	<b>13.61</b>	<b>161,921,005</b>	<b>100</b>	<b>142,916,481</b>	<b>100</b>	<b>13.30</b>	

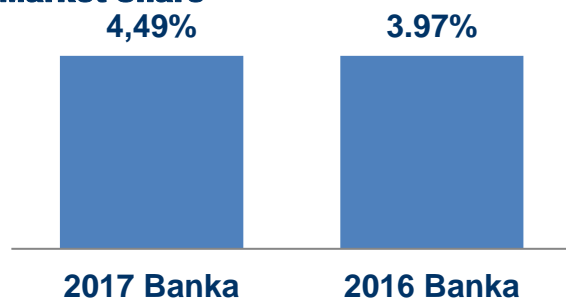
**2. AUTHENTIC PRESENTATION OF THE BANK'S DEVELOPMENT AND PERFORMANCE, PARTICULARLY THE FINANCIAL POSITION OF THE BANK AND DATA RELEVANT FOR THE ASSESSMENT OF THE BANK'S ASSETS (continued)**

**Balance Sheet movement**



The total **balance sheet** sum of the Bank as of 31 December 2017 amounts to RSD 161,920,005 thousand and it grew in 2017 by 13.30% , compared to 31 December 2016. The total balance sheet sum on the consolidated level as of 31 December 2017 amounts to RSD 168,264,569 thousand and it grew in 2017 by 13,61% in compared to 31 December 2016.

**EBS Balance sheet Assets Market Share**



**The market share** of the Group assets in compared to total assets of the Serbian banking sector in 2017 is 4.49%, whereas the Bank's market share in relation to total assets of the Serbian banking sector is 3,97%, in 2016.

**Cash and assets with the central bank** in 2017, at the Group level, amount to RSD 20,774,027 thousand, and the total amounts relates to the Bank. Cash and assets with the central bank increased by 7.94% in 2017 in relation to 2016.

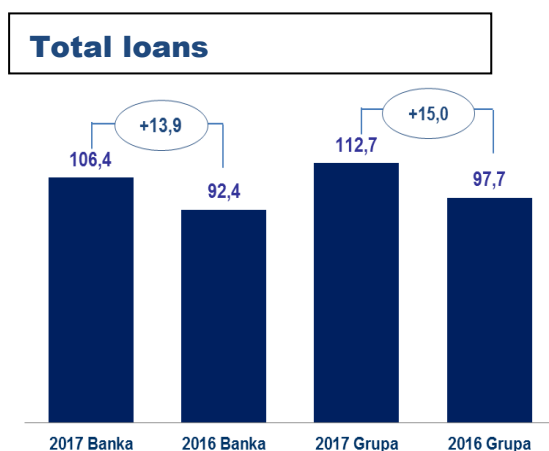
**Financial assets at fair value through the profit and loss held for trade** in 2017, at the Group level, amount to RSD 11,539,464 thousand, and the total amount relates to the Bank. Financial assets at fair value through the profit and loss held for trade, as of 31 December 2017, decreased by 11.56% in relation to the same date in 2016.

**Financial assets available for sale** in 2017, at the Group level, amount to RSD 12,488,593 thousand, and the total amount relates to the Bank. Financial assets available for sale, as of 31 December 2017, increased by 73,87% in relation to the same date in 2016.

**Financial assets held to maturity** in 2017, at the Group level, amount to RSD 8,284,452 thousand, and the total amount relates to the Bank. Financial assets held to maturity as of 31 December 2017 decreased by 4.06% in relation to the same date in 2016.

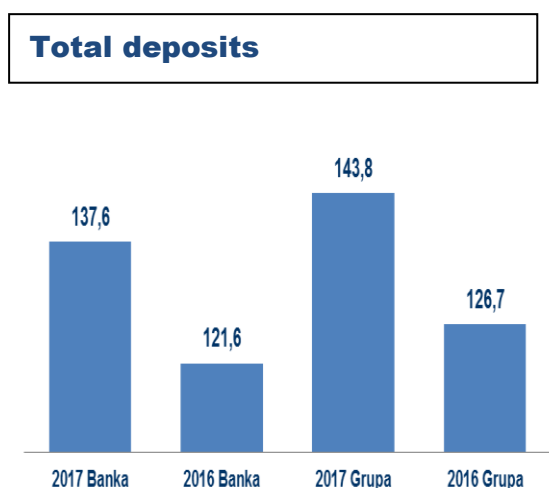
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### 2. AUTHENTIC PRESENTATION OF THE BANK'S DEVELOPMENT AND PERFORMANCE, PARTICULARLY THE FINANCIAL POSITION OF THE BANK AND DATA RELEVANT FOR THE ASSESSMENT OF THE BANK'S ASSETS (continued)



**Loans and receivables from banks and other financial organisations** in 2017, at the Group level, amount to RSD 2,198,970 thousand, and the most significant amount relates to the Bank. Loans and receivables from banks and other financial organisations as of 31 December 2017 increased by 81.77% in relation to the same date in 2016.

**Loans and receivables from customers** on the consolidated level amount to RSD 110,472,729 thousand, thereof, at the Bank level, they amount to RSD 104,140,053 thousand, and at S-Leasing level, they amount to RSD 6,332,676 thousand. Loans and receivables from customers on the consolidated level on 31 December 2017 have reported an increase of 14.52% compared to the same date in 2016. Loans and receivables from customers of the Bank on 31 December 2016 have reported an increase of 14.17% compared to the same date in 2016.



**Deposits and other liabilities to banks and other financial organisations** on the consolidated basis, as of 31 December 2017, amount to RSD 51,859,707 thousand, of which RSD 45,570,431 thousand relate to the Bank and RSD 6,289,276 thousand relate to S-Leasing. Deposits and other liabilities to other customers on the consolidated level, as of 31 December 2017, have increased by 24.02% in relation to the same date in 2016. Deposits and other liabilities to banks and other financial organisations of the Bank in RSD account for 11.29% of the deposit balance as of 31 December 2017 (and they grew by 20.06% in relation to 2016), whereas in foreign currencies they account for 88,71% of the deposit balance (and fell by 3.83% in relation to 2016).

**Deposits and other liabilities due to customers** amounted to RSD 91,982,128 thousand on the consolidated level as of 31 December 2017, where total amount relates to the Bank. Deposits and other liabilities due to customers increased by 8.34% compared to 31 December 2016. The Bank's RSD deposits and other liabilities due to customers comprised 31.52% of the total balance of these deposits as of 31 December 2017 (recording a growth of 25.81% compared to 2016), while foreign currency deposits comprised 68.48% of the total balance of these deposits (recording a growth of 20.56% compared to 2016).

The maturity structure of the consolidated statement of financial position (balance sheet) as of December 31, 2017 is favourable. The Group has permanent and long-term sources of funding fixed and non-current assets.

The Group's total equity amounted to RSD 21,060,424 thousand as of December 31, 2017, recording an increase of 15.37% compared to 31 December 2016. The Bank's total equity amounted to RSD 20,894,561 thousand as of 31 December 2017. In 2017 the Bank's total equity recorded a growth of 15.26% compared to the previous year.

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2. AUTHENTIC PRESENTATION OF THE BANK'S DEVELOPMENT AND PERFORMANCE, PARTICULARLY THE FINANCIAL SITUATION OF THE BANK AND DATA RELEVANT FOR THE ASSESSMENT OF THE BANK'S ASSETS (continued)

RSD and FX Group sub-balances as of 31 December 2017 and 2016 are presented as follows:

	Consolidated					Bank					RSD thousand
	2017.	in %	2016.	in %	% growth/ drop	2017.	in %	2016.	in %	% growth/ drop	
<b>ASSETS</b>											
Assets in RSD	54,866,320	32.61	46,533,577	31.42	17.91	55,131,926	34.05	46,648,641	32.64	18,19	
Assets in foreign currency	113,398,239	67.39	101,573,256	68.58	11.64	106,789,079	65.95	96,267,840	67.36	10,93	
<b>Total assets</b>	<b>168,264,569</b>	<b>100</b>	<b>148,106,832</b>	<b>100</b>	<b>13.61</b>	<b>161,921,005</b>	<b>100</b>	<b>142,916,481</b>	<b>100</b>	<b>13,30</b>	
<b>LIABILITIES</b>											
Liabilities in RSD	57,073,957	33.92	46,572,684	31.45	22.55	56,876,420	35.13	46,413,520	32.48	22,54	
Liabilities in foreign currency	111,190,612	66.08	101,534,148	68.55	9.51	105,044,585	64.87	96,502,961	67.52	8,85	
<b>Total liabilities</b>	<b>168,264,569</b>	<b>100</b>	<b>148,106,832</b>	<b>100</b>	<b>13.61</b>	<b>161,921,005</b>	<b>100</b>	<b>142,916,481</b>	<b>100</b>	<b>13,30</b>	

## CONSOLIDATED ANNUAL BUSINESS REPORT

### 2. AUTHENTIC PRESENTATION OF THE BANK'S DEVELOPMENT AND PERFORMANCE, PARTICULARLY THE FINANCIAL POSITION OF THE BANK AND DATA RELEVANT FOR THE ASSESSMENT OF THE BANK'S ASSETS (continued)

The Group's RSD asset sub-balance comprises 32.61% of the total assets, recording a growth of 17.91% in 2017, whereas the RSD liability and equity sub-balance at the Group level comprised 33.92% of the total liabilities and equity, recording a growth of 22.55% in 2017. However, the Group's foreign currency asset subtotal is still more significant as it comprised 66.08% of the total assets and increased by 11.64% compared to the previous year. The Group's foreign currency liability and equity sub-balance was equally more significant, comprising 66.08% of the total liabilities and equity as of December 31, 2017 and recording an increase of 9.51% compared to the previous year.

The Bank's RSD assets sub-balance comprises 34.05% of its total assets, having risen by 18.19% in 2017, while its RSD liabilities and equity sub-balance comprises 35.13% of the Bank's total liabilities and equity, having risen by 22.54% in 2017. However, the Bank's foreign currency asset sub-balance is still more significant as it comprises 65.95% of the total assets with a 10.93% increase compared to the previous year. The Bank's foreign currency liability and equity sub-balance is equally more significant, comprising 64.87% of the total liabilities and equity as of 31 December 2017 and recording an increase of 8.85% compared to the previous year.

#### Equity

The Group capital as of 31 December 2017 amounts to RSD 21,060,424 thousand (31 December 2016: 18,254,009 thousand). The Bank capital as of 31 December 2017 amounts to RSD 20,894,561 thousand (31 December 2016: RSD 18,128,002 thousand).

The Bank total capital structure is presented as follows:

	Consolidated		RSD thousand Bank	
	2017.	2016.	2017.	2016.
Share capital – ordinary shares	10,040,000	10,040,000	10,040,000	10,040,000
Issue premium	124,475	124,475	124,475	124,475
Other reserves	7,679,824	5,614,904	7,679,824	5,614,904
Revaluation reserves	418,346	283,968	418,024	283,703
Current year profit	2,732,925	2,135,770	2,632,240	2,064,920
Participation without control right	64,856	54,892	-	-
<b>Balance as of 31 December</b>	<b>21,060,426</b>	<b>18,254,009</b>	<b>20,894,563</b>	<b>18,128,002</b>

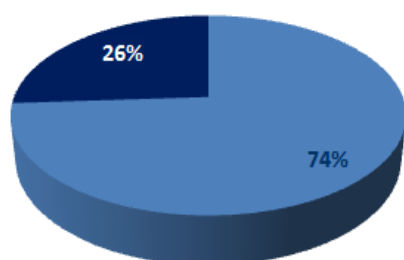
**2. AUTHENTIC PRESENTATION OF THE BANK'S DEVELOPMENT AND PERFORMANCE, PARTICULARLY THE FINANCIAL POSITION OF THE BANK AND DATA RELEVANT FOR THE ASSESSMENT OF THE BANK'S ASSETS (continued)**

**Equity (continued)**



As of 31 December 2017, the Bank subscribed and paid-in capital includes 1,004,000 ordinary shares of individual nominal value of RSD 10,000 (31 December 2016: 1,004,000 ordinary shares of individual nominal value of RSD 10,000). During 2017 and 2016, there were no changes in the share capital.

**Share Capital Structure**



- EGB CEPS HOLDING GMBH, Vienna
- Steiermärkische Bank und Sparkassen AG,

The Bank's major shareholder is EGB CEPS HOLDING GMBH, Vienna, with the participation of 74% in the share capital as of 31 December 2016.

The Bank shareholder structure as of 31 December 2016 and 2016 is as follows:

Name of shareholder	Number of shares	Share in %
Erste Group Banka AG, Beč	742,960	74.00
Steiermärkische Bank und Sparkassen AG, Grac	261,040	26.00
<b>Total</b>	<b>1,004,000</b>	<b>100.00</b>

S-Leasing capital is 75% in the ownership of Erste bank ad Novi Sad and 25% of Steiermaerkische Bank und Sparkassen AG, Graz, Austria.



## CONSOLIDATED ANNUAL BUSINESS REPORT

### 2. AUTHENTIC PRESENTATION OF THE BANK'S DEVELOPMENT AND PERFORMANCE, PARTICULARLY THE FINANCIAL SITUATION OF THE BANK AND DATA RELEVANT FOR THE ASSESSMENT OF THE BANK'S ASSETS (continued)

#### • Corporate Social Responsibility

The corporate social responsibility is presented for the Bank as the Group holder.

Erste Bank a.d. Novi Sad is the member of Erste Group, the financial institution with almost 200-year long tradition, for which, from the very beginning, the corporate social responsibility has been an integral part of its philosophy and long-term business strategy. We were established in 1819 as the first savings bank in Austria, with twofold objective – to enable "ordinary" people access to financial services and to support social activities in the community we operate in. We operate in such spirit even today.

For Erste Bank corporate social responsibility is a strategic framework for the management of the company, based on the investment in long-term and stable relations with all key stakeholders, and the commitment to actively contribute to the development and welfare of the society of which we are an inseparable part of. Corporate social responsibility is an approach that allows us to, by acting in partnership with other sectors, successfully face challenges set before us by the modern market. This is a concept that encourages us to be innovative, promote sustainable development, responsibly manage risks and reduce costs, achieving better business results for our customers and the company, but also for the communities in which we work.

The current Social Corporate Responsibility Strategy of Erste Bank a.d. Novi Sad is adopted for the period 2015–2019, and it is set up on the following principles: relation with operation, balance, holistic approach and integrated approach. The strategy is implemented through five basic fields with clearly defined objectives, followed by a key topic in the focus, as well as some additional topics providing clear guidelines for actual programmes, projects, and initiatives:

FIELD	OBJECTIVE	PRIORITY TOPICS
<b>Corporate management</b>	Further improvement of the existing practice of good corporate governance	Transparent management practices Prevention of conflicts of interest Development of CSR through joint initiatives
<b>Responsibility to clients</b>	Even more strongly integration of social responsibility into the core business	Responsible financing financial inclusion Responsible communication with clients
<b>Responsibility in work environment</b>	Further development of a stimulating work environment, based on the rights and needs of employees	The development and training of employees Safety and Health at Work Social support to employees
<b>Responsibility in the supply chain</b>	To minimize the negative and maximize the positive impact that the Bank achieves on the society and the environment through the supply chain	The application of criteria in assessing the social environment of suppliers Application of environmental criteria in the evaluation of suppliers
<b>Responsibility to local communities</b>	Further development of local communities in all relevant aspects	Investing in the development of the potential members of the communities in which the Bank operates Promotion of corporate and individual philanthropy
<b>Responsibility to the environment</b>	Contribution to the preservation of the environment by minimizing the negative and maximize the positive impact that the Bank achieves	Responsible resource management Responsible financing Raising the awareness of employees about environmental protection

## CONSOLIDATED ANNUAL BUSINESS REPORT

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### 2. AUTHENTIC PRESENTATION OF THE BANK'S DEVELOPMENT AND PERFORMANCE, PARTICULARLY THE FINANCIAL POSITION OF THE BANK AND DATA RELEVANT FOR THE ASSESSMENT OF THE BANK'S ASSETS (continued)

#### • Corporate Social Responsibility (continued)

Values that are deeply rooted in our business and values we stand for are: support, responsibility, trust, innovativeness and creation.

A specificity of our engagement represents efforts we are putting in promotion of the concept of corporate social responsibility in Serbia, both on our own example and through intensive collaboration with our partners from the public and non-profit sectors. In accordance with such policy, our Bank is one of the founders and an active member of the initiatives advocating the corporate social responsibility in Serbia, such as the United Nations Global Compact COP for Serbia, the Corporate Social Responsibility Forum, Corporate Social Responsibility Task Force with the Association of Banks of Serbia, etc.

In addition to our wish to be a reliable partner to both the corporate and retail customers, given our long-term commitment to the Serbian market, we see our role as that of an active and continuous contribution to the development of the society and culture. Erste Bank pays special attention to the programs of investments in the community. During the course of 2017, Erste Bank supported various different cultural and artistic programs, science popularization, scientific programs, promotion of entrepreneurship (social and micro entrepreneurship), as well as or through voluntary actions allocated funds in the amount of about 29,3 million.

One of the most important programs of the Bank in 2016 was the launch of "Step by Step" program for educational, financial and mentoring support to start-ups, social enterprises and civil society. This is the first step in the implementation of social banking "Step by Step" in Serbia, which the Erste Group launched in Central and Eastern Europe (CEE) and Austria, to support customers who are traditionally under-covered by banking services: new businesses, including start-ups, social enterprises, civil society organizations, and persons at risk of poverty. In the first year of realization, specifically in 2017, through the program "Step by Step", 50 credits were approved, and the portfolio is around 350,000 EUR. 43 startup companies, 6 social enterprises and 1 non-governmental organization were credited. Thanks to this financial support, 45 new jobs have been opened. Through the Superste.net donation program in 2017, 19 projects were financially supported and mentored; only the fund for the realization of projects was 7.7 million dinars. Traditionally, the program is intended for groups and individuals who want to realize socially responsible ideas and programs, projects inspired by problems in society, with the aim of improving the entire community, and divided into two phases - Centrifuge for formal and informal groups, and Club Superste intended for individuals with socially responsible ideas.

The media and the public have recognized the significance of the topics that Erste Bank was dedicated to in 2017, as well as the number of publications in the media. About Erste Bank there were 2181 media publications in the period from January to December 2017 (according to clipping reports and analyzes by Executive Group and Ninamedie).

Reporting on social responsibility for us is an integral part of a wider process in which we are committed in the long term. Our goal is to present to our numerous stakeholders, in a clear and transparent manner, all the activities and initiatives that we have implemented over a year, as well as to announce the forthcoming plans and programs. Since 2008, we have regularly published annual reports on social responsibility, and since 2011 we have been the first bank and one of the first companies in Serbia based on internationally recognized frameworks GRI (Global Reporting Initiative). Since 2013, the Bank has expanded and improved the Social Responsibility Report by introducing indicators that GRI defined exclusively for the financial sector. By relying on the GRI Financial Services Sector Supplement (FSSS), the Corporate Responsibility Report of the Bank has become an important source of information for international financial institutions with which the Bank cooperates. Since 2015, the Bank has implemented the latest GRI G.4 reporting principles.

All Erste Bank reports on corporate social responsibility can be found at the following link: [http://www.erstebank.rs/rs/O\\_nama/Drustveno\\_govorno\\_poslovanje](http://www.erstebank.rs/rs/O_nama/Drustveno_govorno_poslovanje). The Corporate Social Responsibility Report of Erste Bank for 2017 will be published by the end of July 2018 on the Bank's website.

## CONSOLIDATED ANNUAL BUSINESS REPORT

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### 3. ENVIRONMENTAL RESPONSIBILITY

Environmental responsibility is presented for the Bank only, as the parent entity and leader of the Group.

Despite the fact that the Bank is not a major polluter in terms of direct impact of its business on the environment, Erste Bank has been monitoring and measuring its impact in accordance with the global trends for years now, with the aim of early identifications and minimization year in year out. The Bank's strategic commitment to this issue is manifested in the fact that one of the pillars of its Socially Responsible Business Operation Strategy is none other than the environmental responsibility.

The Bank's consistency in this area of its business is demonstrated by the adoption and successful implementation of the Natural and Social Environment Protection Policy and the Responsible Funding Policy. With regard to its core banking business, the Bank made progress in monitoring and reducing the primary harmful effects related to the responsible use of resources — in addition to the updated version of the currently effective Procedure on Waste Management.

The strategy adopted in the field of environmental protection, energy efficiency and climate change, and in the same context, the adopted The environmental policy and social environment, energy management policy, as well as the Policy of responsible finance, the Bank confirms that it is consistent in this area of its activities and operations. During 2016, act in the field of waste management were updated.

The implemented "Credit360" software has improved the process of collecting and managing the data on the Bank's environmental impact on the Group's environment, and with the full implementation of this software continued in 2017.

In line with the goal of promoting and developing the concept of green branches, as foreseen in the Bank's CSR Strategy, and in 2017, we continued to regulate the branches according to this principle. So far, a total of 16 branches have been arranged in accordance with this principle. In addition to investing in the adaptation of its affiliates in accordance with environmentally friendly criteria from year to year, in 2017 Erste Group finalizes the construction of an environmentally efficient business complex "Sirius".

Publications, internal magazine Puls and Corporate Social Responsibility Reporting Banks are printed on FSC paper (paper from controlled forest management), and since 2013, the Bank uses only 100% recycled paper for office paper. The Bank has been recycling office paper, PET packaging and electronic waste for years.

In the year 2017 in the field of environment we recorded the following impact:

- The recorded total CO2 emission: 3,128 t/a CO2eq
- (this information relates to the aggregate emission of the greenhouse gases in tons — CO2 equivalent)
- Total energy consumption (kWh/a):\* 4,662,170.16
- Electricity: 2,734,525.74 kWh/a
- Heating and air conditioning: 1,927,644.42 kWh/a
- Total CO2 emission (t/a CO2eq):\*\*\* 3,128

## CONSOLIDATED ANNUAL BUSINESS REPORT

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### 4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017

#### 4.1. THE BANK'S REGULATORY CAPITAL

The Bank complied with the requirements of the National Bank of Serbia Decision on the Capital Adequacy of Banks (Official Gazette RS No. 103/2016 - hereinafter referred to as the Decision on Adequacy) when calculating regulatory capital.

The total regulatory capital of the Bank is the sum of basic capital and supplementary capital, whereby the basic capital of the bank makes the sum of the basic share capital and additional basic capital:

- Basic share capital consists of a set of shares and other equity instruments that meet the requirements of the Decision on adequacy and related emission premiums, i.e. the amount paid above the nominal value of these instruments, the bank's profit, the revaluation reserves and other unrealized gains, the reserves from the profit and other reserves of the bank and the reserves for general banking risks, adjusted for regulatory adjustments and reduced by deduction items from the Decision on adequacy;
- 
- Additional share capital of a bank consists of a set of shares and other capital instruments that meet the requirements of the Decision on adequacy defined for these instruments and related emission premiums, i.e. amounts paid above the nominal value of these instruments, minus deductible items. The Bank has no such equity instruments on December 31.
- Supplementary capital of the bank consists of a set of shares and other instruments of supplementary capital and liabilities for subordinated loans and loans that meet the requirements of the Decision on adequacy defined for these instruments and related emission premiums, i.e. amounts paid above the nominal value of these instruments and general credit risk adjustments not deductible for tax effects, in the amount of at most 1.25% of the amount of the risk weighted exposure to credit risk.

The Bank manages the capital structure and performs adjustments in accordance with changes in economic conditions and risk characteristic of the Bank's activities.

The objectives of the Bank in terms of capital management are:

- to ensure compliance with the requirements of the National Bank of Serbia;
- to provide the level and structure of capital that can support the expected growth of placements;
- to provide the possibility of long-term business continuity while providing returns to shareholders and to benefit other stakeholders;
- to provide a strong capital base in support of the further development of the Bank's operations.

The Bank also ensures that the amount of its capital in the course of its operations is above EUR 10,000,000 in the RSD equivalent at the official middle exchange rate of NBS in accordance with the Law on Banks.

The Bank's shareholders are Erste Group Bank AG, Vienna, with a 74% equity interest, and Steiermarkische Bank und Sparkassen AG, Graz, with a 26% equity interest in the Bank's share capital.

In accordance with NBS Decision on the Disclosure of Data and Information by Banks, more detailed information on the Bank's capital are provided in the following appendices:

- form PI-KAP (APPENDIX 1) - a detailed structure of the Bank's regulatory capital as of 31 December 2017 ;
- form PI-FIKAP (APPENDIX 2) - basic characteristic of the regulatory capital components;
- form PI-UPK (APPENDIX 3) - the Bank's balance sheet prepared in accordance with IFRS/IAS and broken down line items presented so that they can be associated with the equity line items from the statement on equity prepared in accordance with NBS Decision on Capital Adequacy (APPENDIX 1).
- form PI-AKB - an overview of calculated capital requirements as of 31 December 2017.

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.1. THE BANK'S REGULATORY CAPITAL (continued)**

Appedix 1 – Form PI- KAP

Data on the Bank's capital position

No	Item	Amount	DCA reference*	Reference to Inset 3
	Common Equity Tier 1: elements			
1	CET1 capital instruments and the related share premium accounts	10,164,475		
1.1.	of which: shares and other capital instruments which fulfil the requirements as laid out in Section 8 of the DCA	10,040,000	Section 7, paragraph 1, item 1) and Section 8	a
1.2.	of which: relevant share premium with the instruments referred to in item 1.1, i.e. the amount paid above par value of those instruments	124,475	Section 7, paragraph 1, item 2)	b
2	Profit from preceding years free of any future liabilities, to be allocated to CET 1 capital according to the decision of the bank's assembly	-	Section 10, paragraph 1	
3	Profit of the current year or profit from the preceding year which the bank's assembly still has not decided to allocate in CET 1 capital which fulfil the requirements as laid out in Section 10, paras 2 and 3 on inclusion into CET 1 capital	1,442,454	Section 10, paras 2 and 3	
4	Revaluation reserves and other unrealised losses	418,023	Section 7, paragraph 1, item 4)	v
5	Reserves from profit and other bank reserves, except for reserves for general banking risks	7,679,825	Section 7, paragraph 1, item 5)	g
6	Reserves for general banking risks	-	Section 7, paragraph 1, paragraph 6)	
7	Non-controlling participations (minority interests) allowed in CET1**	-		
8	Common Equity Tier 1 capital before regulatory adjustments and deductibles (sum of rows from 1 to 7)	19,704,777		
	Common Equity Tier 1 capital: regulatory adjustments and deductibles			
9	Additional value adjustments (-)	(24,073)	Section 12, paragraph 5	PVA (Prudent Valuation Adjustments) is not part of BS
10	Intangible assets, including goodwill (net of deferred tax liabilities) (-)	(247,298)	Section 13, paragraph 1, item 2)	d
11	Deferred tax assets that rely on future profitability of the bank, excluding those arising from temporary differences (net of related deferred tax liability where the conditions referred to in Section 14, paragraph 1 of the DCA are met)	-	Section 13, paragraph 1, item 3)	
12	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value, including projected cash flows	-	Section 12, paragraph 1, item 1)	

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.1. THE BANK'S REGULATORY CAPITAL (continued)**

Appedix 1 – Form PI- KAP

Data on the Bank's capital position

(RSD thousand)

13	IRB Approach: Negative amount of difference resulting from the calculation in accordance with Section 134 of the DCA (-)	-	Section 13, paragraph 1, item 4)	
14	Any increase in equity that results from securitisation exposures (-)	-	Section 11	
15	Gains or losses on bank's liabilities valued at fair value resulting from changes in own credit standing	-	Section 12, paragraph 1, item 2)	
16	Defined benefit pension fund assets on the balance sheet of the bank(-)	-	Section 13, paragraph 1, item 5)	
17	Direct, indirect and synthetic holdings by a bank of own Common Equity Tier 1 instruments, including own CET 1 instruments that a bank is under an actual or contingent obligation to purchase by virtue of an existing contractual obligation (-)	-	Section 13, paragraph 1, item 6)	
18	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have a reciprocal cross holding with the bank, designed to inflate artificially the capital of the bank (-)	-	Section 13, paragraph 1, item 7)	
19	Applicable amount of direct, indirect and synthetic holdings by the bank of the CET1 instruments of financial sector entities where the bank does not have a significant investment in those entities (-)	-	Section 13, paragraph 1, item 8)	
20	Applicable amount of direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities (-)	-	Section 13, paragraph 1, item 9)	
21	Exposure amount of the following items which qualify for a risk weight of 1.250%, where the bank deducts that exposure amount from the amount of CET1 items as an alternative to applying a risk weight of 1.250%	-	Section 13, paragraph 1, item 11)	
21.1.	of which: holdings in entities outside the financial sector in the amount of over 10% of capital of those entities, i.e. holdings that allow exerting a significant impact on managing of a legal entity or on the business policy of that legal entity (-)	-	Section 13, paragraph 1, item 11), indent one	
21.2.	of which: securitisation positions (-)	-	Section 13, paragraph 1, item 11), indent two	
21.3.	of which: free deliveries (-)	-	Section 13, paragraph 1, item 11), indent three	
22	Deferred tax assets that rely on the bank's future profitability arising from temporary differences (amount above 10% of bank's CET1 capital referred to in Section 21, paragraph 2, reduced by the amount of related tax liabilities where the requirements referred to in Section 14, paragraph 1 of the DCA are met (-)	-	Section 21, paragraph 1, item 1)	
23	Sum of deferred tax assets and holdings of financial sector entities where the bank has a significant investment referred to in Section 21, paragraph 1 of the DCA in such entities, which exceeds the threshold referred to in Section 21, paragraph 3 of the DCA (-)	-	Section 21, paragraph 1	

## CONSOLIDATED ANNUAL BUSINESS REPORT

### 4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)

#### 4.1. THE BANK'S REGULATORY CAPITAL (continued)

Appendix 1 – Form PI- KAP

Data on the Bank's capital position

(RSDthousand)

23.1.	of which: Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities	-	Section 21, paragraph 1, item 2)	
23.2.	of which: Deferred tax assets arising from temporary differences	-	Section 21, paragraph 1, item 1)	
24	Losses for the current and previous years, and unrealised losses (-)	-	Section 13, paragraph 1, item 1)	
25	Any tax charge relating to CET1 elements foreseeable at the moment of its calculation, except where the bank suitably adjusts the amount of CET1 elements insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (-)	-	Section 13, paragraph 1, item 12)	
26	Amount of items required to be deducted from the bank's Additional Tier 1 items that exceeds Additional Tier 1 capital of the bank (-)	-	Section 13, paragraph 1, item 10)	
27	Amount of required reserve for estimated losses on balance-sheet assets and off-balance sheet items of the bank	-	Section 13, paragraph 1, item 13)	
28	Total regulatory adjustments and deductibles from CET1 capital (sum of rows from 9 to 27)	(271,371)		
29	Common Equity Tier 1 capital (difference between 8 and 28)	19,433,406		
	<b>Additional Tier 1 capital: elements</b>			
30	Shares and other capital instruments which fulfil the requirements as laid out in Section 23 of the DCA and related share premium	-	Section 22, paragraph 1, items 1) and 2)	
31	Capital instruments issued by subsidiaries, which are recognised as Additional Tier 1 capital**	-		
32	Additional Tier 1 capital before deductibles (30+31)	-		
	<b>Additional Tier 1 capital: deductibles</b>			
33	Direct, indirect and synthetic holdings by a bank of own Additional Tier 1 instruments, including the instruments that a bank is obliged to purchase as a result of existing contractual obligations (-)	-	Section 26, paragraph 1, item 1)	
34	Direct, indirect and synthetic holdings by a bank of the Additional Tier 1 instruments of financial sector entities with which the bank has reciprocal cross holdings, designed to inflate artificially the capital of the bank (-)	-	Section 26, paragraph 1, item 2)	
35	Applicable amount of direct, indirect and synthetic holdings by a bank of the Additional Tier 1 instruments of financial sector entities where the bank does not have a significant investment in those entities (-)	-	Section 26, paragraph 1, item 3)	
36	Direct, indirect and synthetic holdings by a bank of the Additional Tier 1 instruments of financial sector entities where the bank has a significant investment in those entities, excluding underwriting positions held for five working days or fewer (-)	-	Section 26, paragraph 1, item 4)	
37	Amount of items required to be deducted from Tier 2 items that exceed the Tier 2 capital of the bank (-)	-	Section 26, paragraph 1, item 5)	

**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.1. THE BANK'S REGULATORY CAPITAL (continued)**

Appedix 1 – Form PI- KAP

Data on the Bank's capital position

(RSDthousand)

38	Total deductibles from Additional Tier 1 capital (sum of rows from 33 to 37)	-		
39	Additional Tier 1 capital (difference between 32 and 38)	-		
40	Tier 1 capital (sum of rows 29 and 39)	-		
	<b>Tier 2: elements</b>			
41	Shares and other Tier 2 capital instruments and subordinated liabilities which fulfil the requirements as laid out in Section 28 of the DCA and related share premium accounts related to instruments	572,575	Section 27, paragraph 1, items 1) and 2)	d
42	Capital instruments issued by subsidiaries, which are recognised as Tier 2 capital**	-		
43	Credit risk adjustments that meet the requirements for the inclusion in Tier 2 capital	-	Section 27, paragraph 1, items 3) and 4)	
44	Tier 2 capital before deductibles (sum of rows from 41 to 43)	572,575		
	<b>Tier 2 capital: deductibles</b>			
45	Direct, indirect and synthetic holdings by a bank of own Tier 2 instruments and subordinated liabilities, including instruments that the bank is obliged to purchase as a result of existing contractual obligations (-)	-	Section 30, paragraph 1, item 1)	
46	Direct, indirect and synthetic holdings of the Tier 2 instruments and subordinated liabilities of financial sector entities with which the bank has reciprocal cross holdings, designed to inflate artificially the capital of the bank (-)	-	Section 30, paragraph 1, item 2)	
47	Applicable amount of direct, indirect and synthetic holdings of the Tier 2 instruments and subordinated liabilities of financial sector entities where a bank does not have a significant investment in those entities (-)	-	Section 30, paragraph 1, item 3)	
48	Direct, indirect and synthetic holdings by the bank of the Tier 2 instruments and subordinated liabilities of financial sector entities where the bank has a significant investment in those entities, excluding underwriting positions held for fewer than five working days (-)	-	Section 30, paragraph 1, item 4)	
49	Total deductibles from Tier 2 capital (sum of rows from 45 to 48)	-		
50	Tier 2 capital (difference between 44 and 49)	572,575		
51	Total capital (sum of rows 40 and 50)	20,005,981		
52	Total risk-weighted assets	110,309,893	Section 3, paragraph 2,	



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**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**

**4.1. THE BANK'S REGULATORY CAPITAL (continued)**

Appendix 1 – Form PI- KAP

Data on the Bank's capital position

(RSDthousand)

	<b>Capital adequacy ratios and capital buffers</b>			
53	Common Equity Tier 1 capital ratio (%)	17.62	Section 3, paragraph 1, item 1)	
54	Tier 1 capital ratio (%)	17.62	Section 3, paragraph 1, item 2)	
55	Total capital ratio (%)	18.14	Section 3, paragraph 1, item 3)	
56	Total requirements for capital buffers (%)***	5.70	Section 433	
57	Common Equity Tier 1 capital available for capital buffers coverage (%)****	9.62		

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.1. THE BANK'S REGULATORY CAPITAL (continued)**

Appendix 2 – Form PI-FIKAP

Data on the basic characteristics of the financial instruments included in the calculation of the Bank's capital

No	Instrument features	The share capital of the Bank	The subordinated loan granted by Erste Group Bank AG, Vienna
1.	Issuer	Erste Bank ad Novi Sad	
1.1.	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: RSNOVBE23514, CFI ESVUFR	
	Regulatory treatment		
2.	Treatment in accordance with the Decision on Capital Adequacy of Banks	Core capital instrument	Supplementary capital instrument
3.	Eligible at solo/(sub)consolidated level of inclusion of the instrument in equity at the group level	Individual and group	Individual and group
4.	Instrument type	Ordinary shares	Subordinated debt issued in the form of financial instrument
5.	Amount recognised in regulatory capital (in RSD thousand, as of most recent reporting date)	Amount of 10,164,474 thousand RSD is recognized for the purposes of calculating regulatory capital (nominal value plus share premium in the amount of 124,474 thousand RSD).	Amount of 572,575 thousand RSD recognised as supplementary capital which fulfill requirements in accordance with Decision on Capital Adequacy.
6.	Nominal amount of instrument	10,040,000 thousand RSD	EUR 15,000,000
6.1.	Issue price	RSD counter value of EUR 218.92	
6.2.	Redemption price		
7.	Accounting classification	Share capital	Liability – depreciated amount
8.	Original date of issuance	1 <sup>st</sup> issue: 4.012.090 thousand RSD 23/11/2004 2 <sup>nd</sup> issue: 1.369.980 thousand RSD 15/06/2006 3 <sup>rd</sup> issue: 1.735.310 thousand RSD 28/12/2006 4 <sup>th</sup> issue: 2.922.620 thousand RSD 19/12/2007	27/12/2011
9.	Perpetual or dated	No maturity date	With maturity date
9.1.	Original maturity date	No maturity date	27/12/2021
10.	Issuer call subject to prior supervisory approval	No	No
10.1.	Optional call date, contingent call dates and redemption amount		
10.2.	Subsequent call dates, if applicable		
	Coupons / dividends		
11.	Fixed or floating dividend/coupon	Variable	Variable
12.	Coupon rate and any related index		Referring to interest on subordinated loan
13.	Existence of a dividend stopper		
14.1.	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Full discretion	No discretion

**CONSOLIDATED ANNUAL BUSINESS REPORT**

**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**

**4.1. THE BANK'S REGULATORY CAPITAL (continued)**

Appendix 2 – Form PI-FIKAP

14.2.	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Full discretion	No discretion
15.	Existence of step up or other incentive to redeem	No	No
16.	Noncumulative or cumulative dividend/coupon	Non-cumulative	Non-cumulative
17.	Convertible or non-convertible	Non-convertible	Non-convertible
18.	If convertible, conversion trigger(s)		
19.	If convertible, fully or partially		
20.	If convertible, conversion rate		
21.	If convertible, mandatory or optional conversion		
22.	If convertible, specify instrument type convertible into		
23.	If convertible, specify issuer of instrument it converts into		
24.	Write-down features	No	No
25.	If write-down, write-down trigger(s)		
26.	If write-down, full or partial		
27.	If write-down, permanent or temporary		
28.	If temporary write-down, description of write-up mechanism		
29.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Minority participations	Other
30.	Non-compliant transitioned features	No	No
31.	If yes, specify non-compliant features		

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.1. THE BANK'S REGULATORY CAPITAL (continued)**

Appendix 3 - Form PI-UPK

 Breakdown of the Bank's balance sheet components with references to the items of regulatory capital (Appendix 1)  
 (RSD thousand)

Designation of item	Item	Consolidated balance sheet as disclosed in financial reports	Consolidated balance sheet under regulatory method and scope of consolidation
<b>A</b>	<b>ASSETS</b>		
A.I	Cash and assets with the central bank	20,774,027	20,774,027
A.II	Pledged financial assets	-	-
A.III	Financial assets recognised at fair value through income statement and held for trading	11,539,464	11,539,464
A.IV	Financial assets initially recognised at fair value through income statement	-	-
A.V	Financial assets available for sale	12,488,593	12,488,593
A.VI	Financial assets held to maturity	8,284,452	8,284,452
A.VII	Loans and receivables from banks and other financial organisations	2,210,553	2,210,553
A.VIII	Loans and receivables from clients	104,140,053	104,140,053
A.IX	Change in fair value of hedged items	-	-
A.X	Receivables arising from hedging derivatives	-	-
A.XI	Investments in associated companies and joint ventures	-	-
A.XII	Investments into subsidiaries	93,560	93,560
A.XIII	Intangible assets	247,298	247,298
A.XIV	Property, plant and equipment	1,070,689	1,070,689
A.XV	Investment property	-	-
A.XVI	Current tax assets	-	-
A.XVII	Deferred tax assets	-	-
A.XVIII	Non-current assets held for sale and discontinued operations	11,901	11,901
A.XIX	Other assets	1,060,415	1,060,415
<b>A.XX</b>	<b>TOTAL ASSETS (AOP items from 0001 to 0019 in the balance sheet)</b>	<b>161,921,005</b>	<b>161,921,005</b>
<b>P</b>	<b>CAPITAL &amp; LIABILITIES</b>	<b>-</b>	<b>-</b>
<b>PO</b>	<b>LIABILITIES</b>	<b>-</b>	<b>-</b>
PO.I	Financial liabilities recognised at fair value through income statement and held for trading	44,458	44,458
PO.II	Financial liabilities initially recognised at fair value through income statement	-	-
PO.III	Liabilities arising from hedging derivatives	-	-

## CONSOLIDATED ANNUAL BUSINESS REPORT

### 4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)

#### 4.1. THE BANK'S REGULATORY CAPITAL (continued)

Appendix 3 - Form PI-UPK

Breakdown of the Bank's balance sheet components with references to the items of regulatory capital (Appendix 1)

PO.IV	Deposits and other liabilities to banks, other financial organisations and central bank	45,570,431	45,570,431
PO.V	Deposits and other liabilities to other clients	91,982,128	91,982,128
PO.VI	Change in fair value of hedged items	-	-
PO.VII	Own securities issued and other borrowings	-	-
PO.VIII	Subordinated liabilities	1,354,523	1,354,523
PO.IX	Provisions	752,742	752,742
PO.X	Liabilities under assets held for sale and discontinued operations	-	-
PO.XI	Current tax liabilities	160,965	160,965
PO.XII	Deferred tax liabilities	5,248	5,248
PO.XIII	Other liabilities	1,155,947	1,155,947
PO.XIV	TOTAL LIABILITIES (AOP items from 0401 to 0413 in the balance sheet)	141,026,442	141,026,442
	CAPITAL		
PO.XV	Share capital	10,164,475	10,164,475
PO.XVI	Own shares	-	-
PO.XVII	Profit	2,632,240	2,632,240
PO.XVIII	Loss	-	-
PO.XIX	Reserves	8,097,848	8,097,849
PO.XX	Unrealized losses	-	-
PO.XXI	Non-controlling participation	-	-
PO.XXII	TOTAL CAPITAL (result of adding up and/or subtracting the following balance sheet items: 0415-0416+0417-0418+0419-0420+0421) $\geq 0$	20,894,563	20,894,561
PO.XXIII	TOTAL CAPITAL SHORTFALL (result of adding up and/or subtracting the following balance sheet items: 0415-0416+0417-0418+0419-0420+0421) $< 0$	-	-
PO.XXIV	TOTAL LIABILITIES (result of adding up and/or subtracting the following balance sheet items: 0414+0422-0423)	161,921,005	161,921,005
B.П.	OFF-BALANCE SHEET ITEMS	-	-
B.П.А.	Off-balance sheet assets	253,233,356	253,233,356
B.П.П.	Off-balance sheet liabilities	253,233,356	253,233,356

## CONSOLIDATED ANNUAL BUSINESS REPORT

### 4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)

#### 4.1. THE BANK'S REGULATORY CAPITAL (continued)

Appendix 3 - Form PI-UPK

Breakdown of the Bank's balance sheet components with references to the items of regulatory capital (Appendix 1)

Designation of item	Item	Balance sheet	References
A	ASSETS		
A.I	Cash and assets with the central bank	20,774,027	
A.II	Pledged financial assets	-	
A.III	Financial assets recognised at fair value through income statement and held for trading	11,539,464	
A.IV	Financial assets initially recognised at fair value through income statement	-	
A.V	Financial assets available for sale	12,488,593	
A.VI	Financial assets held to maturity	8,284,452	
A.VII	Loans and receivables from banks and other financial organisations	2,210,553	
A.VIII	Loans and receivables from clients	104,140,053	
A.IX	Change in fair value of hedged items	-	
A.X	Receivables arising from hedging derivatives	-	
A.XI	Investments in associated companies and joint ventures	-	
	Of which direct or indirect investments in banks and other financial sector persons	-	u
A.XII	Investments into subsidiaries	93,560	
	Of which direct or indirect investments in banks and other financial sector persons	93,560	
A.XIII	Intangible assets	247,298	i
A.XIV	Property, plant and equipment	1,070,689	
A.XV	Investment property	-	
A.XVI	Current tax assets	-	
A.XVII	Deferred tax assets	-	
A.XVIII	Non-current assets held for sale and discontinued operations	11,901	
A.XIX	Other assets	1,060,415	
	Of which direct or indirect investment in banks and other financial sector entities that exceed 10% of the capital of such banks and/or other financial sector entity	-	h
A.XX	TOTAL ASSETS (AOP items from 0001 to 0019 in the balance sheet)	161,921,005	

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.1. THE BANK'S REGULATORY CAPITAL (continued)**

Appendix 3 - Form PI-UPK

Breakdown of the Bank's balance sheet components with references to the items of regulatory capital (Appendix 1)

<b>P</b>	<b>CAPITAL &amp; LIABILITIES</b>		
<b>PO</b>	<b>LIABILITIES</b>		
PO.I	Financial liabilities recognised at fair value through income statement and held for trading	44,458	
PO.II	Financial liabilities initially recognised at fair value through income statement	-	
PO.III	Liabilities arising from hedging derivatives	-	
PO.IV	Deposits and other liabilities to banks, other financial organisations and central bank	45,570,431	
PO.V	Deposits and other liabilities to other clients	91,982,128	
PO.VI	Change in fair value of hedged items	-	
PO.VII	Own securities issued and other borrowings	-	
	Of which liabilities arising from hybrid instruments	-	r
PO.VIII	Subordinated liabilities	1,354,523	
	Of which subordinated liabilities included in bank's supplementary capital	572,575	s
PO.IX	Provisions	752,742	
PO.X	Liabilities under assets held for sale and discontinued operations	-	
PO.XI	Current tax liabilities	160,965	
PO.XII	Deferred tax liabilities	5,248	
PO.XIII	Other liabilities	1,155,947	
<b>PO.XIV</b>	<b>TOTAL LIABILITIES (AOP items from 0401 to 0413 in the balance sheet)</b>	<b>141,026,442</b>	
	<b>CAPITAL</b>	-	
<b>PO.XV</b>	<b>Share capital</b>	<b>10,164,475</b>	
	Of which nominal value of paid-in shares, except cumulative preferential shares	10,040,000	a
	Of which share premium on share capital, except cumulative preferential shares	124,475	b
	Of which nominal value of cumulative preferential shares	-	nj
	Of which share premium on cumulative preferential shares	-	o
<b>PO.XVI</b>	<b>Own shares</b>	-	
	Of which acquired own shares, except cumulative preferential shares	-	j
	Of which acquired own cumulative preferential shares	-	t

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.1. THE BANK'S REGULATORY CAPITAL (continued)**

Appendix 3 - Form PI-UPK

Breakdown of the Bank's balance sheet components with references to the items of regulatory capital (Appendix 1)

PO.XVII	Profit	2,632,240	
	Of which retained earnings from previous years	-	g
	Of which profit of the current year	2,632,240	
	Of which profit of the current year for which the General Assembly of the Bank adopted a decision on allocation to the core capital	-	d
PO.XVIII	Loss	-	
	Of which losses from previous years	-	ž
	Of which loss in the current year	-	z
PO.XIX	Reserves	8,097,848	
	Of which reserves from profit which represent element of core capital	7,679,825	v
	Of which other positive consolidated reserves	-	e
	Of which other negative consolidated reserves	-	n
	Of which other net negative revaluation reserves	-	lj
	Of which gains on bank liabilities measured at fair value due to the change in bank's credit rating	-	m
	Of which positive revaluation reserves created on the basis of effects of changes in fair value of fixed assets, securities and other assets which are, in accordance with IFRS/IAS, credited to these reserves.	458,509	
	Of which unrealised losses on securities available for sale	-77,334	l
	Of which actuarial gains	36,848	
	Of which tax liabilities	-	
PO.XX	Unrealised losses	-	
PO.XXI	Non-controlling participation	-	
	Of which minority participation in subordinated companies	-	đ
PO.XXII	TOTAL CAPITAL (result of adding up and/or subtracting the following balance sheet items: 0415-0416+0417-0418+0419+0420) $\geq 0$	20,894,563	
PO.XXIII	TOTAL CAPITAL SHORTFALL (result of adding up and/or subtracting the following balance sheet items: 0415-0416+0417-0418+0419+0420) $< 0$	-	
PO.XXIV	TOTAL LIABILITIES (result of adding up and/or subtracting the following balance sheet items: 0414+0421-0422)	161,921,005	
B.Π.	OFF-BALANCE SHEET ITEMS	-	
B.Π.A.	Off-balance sheet assets	253,233,356	
	Of which amount of shares received in pledge, except cumulative preferential shares	-	k
	Of which amount of cumulative preferential shares received in pledge	-	ć
B.Π.Π.	Off-balance sheet liabilities	253,233,356	



**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)****4.2. CAPITAL ADEQUACY**

In accordance with NBS Decision on Capital Adequacy, the total amount of capital requirements is computed relative to the regulatory capital. The amount of regulatory capital must be available in the minimum amount equal to the sum of the minimum capital requirements.

Minimum capital requirement in accordance with the Decision on the capital adequacy of banks, i.e. capital adequacy ratio, ratios of basic capital adequacy and share capital adequacy ratio of 8%, 6% and 4.5% retrospectively achieved throughout the reporting period. At 31 December 2017, the ratio of capital adequacy, capital adequacy ratio and basic equity capital ratio amounted to 18.14%, 17.62% and 17.62% at the Bank's level and 17.30%, 16.81 % and 16.81% at the Group level.

Based on the Bank's business activities, capital requirements for credit risk, market risks (ie price risk based on debt securities and foreign exchange risk) are accounted for, operational risk and risk of credit exposure adjustment.

The capital requirement for credit risk is calculated by multiplying the total assets weighted by credit risk by 8%. The Bank calculates credit risk weighted assets using a standardized approach for all classes of exposure.

As of 31 December 2017 the Bank has calculated regulatory capital requirements for absorption of market risks — equity price risk and foreign exchange risk.

Capital requirement for price risk based on debt securities is equal to the sum of capital requirements for specific and general price risk on the basis of these securities. The capital requirement for a general price risk based on debt securities is calculated by a standardized approach using maturity methods. The amount of the capital requirement for a specific price risk depends on the issuer of the debt securities, its external or internal credit rating, and the remaining maturity period.

The Bank calculates the capital requirement for foreign currency risk by multiplying the total open foreign exchange position and the absolute value of the net open position in gold by 8%.

The Bank applies the basic indicator approach (BIA) in calculation of the regulatory capital requirement for operational risk.

The Bank calculates the capital requirement based on the risk of adjusting the credit exposure using the standardized method.

Below is a form PI-AKB (APPENDIX 4) - an overview of calculated capital requirements as of December 31, 2017.

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.2. CAPITAL ADEQUACY (continued)**

Schedule 4 - Form PI-AKB

Data on total capital requirements and capital adequacy ratio at the Bank level

No	Name	Amount
		1
I	CAPITAL	20,005,981
1.	TOTAL CORE EQUITY TIER 1 CAPITAL	19,433,406
2.	TOTAL ADDITIONAL TIER 1 CAPITAL	-
3.	TOTAL TIER 2 CAPITAL	572,575
II	CAPITAL REQUIREMENTS	8,824,791
1.	CAPITAL REQUIREMENT FOR CREDIT RISK, COUNTERPARTY RISK, DILUTION RISK AND SETTLEMENT/DELIVERY RISK TO FREE DELIVERIES	7,481,334
1.1.	Standardised Approach (SA)	93,516,671
1.1.1.	Exposures to central governments and central banks	-
1.1.2.	Exposures to territorial autonomies or local government units	1,935,354
1.1.3.	Exposures to public administrative bodies	1,400,840
1.1.4.	Exposures to multilateral development banks	-
1.1.5.	Exposures to international organisations	-
1.1.6.	Exposures to banks	1,468,669
1.1.7.	Exposures to companies	48,071,288
1.1.8.	Retail exposures	27,101,504
1.1.9.	Exposures secured by mortgages on immovable property	10,934,737
1.1.10.	Exposures in default	1,012,048
1.1.11.	Exposures associated with particularly high risk	-
1.1.12.	Exposures in the form of covered bonds	-
1.1.13.	Exposures in the form of securitisation positions	-
1.1.14.	Exposures to banks and companies with a short-term credit assessment	-
1.1.15.	Exposures in the form of units in open-ended investment funds	-
1.1.16.	Equity exposures	303,750
1.1.17.	Other items	1,288,481
1.2.	Internal Ratings Based Approach (IRB)	-
1.2.1.	Exposures to central governments and central banks	-
1.2.2.	Exposures to banks	-
1.2.3.	Exposures to companies	-
1.2.4.	Retail exposures	-
1.2.4.1.	of which: Exposures secured by mortgages on immovable property	-

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.2. CAPITAL ADEQUACY (continued)**

Schedule 4 - Form PI-AKB

1.2.4.2.	of which: Qualifying revolving retail exposures	-
1.2.4.3.	of which: Exposures to small and medium-sized enterprises classified as retail exposures	-
1.2.5.	Equity exposures	-
1.2.5.1.	Approach applied:	-
1.2.5.1.1.	Simple Risk-Weight Approach	-
1.2.5.1.2.	PD/LGD Approach	-
1.2.5.1.3.	Internal models approach	-
1.2.5.2.	Types of equity exposures	-
1.2.5.2.1.	Exchange traded equity exposures	-
1.2.5.2.2.	Non-exchange traded equity exposures in sufficiently diversified portfolios	-
1.2.5.2.3.	Other equity exposures	-
1.2.5.2.4.	Equity exposures to which a bank applies the Standardised Approach	-
1.2.6.	Exposures in the form of securitisation positions	-
1.2.7.	Exposures arising from other assets	-
2	CAPITAL REQUIREMENT FOR SETTLEMENT/DELIVERY RISK IN RESPECT OF UNSETTLED TRANSACTIONS	-
3	CAPITAL REQUIREMENT FOR MARKET RISKS	245,671
3.1.	Capital requirements for position, foreign exchange risk and commodities risk calculated under the Standardised Approach	245,671
3.1.1.	Capital requirement for position risk of debt securities	177,449
	of which capital requirement for position risk in respect of securitisation items	-
3.1.2.	Capital requirements for position risk arising from equity securities	-
3.1.3.	Additional capital requirement for large exposures from the trading book	-
3.1.4.	Capital requirement for foreign exchange risk	68,222
3.1.5.	Capital requirement for commodities risk	-
3.2.	Capital requirements for position, foreign exchange and commodities risk calculated under the internal models approach	-
4	CAPITAL REQUIREMENTS FOR OPERATIONAL RISK	1,084,684
4.1.	Capital requirement for operational risk calculated under the Basic Indicator Approach	1,084,684
4.2.	Capital requirement for operational risk calculated under the Standardised Approach/Alternative Standardised Approach	-
4.3.	Capital requirement for operational risk calculated under the Advanced Approach	-
III	CORE EQUITY TIER 1 CAPITAL RATIO (%)	17.62
IV	TIER 1 CAPITAL RATIO (%)	17.62
V	TOTAL CAPITAL RATIO (%)	18.14

## CONSOLIDATED ANNUAL BUSINESS REPORT

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### **4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**

#### **4.3. BANKING GROUP**

The banking group, consisting of Erste Bank and the subsidiary S-Leasing, prepares consolidated financial statements in accordance with International Financial Reporting Standards. The banking group also prepares consolidated reports for the purpose of control of a banking group on a consolidated basis in accordance with the NBS decision with the same name (Official Gazette of the Republic of Serbia No. 45/2011).

The subsidiary S-Leasing is consolidated using the full consolidation method.

What follows are breakdowns of the financial figures of the Banking Group:

- form PI-KAP (APPENDIX cons 1) - a detailed structure of the Bank's regulatory capital as of 31 December 2017;
- form PI-FIKAP (APPENDIX cons 2) - basic characteristics of regulatory capital elements on a consolidated basis;
- form PI-UPK (APPENDIX cons 3) - consists of 2 tables:
- form PI-AKB (APPENDIX cons 4)- an overview of calculated consolidated capital requirements

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.3. BANKING GROUP (continued)**

Appendix cons 1 – Form PI- KAP consolidated

Data on the consolidated capital position

(RSD thousand)

No	Item	Amount	DCA reference*	Reference to appendix 3
	Common Equity Tier 1: elements			
1	CET1 capital instruments and the related share premium accounts	10,164,475		
1.1.	of which: shares and other capital instruments which fulfil the requirements as laid out in Section 8 of the DCA	10,040,000	Section 7, paragraph 1, item 1) and Section 8	a
1.2.	of which: relevant share premium with the instruments referred to in item 1.1, i.e. the amount paid above par value of those instruments	124,475	Section 7, paragraph 1, item 2)	b
2	Profit from preceding years free of any future liabilities, to be allocated to CET 1 capital according to the decision of the bank's assembly	-	Section 10, paragraph 1	
3	Profit of the current year or profit from the preceding year which the bank's assembly still has not decided to allocate in CET 1 capital which fulfil the requirements as laid out in Section 10, paras 2 and 3 on inclusion into CET 1 capital	1,442,454	Section 10, paras 2 and 3	
4	Revaluation reserves and other unrealised losses	418,023	Section 7, paragraph 1, item 4)	v
5	Reserves from profit and other bank reserves, except for reserves for general banking risks	7,679,825	Section 7, paragraph 1, item 5)	g
6	Reserves for general banking risks	-	Section 7, paragraph 1, paragraph 6)	
7	Non-controlling participations (minority interests) allowed in CET1**	16,875		d
8	Core Equity Tier 1 capital before regulatory adjustments and deductibles (sum of rows from 1 to 7)	19,721,652		

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.3. BANKING GROUP (continued)**

Appendix cons 1 – Form PI- KAP consolidated

(RSD thousand)

	Common Equity Tier 1 capital: regulatory adjustments and deductibles			
9	Additional value adjustments (-)	(24,073)	Section 12, paragraph 5	PVA (Prudent Valuation Adjustments) is not part of BS
10	Intangible assets, including goodwill (net of deferred tax liabilities) (-)	(255,553)	Section 13, paragraph 1, item 2)	đ
11	Deferred tax assets that rely on future profitability of the bank, excluding those arising from temporary differences (net of related deferred tax liability where the conditions referred to in Section 14, paragraph 1 of the DCA are met)	-	Section 13, paragraph 1, item 3)	
12	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value, including projected cash flows	-	Section 12, paragraph 1, item 1)	
13	IRB Approach: Negative amount of difference resulting from the calculation in accordance with Section 134 of the DCA (-)	-	Section 13, paragraph 1, item 4)	
14	Any increase in equity that results from securitisation exposures (-)	-	Section 11	
15	Gains or losses on bank's liabilities valued at fair value resulting from changes in own credit standing	-	Section 12, paragraph 1, item 2)	
16	Defined benefit pension fund assets on the balance sheet of the bank(-)	-	Section 13, paragraph 1, item 5)	
17	Direct, indirect and synthetic holdings by a bank of own Common Equity Tier 1 instruments, including own CET 1 instruments that a bank is under an actual or contingent obligation to purchase by virtue of an existing contractual obligation (-)	-	Section 13, paragraph 1, item 6)	
18	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have a reciprocal cross holding with the bank, designed to inflate artificially the capital of the bank (-)	-	Section 13, paragraph 1, item 7)	
19	Applicable amount of direct, indirect and synthetic holdings by the bank of the CET1 instruments of financial sector entities where the bank does not have a significant investment in those entities (-)	-	Section 13, paragraph 1, item 8)	
20	Applicable amount of direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities (-)	-	Section 13, paragraph 1, item 9)	
21	Exposure amount of the following items which qualify for a risk weight of 1.250%, where the bank deducts that exposure amount from the amount of CET1 items as an alternative to applying a risk weight of 1.250%	-	Section 13, paragraph 1, item 11)	
21.1.	of which: holdings in entities outside the financial sector in the amount of over 10% of capital of those entities, i.e. holdings that allow exerting a significant impact on managing of a legal entity or on the business policy of that legal entity (-)	-	Section 13, paragraph 1, item 11), indent one	
21.2.	of which: securitisation positions (-)	-	Section 13, paragraph 1, item 11), indent two	

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.3. BANKING GROUP (continued)**

Appendix cons 1 – Form PI- KAP consolidated

(RSD thousand)

21.3.	of which: free deliveries (-)	-	Section 13, paragraph 1, item 11), indent three	
22	Deferred tax assets that rely on the bank's future profitability arising from temporary differences (amount above 10% of bank's CET1 capital referred to in Section 21, paragraph 2, reduced by the amount of related tax liabilities where the requirements referred to in Section 14, paragraph 1 of the DCA are met (-)	-	Section 21, paragraph 1, item 1)	
23	Sum of deferred tax assets and holdings of financial sector entities where the bank has a significant investment referred to in Section 21, paragraph 1 of the DCA in such entities, which exceeds the threshold referred to in Section 21, paragraph 3 of the DCA (-)	-	Section 21, paragraph 1	
23.1.	of which: Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities	-	Section 21, paragraph 1, item 2)	
23.2.	of which: Deferred tax assets arising from temporary differences	-	Section 21, paragraph 1, item 1)	
24	Losses for the current and previous years, and unrealised losses (-)	-	Section 13, paragraph 1, item 1)	
25	Any tax charge relating to CET1 elements foreseeable at the moment of its calculation, except where the bank suitably adjusts the amount of CET1 elements insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (-)	-	Section 13, paragraph 1, item 12)	
26	Amount of items required to be deducted from the bank's Additional Tier 1 items that exceeds Additional Tier 1 capital of the bank (-)	-	Section 13, paragraph 1, item 10)	
27	Amount of required reserve for estimated losses on balance-sheet assets and off-balance sheet items of the bank	-	Section 13, paragraph 1, item 13)	
28	Total regulatory adjustments and deductibles from CET1 capital (sum of rows from 9 to 27)	(279,626)		
29	Common Equity Tier 1 capital (difference between 8 and 28)	19,442,026		
	Additional Tier 1 capital: elements			
30	Shares and other capital instruments which fulfil the requirements as laid out in Section 23 of the DCA and related share premium	-	Section 22, paragraph 1, items 1) and 2)	
31	Capital instruments issued by subsidiaries, which are recognised as Additional Tier 1 capital**	-		
32	Additional Tier 1 capital before deductibles (30+31)	-		

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.3. BANKING GROUP (continued)**

Appendix cons 1 – Form PI- KAP consolidated

(RSD thousand)

	Additional Tier 1 capital: deductibles			
33	Direct, indirect and synthetic holdings by a bank of own Additional Tier 1 instruments, including the instruments that a bank is obliged to purchase as a result of existing contractual obligations (-)	-	Section 26, paragraph 1, item 1)	
34	Direct, indirect and synthetic holdings by a bank of the Additional Tier 1 instruments of financial sector entities with which the bank has reciprocal cross holdings, designed to inflate artificially the capital of the bank (-)	-	Section 26, paragraph 1, item 2)	
35	Applicable amount of direct, indirect and synthetic holdings by a bank of the Additional Tier 1 instruments of financial sector entities where the bank does not have a significant investment in those entities (-)	-	Section 26, paragraph 1, item 3)	
36	Direct, indirect and synthetic holdings by a bank of the Additional Tier 1 instruments of financial sector entities where the bank has a significant investment in those entities, excluding underwriting positions held for five working days or fewer (-)	-	Section 26, paragraph 1, item 4)	
37	Amount of items required to be deducted from Tier 2 items that exceed the Tier 2 capital of the bank (-)	-	Section 26, paragraph 1, item 5)	
38	Total deductibles from Additional Tier 1 capital (sum of rows from 33 to 37)	-		
39	Additional Tier 1 capital (difference between 32 and 38)	-		
40	Tier 1 capital (sum of rows 29 and 39)	-		
	Tier 2: elements			
41	Shares and other Tier 2 capital instruments and subordinated liabilities which fulfil the requirements as laid out in Section 28 of the DCA and related share premium accounts related to instruments	572,575	Section 27, paragraph 1, items 1) and 2)	e
42	Capital instruments issued by subsidiaries, which are recognised as Tier 2 capital**	-		
43	Credit risk adjustments that meet the requirements for the inclusion in Tier 2 capital	-	Section 27, paragraph 1, items 3) and 4)	
44	Tier 2 capital before deductibles (sum of rows from 41 to 43)	572,575		



**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.3. BANKING GROUP (continued)**

Appendix cons 1 – Form PI- KAP consolidated

Data on the consolidated capital position

	Tier 2 capital: deductibles			
45	Direct, indirect and synthetic holdings by a bank of own Tier 2 instruments and subordinated liabilities, including instruments that the bank is obliged to purchase as a result of existing contractual obligations (-)	-	Section 30, paragraph 1, item 1)	
46	Direct, indirect and synthetic holdings of the Tier 2 instruments and subordinated liabilities of financial sector entities with which the bank has reciprocal cross holdings, designed to inflate artificially the capital of the bank (-)	-	Section 30, paragraph 1, item 2)	
47	Applicable amount of direct, indirect and synthetic holdings of the Tier 2 instruments and subordinated liabilities of financial sector entities where a bank does not have a significant investment in those entities (-)	-	Section 30, paragraph 1, item 3)	
48	Direct, indirect and synthetic holdings by the bank of the Tier 2 instruments and subordinated liabilities of financial sector entities where the bank has a significant investment in those entities, excluding underwriting positions held for fewer than five working days (-)	-	Section 30, paragraph 1, item 4)	
49	Total deductibles from Tier 2 capital (sum of rows from 45 to 48)	-		
50	Tier 2 capital (difference between 44 and 49)	572,575		
51	Total capital (sum of rows 40 and 50)	20,014,601		
52	Total risk-weighted assets	115,674,715	Section 3, paragraph 2,	
<b>Capital adequacy ratios and capital buffers</b>				
53	Common Equity Tier 1 capital ratio (%)	16.81	Section 3, paragraph 1, item 1)	
54	Tier 1 capital ratio (%)	16.81	Section 3, paragraph 1, item 2)	
55	Total capital ratio (%)	17.30	Section 3, paragraph 1, item 3)	
56	Total requirements for capital buffers (%)***	5.77	Section 433	
57	Common Equity Tier 1 capital available for capital buffers coverage (%)****	8.81		

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.3. BANKING GROUP (continued)**

Appendix cons 2 – Form PI-FIKAP consolidated

Data on the basic characteristics of the financial instruments included in the calculation of the Bank's consolidated capital

No	Instrument features	The share capital of the Bank	The subordinated loan granted by Erste Group Bank AG, Vienna	Minority interest in a subsidiary S-Leasing
1.	Issuer	Erste Bank ad Novi Sad	Erste Group Bank Ceps Holding GmbH, Beč	S-Leasing doo Beograd
1.1.	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: RSNVBE23514, CFI ESVUFR		
	Regulatory treatment			
2.	Treatment in accordance with the Decision on Capital Adequacy of Banks	Core capital instrument	Supplementary capital instrument	Core capital instrument
3.	Eligible at solo/(sub)consolidated level of inclusion of the instrument in equity at the group level	Individual and group	Individual and group	Group
4.	Instrument type	Ordinary shares	Subordinated debt issued in the form of financial instrument	Minority participations
5.	Amount recognised in regulatory capital (in RSD thousand, as of most recent reporting date)	Amount of 10,164,474 thousand RSD is recognized for the purposes of calculating regulatory capital (nominal value plus share premium in the amount of 124,474 thousand RSD).	Amount of 572,575 thousand RSD recognised as supplementary capital which fulfill requirements in accordance with Decision on Capital Adequacy.	Minority interest in the capital (25% of core capital) is recognised in total amount of 16,875 thousand RSD
6.	Nominal amount of instrument	10,040,000 thousand RSD	EUR 15,000,000	The total paid up capital amounts to 67,500 thousand RSD, of which 25% are in the minority participation.
6.1.	Issue price	RSD counter value of EUR 218.92		
6.2.	Redemption price			
7.	Accounting classification	Share capital	Liability – depreciated amount	Minority participations
8.	Original date of issuance	1 <sup>st</sup> issue: 4.012.090 thousand RSD 23/11/2004 2 <sup>nd</sup> issue: 1.369.980 thousand RSD 15/06/2006 3 <sup>rd</sup> issue: 1.735.310 thousand RSD 28/12/2006 4 <sup>th</sup> issue: 2.922.620 thousand RSD 19/12/2007	27/12/2011	1 <sup>st</sup> issue: 6.538.920 RSD 17/06/2003 2 <sup>nd</sup> issue: 33.716.916 RSD 29/06/2009 3 <sup>rd</sup> issue: 4.076.256 RSD 27/09/2011 4 <sup>th</sup> issue: 16.122.628 RSD 09/04/2013 5 <sup>th</sup> issue: 7.045.000 RSD 13/05/2015

**CONSOLIDATED ANNUAL BUSINESS REPORT**

**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**

**4.3. BANKING GROUP (continued)**

Appendix cons 2 – Form PI-FIKAP consolidated

Data on the basic characteristics of the financial instruments included in the calculation of the Bank's consolidated capital

9.	Perpetual or dated	No maturity date	With maturity date	No maturity date
9.1.	Original maturity date	No maturity date	27/12/2021	No maturity date
10.	Issuer call subject to prior supervisory approval	No	No	No
10.1.	Optional call date, contingent call dates and redemption amount			
10.2.	Subsequent call dates, if applicable			
	Coupons / dividends			
11.	Fixed or floating dividend/coupon	Variable	Variable	Variable
12.	Coupon rate and any related index		Referring to interest on subordinated loan	
13.	Existence of a dividend stopper			
14.1.	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Full discretion	No discretion	Full discretion
14.2.	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Full discretion	No discretion	Full discretion
15.	Existence of step up or other incentive to redeem	No	No	No
16.	Noncumulative or cumulative dividend/coupon	Non-cumulative	Non-cumulative	Non-cumulative
17.	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
18.	If convertible, conversion trigger(s)			
19.	If convertible, fully or partially			
20.	If convertible, conversion rate			
21.	If convertible, mandatory or optional conversion			
22.	If convertible, specify instrument type convertible into			
23.	If convertible, specify issuer of instrument it converts into			
24.	Write-down features	No	No	No

**CONSOLIDATED ANNUAL BUSINESS REPORT**

**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**

**4.3. BANKING GROUP (continued)**

Appendix cons 2 – Form PI-FIKAP consolidated

Data on the basic characteristics of the financial instruments included in the calculation of the Bank's consolidated capital

25.	If write-down, write-down trigger(s)			
26.	If write-down, full or partial			
27.	If write-down, permanent or temporary			
28.	If temporary write-down, description of write-up mechanism			
29.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Minority participations	Other	Subordinated debt issued in the form of financial instrument
30.	Non-compliant transitioned features	No	No	No
31.	If yes, specify non-compliant features			

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.3. BANKING GROUP (continued)**

Appendix 3 - Form PI-UPK consolidated

(RSD thousand)

Designation of item	Item	Consolidated balance sheet as disclosed in financial reports	Consolidated balance sheet under regulatory method and scope of consolidation
<b>A</b>	<b>ASSETS</b>		
A.I	Cash and assets with the central bank	20,774,027	20,774,027
A.II	Pledged financial assets	-	-
A.III	Financial assets recognised at fair value through income statement and held for trading	11,539,464	11,539,464
A.IV	Financial assets initially recognised at fair value through income statement	-	-
A.V	Financial assets available for sale	12,488,593	12,488,593
A.VI	Financial assets held to maturity	8,284,452	8,284,452
A.VII	Loans and receivables from banks and other financial organisations	2,198,970	2,198,970
A.VIII	Loans and receivables from clients	110,472,729	110,472,729
A.IX	Change in fair value of hedged items	-	-
A.X	Receivables arising from hedging derivatives	-	-
A.XI	Investments in associated companies and joint ventures	118	118
A.XII	Investments into subsidiaries	-	-
A.XIII	Intangible assets	255,553	255,553
A.XIV	Property, plant and equipment	1,078,617	1,078,617
A.XV	Investment property	-	-
A.XVI	Current tax assets	3,386	3,386
A.XVII	Deferred tax assets	2,261	2,261
A.XVIII	Non-current assets held for sale and discontinued operations	12,288	12,288
A.XIX	Other assets	1,154,111	1,154,111
A.XX	TOTAL ASSETS (AOP items from 0001 to 0019 in the balance sheet)	168,264,569	168,264,569
<b>P</b>	<b>CAPITAL &amp; LIABILITIES</b>	-	-
<b>PO</b>	<b>LIABILITIES</b>	-	-
PO.I	Financial liabilities recognised at fair value through income statement and held for trading	44,458	44,458
PO.II	Financial liabilities initially recognised at fair value through income statement	-	-
PO.III	Liabilities arising from hedging derivatives	-	-

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.3. BANKING GROUP (continued)**

Appendix 3 - Form PI-UPK consolidated

(RSD thousand)

PO.IV	Deposits and other liabilities to banks, other financial organisations and central bank	51,859,707	51,859,707
PO.V	Deposits and other liabilities to other clients	91,982,128	91,982,128
PO.VI	Change in fair value of hedged items	-	-
PO.VII	Own securities issued and other borrowings	-	-
PO.VIII	Subordinated liabilities	1,354,523	1,354,523
PO.IX	Provisions	766,609	766,609
PO.X	Liabilities under assets held for sale and discontinued operations	-	-
PO.XI	Current tax liabilities	160,965	160,965
PO.XII	Deferred tax liabilities	5,248	5,248
PO.XIII	Other liabilities	1,030,505	1,030,505
PO.XIV	TOTAL LIABILITIES (AOP items from 0401 to 0413 in the balance sheet)	147,204,143	147,204,143
	CAPITAL	-	-
PO.XV	Share capital	10,164,475	10,164,475
PO.XVI	Own shares	-	-
PO.XVII	Profit	2,732,925	2,732,925
PO.XVIII	Loss	-	-
PO.XIX	Reserves	8,098,170	8,098,170
PO.XX	Unrealized losses	-	-
PO.XXI	Non-controlling participation	64,856	64,856
PO.XXII	TOTAL CAPITAL (result of adding up and/or subtracting the following balance sheet items: 0415-0416+0417-0418+0419+0420) $\geq 0$	21,060,426	21,060,424
PO.XXIII	TOTAL CAPITAL SHORTFALL (result of adding up and/or subtracting the following balance sheet items: 0415-0416+0417-0418+0419+0420) $< 0$	-	-
PO.XXIV	TOTAL LIABILITIES (result of adding up and/or subtracting the following balance sheet items: 0414+0421-0422)	168,264,569	168,264,569
B.П.	OFF-BALANCE SHEET ITEMS	-	-
B.П.A.	Off-balance sheet assets	253,369,158	253,369,158
B.П.П.	Off-balance sheet liabilities	253,369,158	253,369,158

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.3. BANKING GROUP (continued)**

(RSD thousand)

Designation of item	Item	Balance sheet	References
A	ASSETS		
A.I	Cash and assets with the central bank	20,774,027	
A.II	Pledged financial assets	-	
A.III	Financial assets recognised at fair value through income statement and held for trading	11,539,464	
A.IV	Financial assets initially recognised at fair value through income statement	-	
A.V	Financial assets available for sale	12,488,593	
A.VI	Financial assets held to maturity	8,284,452	
A.VII	Loans and receivables from banks and other financial organisations	2,198,970	
A.VIII	Loans and receivables from clients	110,472,729	
A.IX	Change in fair value of hedged items	-	
A.X	Receivables arising from hedging derivatives	-	
A.XI	Investments in associated companies and joint ventures	118	
	Of which direct or indirect investments in banks and other financial sector person persons	-	u
A.XII	Investments into subsidiaries	-	
	Of which direct or indirect investments in banks and other financial sector persons	-	f
A.XIII	Intangible assets	255,553	i
A.XIV	Property, plant and equipment	1,078,617	
A.XV	Investment property	-	
A.XVI	Current tax assets	3,386	
A.XVII	Deferred tax assets	2,261	
A.XVIII	Non-current assets held for sale and discontinued operations	12,288	
A.XIX	Other assets	1,154,111	
	Of which direct or indirect investment in banks and other financial sector entities that exceed 10% of the capital of such banks and/or other financial sector entity	-	h
A.XX	TOTAL ASSETS (AOP items from 0001 to 0019 in the balance sheet)	168,264,569	

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.3. BANKING GROUP (continued)**

Appendix 3 - Form PI-UPK consolidated

(RSD thousand)

P	CAPITAL & LIABILITIES	-	
PO	LIABILITIES	-	
PO.I	Financial liabilities recognised at fair value through income statement and held for trading	44,458	
PO.II	Financial liabilities initially recognised at fair value through income statement	-	
PO.III	Liabilities arising from hedging derivatives	-	
PO.IV	Deposits and other liabilities to banks, other financial organisations and central bank	51,859,707	
PO.V	Deposits and other liabilities to other clients	91,982,128	
PO.VI	Change in fair value of hedged items	-	
PO.VII	Own securities issued and other borrowings	-	
	Of which liabilities arising from hybrid instruments	-	r
PO.VIII	Subordinated liabilities	1,354,523	
	Of which subordinated liabilities included in bank's supplementary capital	572,575	s
PO.IX	Provisions	766,609	
PO.X	Liabilities under assets held for sale and discontinued operations	-	
PO.XI	Current tax liabilities	160,965	
PO.XII	Deferred tax liabilities	5,248	
PO.XIII	Other liabilities	1,030,505	
PO.XIV	TOTAL LIABILITIES (AOP items from 0401 to 0413 in the balance sheet)	147,204,143	
	CAPITAL		
PO.XV	Share capital	10,164,475	
	Of which nominal value of paid-in shares, except cumulative preferential shares	10,040,000	a
	Of which share premium on share capital, except cumulative preferential shares	124,475	b
	Of which nominal value of cumulative preferential shares	-	nj
	Of which share premium on cumulative preferential shares	-	o
PO.XVI	Own shares	-	
	Of which acquired own shares, except cumulative preferential shares	-	j
	Of which acquired own cumulative preferential shares	-	t
PO.XVII	Profit	2,732,925	



**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.3. BANKING GROUP (continued)**

Appendix 3 - Form PI-UPK consolidated

(RSD thousand)

	Of which retained earnings from previous years (Erste Bank)	-	g
	Of which profit of the current year	2,732,925	
	Of which profit of the current year for which the General Assembly of the Bank adopted a decision on allocation to the core capital	-	d
	Of which other positive consolidated reserves	-	e
PO.XVIII	Loss	-	
	Of which losses from previous years	-	z
PO.XIX	Reserves	8,098,170	
	Of which reserves from profit which represent element of core capital	7,679,825	v
	Of which other negative consolidated reserves	-	n
	Of which other net negative revaluation reserves	-	lj
	Of which gains on bank liabilities measured at fair value due to the change in bank's credit rating	-	m
	Of which positive revaluation reserves created on the basis of effects of changes in fair value of fixed assets, securities and other assets which are, in accordance with IFRS/IAS, credited to these reserves.	458,509	p
	Of which unrealised losses on securities available for sale	-77,334	i
	Of which actuarial gains	37,277	
	Of which tax liabilities	-	
PO.XX	Unrealised losses	-	
PO.XXI	Non-controlling participation	64,856	
	Of which minority participation in subordinated companies	16,875	đ
	Of which minority participation related to profit in current year	-	
PO.XXII	TOTAL CAPITAL (result of adding up and/or subtracting the following balance sheet items: 0415-0416+0417-0418+0419+0420) $\geq 0$	21,060,426	
PO.XXIII	TOTAL CAPITAL SHORTFALL (result of adding up and/or subtracting the following balance sheet items: 0415-0416+0417-0418+0419+0420) $< 0$		
PO.XXIV	TOTAL LIABILITIES (result of adding up and/or subtracting the following balance sheet items: 0414+0421-0422)	168,264,569	
B.П.	OFF-BALANCE SHEET ITEMS	-	
B.П.A.	Off-balance sheet assets	253,369,158	
	Of which amount of shares received in pledge, except cumulative preferential shares	-	k
	Of which amount of cumulative preferential shares received in pledge	-	ć
B.П.П.	Off-balance sheet liabilities	253,369,158	

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.3. BANKING GROUP (continued)**

Appendix cons 4 - Form PI-AKB consolidated

Data on overall capital requirements and capital adequacy ratio on a consolidated basis

(RSD thousand)

No	Name	Amount
		1
I	CAPITAL	20,014,601
1.	TOTAL CORE EQUITY TIER 1 CAPITAL	19,442,026
2.	TOTAL ADDITIONAL TIER 1 CAPITAL	-
3.	TOTAL TIER 2 CAPITAL	572,575
II	CAPITAL REQUIREMENTS	9,253,977
1.	CAPITAL REQUIREMENT FOR CREDIT RISK, COUNTERPARTY RISK, DILUTION RISK AND SETTLEMENT/DELIVERY RISK TO FREE DELIVERIES	7,868,795
1.1.	Standardised Approach (SA)	98,359,934
1.1.1.	Exposures to central governments and central banks	-
1.1.2.	Exposures to territorial autonomies or local government units	1,937,304
1.1.3.	Exposures to public administrative bodies	1,421,218
1.1.4.	Exposures to multilateral development banks	-
1.1.5.	Exposures to international organisations	-
1.1.6.	Exposures to banks	1,506,580
1.1.7.	Exposures to companies	50,525,921
1.1.8.	Retail exposures	29,496,116
1.1.9.	Exposures secured by mortgages on immovable property	10,934,737
1.1.10.	Exposures in default	1,018,078
1.1.11.	Exposures associated with particularly high risk	-
1.1.12.	Exposures in the form of covered bonds	-
1.1.13.	Exposures in the form of securitisation positions	-
1.1.14.	Exposures to banks and companies with a short-term credit assessment	-
1.1.15.	Exposures in the form of units in open-ended investment funds	-
1.1.16.	Equity exposures	69,849
1.1.17.	Other items	1,450,131
1.2.	Internal Ratings Based Approach (IRB)	-
1.2.1.	Exposures to central governments and central banks	-
1.2.2.	Exposures to banks	-
1.2.3.	Exposures to companies	-
1.2.4.	Retail exposures	-
1.2.4.1.	of which: Exposures secured by mortgages on immovable property	-

**CONSOLIDATED ANNUAL BUSINESS REPORT**
**4. DISCLOSURE OF DATA AND INFORMATION ON EQUITY ACCORDING TO BASEL III PILLAR 3 FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)**
**4.3. BANKING GROUP (continued)**

Appendix cons 4 - Form PI-AKB consolidated

Data on overall capital requirements and capital adequacy ratio on a consolidated basis

1.2.4.2.	of which: Qualifying revolving retail exposures	-
1.2.4.3.	of which: Exposures to small and medium-sized enterprises classified as retail exposures	-
1.2.5.	Equity exposures	-
1.2.5.1.	Approach applied:	-
1.2.5.1.1.	Simple Risk-Weight Approach	-
1.2.5.1.2.	PD/LGD Approach	-
1.2.5.1.3.	Internal models approach	-
1.2.5.2.	Types of equity exposures	-
1.2.5.2.1.	Exchange traded equity exposures	-
1.2.5.2.2.	Non-exchange traded equity exposures in sufficiently diversified portfolios	-
1.2.5.2.3.	Other equity exposures	-
1.2.5.2.4.	Equity exposures to which a bank applies the Standardised Approach	-
1.2.6.	Exposures in the form of securitisation positions	-
1.2.7.	Exposures arising from other assets	-
2	CAPITAL REQUIREMENT FOR SETTLEMENT/DELIVERY RISK IN RESPECT OF UNSETTLED TRANSACTIONS	-
3	CAPITAL REQUIREMENT FOR MARKET RISKS	269,658
3.1.	Capital requirements for position, foreign exchange risk and commodities risk calculated under the Standardised Approach	269,658
3.1.1.	Capital requirement for position risk of debt securities	177,449
	of which capital requirement for position risk in respect of securitisation items	-
3.1.2.	Capital requirements for position risk arising from equity securities	-
3.1.3.	Additional capital requirement for large exposures from the trading book	-
3.1.4.	Capital requirement for foreign exchange risk	92,209
3.1.5.	Capital requirement for commodities risk	-
3.2.	Capital requirements for position, foreign exchange and commodities risk calculated under the internal models approach	-
4	CAPITAL REQUIREMENTS FOR OPERATIONAL RISK	1,102,422
4.1.	Capital requirement for operational risk calculated under the Basic Indicator Approach	1,102,422
4.2.	Capital requirement for operational risk calculated under the Standardised Approach/Alternative Standardised Approach	-
4.3.	Capital requirement for operational risk calculated under the Advanced Approach	-
III	COMMON EQUITY TIER 1 CAPITAL RATIO (%)	16.81
IV	TIER 1 CAPITAL RATIO (%)	16.81
V	TOTAL CAPITAL RATIO (%)	17.30

## CONSOLIDATED ANNUAL BUSINESS REPORT

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### 5. ALL SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no events after the balance sheet date that would require corrections or disclosures in the individual financial statements for 2017.

### 6. ANTICIPATED DEVELOPMENTS IN THE FORTHCOMING PERIOD

Erste Group is committed to becoming a leading banking group providing services to individuals and legal entities in the Central and Eastern Europe. This goal is being achieved through the following three priorities set by the management of Erste Group Holding: vital orientation to the customers, data quality and clear Group management.

In the Retail segment, The Bank has been developing a long-term collaboration with the customers by means of an ongoing improvements to the products and services, powerful presence in the domestic market through its network of branches and alternative distribution channels, with a focus on fulfilling the needs and achieving greater customer satisfaction along with realization of profit and intention to remain among 5 top banks within the retail operations segment in order to become the first-choice bank.

In terms of operations with corporate clients, the Bank intends to continue to be a reliable and long-lasting partner with its clients, which can be achieved with high quality and diversification of financial services and professional attitude towards customers in this segment, which will lead to achieving the highest possible profitability with lower risk.

The Bank continuously, through the Risk Management Strategy, but also other business strategies, defines the target the risk exposure profile and portfolio structure with the primary purpose of the sustainability of operations in the long run, compliance with local regulatory requirements and compliance with the standards of Erste Group.

The success of the Bank largely depends on the trust that our customers, shareholders, our employees and the public have in the capacity and integrity of the work of the Bank and the Erste Group. This confidence is based on compliance of operations with all applicable legal, regulatory and internal regulations, as well as the standards of Erste Group but also on respect for marketing standards and rules of conduct in all business activities of the Bank.

The bank takes care of the professional training and development of their employees, especially those who perform tasks of identifying, measuring and monitoring risk, taking into account the extent, type and risk exposure operations performed by the Bank, and the Bank's risk profile.

The Erste Bank ad Novi Sad will continue to provide comprehensive support to the population and the economy of Serbia in the realization of their financial needs and goals. Business Principles which include a focus on continuous improvement of client service and constant improvement of internal organization and efficiency, and in the future will form the basis of the Bank.

Irrespective of the customer segment, mission, vision and values of the Bank are completely uniform in its work is managed by:

The Banks mission:

Building long-term partnerships, we are "the Bank of first choice 'for our customers and employees.

We create sustainable value for our customers, employees and shareholders by providing universal financial services. Together, we actively contribute to the development of local communities and society as a whole which makes our business sustainable.

The Bank's Vision:

Leading bank of the European Serbia

Our values:

#### RESPONSIBILITY

– We assume responsibility for the development of the Bank and ourselves.

#### SUPPORT

– We listen, we understand, we help.

#### TRUST

– We keep our promises and build good quality relationships.

## CONSOLIDATED ANNUAL BUSINESS REPORT

### 6. ANTICIPATED DEVELOPMENTS IN THE FORTHCOMING PERIOD (continued)

#### INNOVATIVENESS

– We encourage novelty and constantly upgrade and improve the existing.

#### CREATION

– We create value for our clients, shareholders and ourselves.

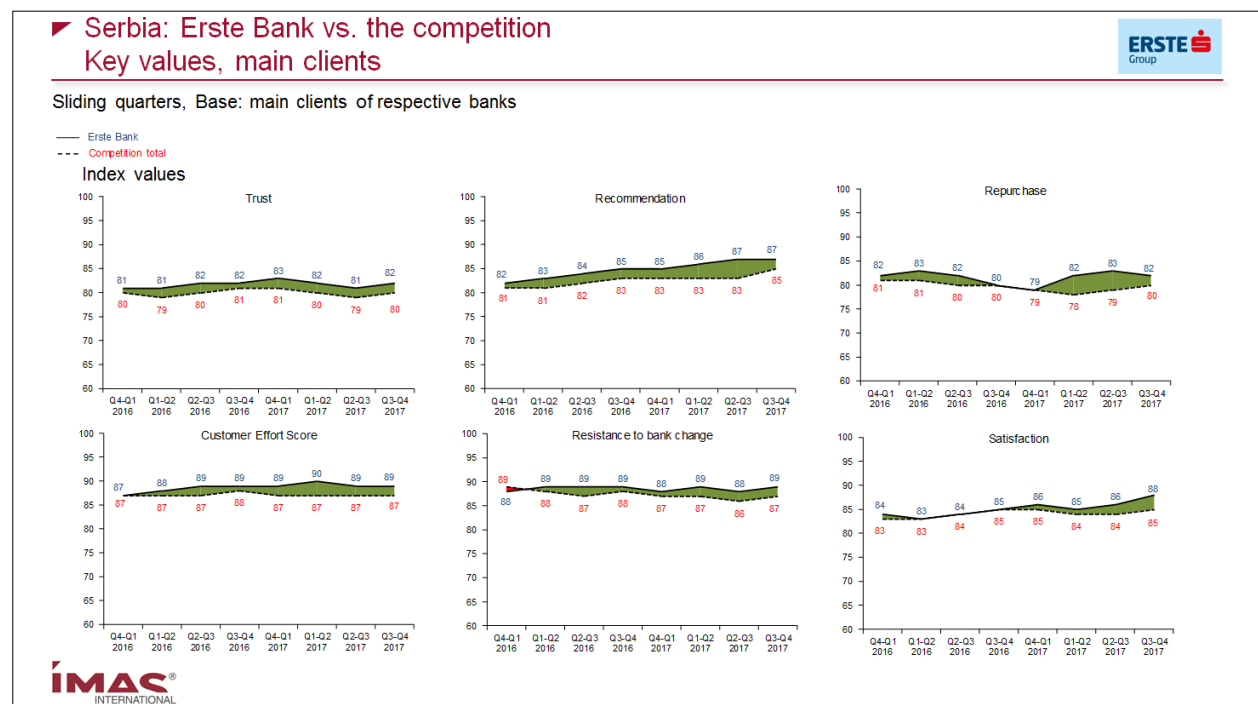
The Strategy is thoroughly and precisely implemented by means of the Action Plan, annual budgets, crediting policies, rulebooks on tariffs and pricelists and other Bank's documents.

### 7. RESEARCH AND DEVELOPMENT ACTIVITIES IN 2017

Research and development activities are presented in this report at the level of the Bank as the parent entity and leader of the Group.

During 2017 the Bank regularly conducted qualitative and quantitative research on the quality of services rendered by the Bank and the separate business units of the Bank and analysed the results obtained. The Bank hired an independent market research agency to perform measurement and assessment of the customer satisfaction level and loyalty as well as of the quality of the processes within the Bank.

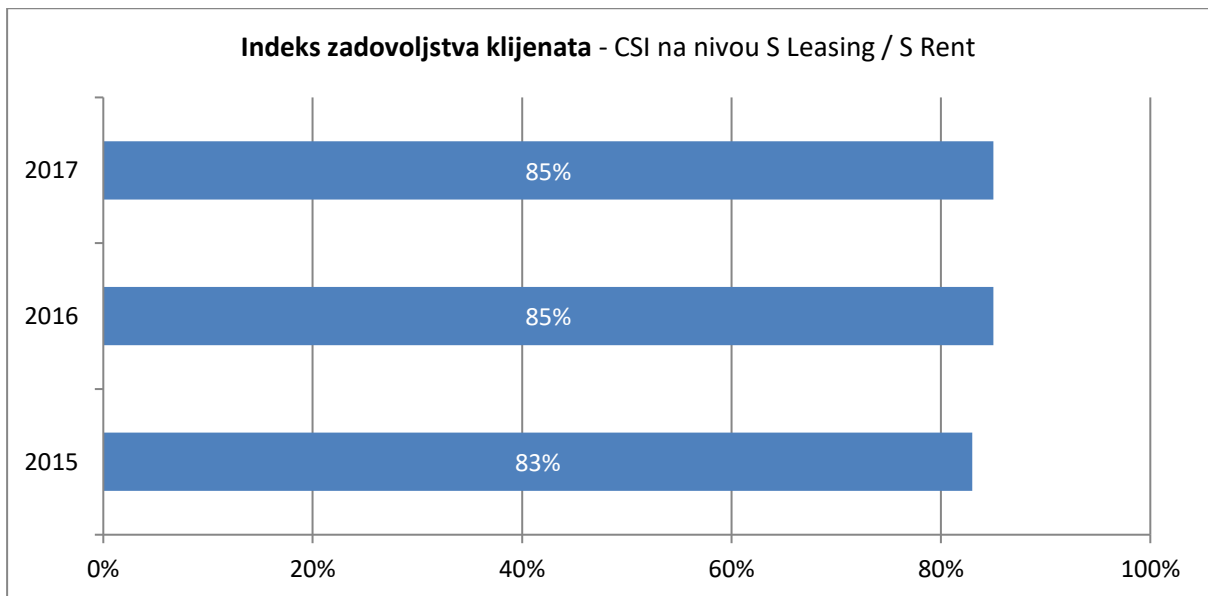
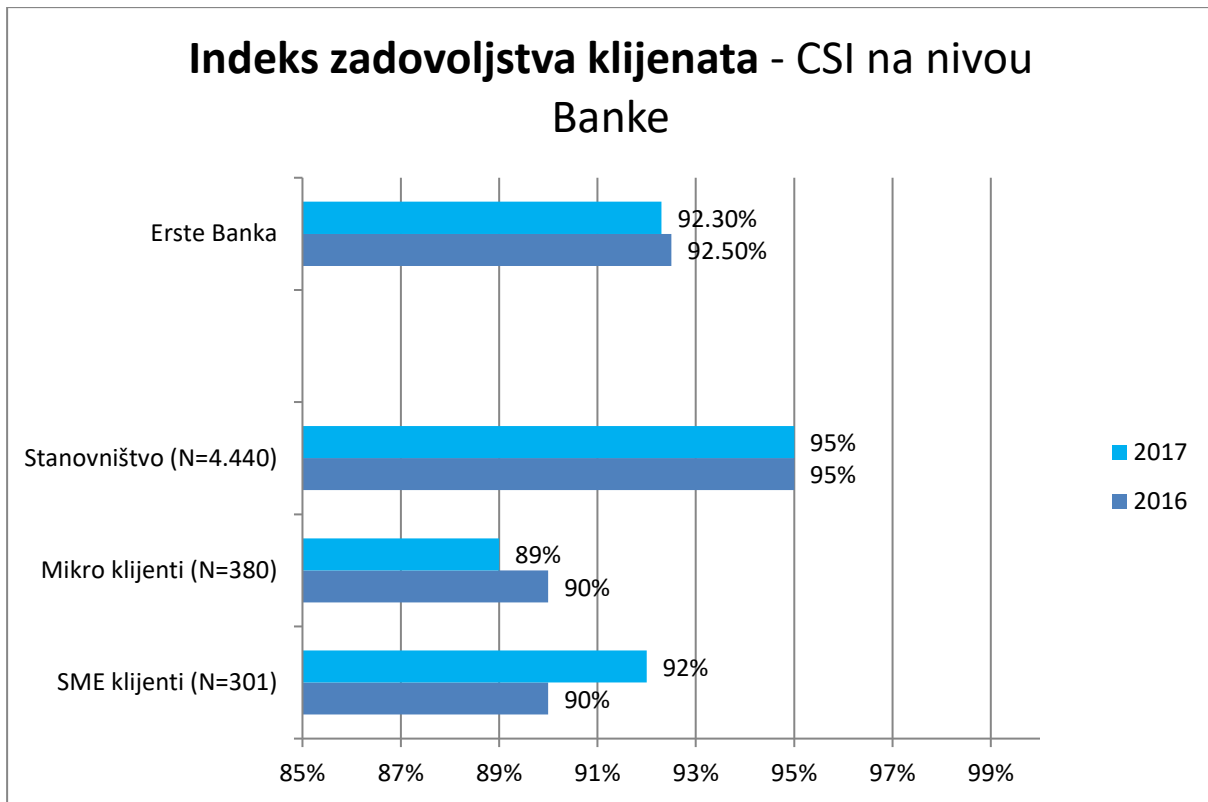
Through the "**Banking Market Monitor**" survey, Erste Bank measures 6 key quality parameters of service both to its clients and clients of competing banks. The service quality parameters that are measured are: trust, satisfaction, recommendation, ease of doing business with the bank, re-purchase and the probability of a bank change. On 5 observed parameters of service quality, Erste Bank recorded a result that was above the average of competitors by 2 pp, while in the domain of satisfaction, it exceeded by 3 pp. In this way, Erste Bank constantly measures its performance in relation to the market, and through its activities to improve the client's experience, it works to strengthen its position among the bank's leaders in the domain of customer satisfaction.



According to the "**Customer Satisfaction Survey**" (CSS), the Bank's clients showed exceptionally high loyalty and satisfaction levels in respect of cooperation with the Bank. The customer satisfaction index (CSI) equalled **92.3%** for the Bank in 2017. This result includes assessments of customers from all operating segments of the Bank per more than 40 features (professional competence, professionalism and courtesy of the staff, location and tidiness of branch offices, working hours, products, prices, transparency, speed and efficiency in performing transactions, contact centre, availability, etc.).

Since 2017, Erste Bank has also introduced Customer Satisfaction Survey by service immediately after a certain event (event-triggered research). The events we are looking at are account opening (dinar and foreign exchange), deposit, credit card approval, housing loan approval and loan approval for Micro clients. Within one week after the client has been provided one of the above products / services, we give them the opportunity to immediately, directly show their (un) satisfaction with the service and thus help us improve our quality of service. On a weekly basis, Erste Bank monitors customer responses and reacts in an adequate manner.

7. RESEARCH AND DEVELOPMENT ACTIVITIES IN 2017 (continued)



The Bank responsibly provides systemic support to its customers through an advanced system of complaint management and resolution at the Bank level, for which top priorities are the speed and quality of complaint/grievance resolution. In 2017, the Bank is distinguished from the competition by the speed and quality of resolving objections and strict adherence to the Law of the National Bank of Serbia on the protection of financial services users. Based on the analysis and measurements in 2017, 91.05% of the complaints were resolved within 7 days. The goal of the Bank is to constantly improve the quality of the service, according to which the Bank was recognized as the leading Bank in the banking market of Serbia.

**7. RESEARCH AND DEVELOPMENT ACTIVITIES IN 2017 (continued)**

<b>SPEED OF RESOLVING CUSTOMER GREIVANCES AND COMPLAINTS TO THE SERVICES RENDERED AT THE BANK LEVEL</b>				
<b>IN THE PERIOD FROM 01.01. TO 31.12.2017.</b>				
Within 24h	Within 7 dana	Within 30 dana	Over 30 dana	Total
81.74%	9.31%	8.27%	0,68%	100%

Note: S-Leasing / S-Rent did not register any written complaint in 2017.

With the continuous study of needs and expectations of customers, within its organization, the Bank systematically measures and improve customer satisfaction and uses it as a permanent tool for improving the quality of internal processes and service.

**8. RISK EXPOSURE**

The functions of risk monitoring and risk management are the responsibility of the Credit Risk Management Division and Strategic Risk Management Unit, as separate organizational units within the Bank/Group. Risk management policies and strategy as well as capital management strategy are linked to the Bank's/Group's overall strategy and include definition of all risk types, manners of managing those risks and the level of risk the Bank/Group is willing to accept in order to achieve its business goals. Special attention is paid to full compliance with the relevant regulations of the National Bank of Serbia ("NBS").

The responsibilities of the Credit Risk Management Division and Strategic Risk Management Unit include the following:

- Risk monitoring, including monitoring and control, analysis and reporting on the individual risk levels, their causes and consequences;
- Measurement and evaluation as well as management of the Bank's/Group's risk profile and capital adequacy;
- Monitoring of parameters that affect the Bank's/Group's risk exposure position, primarily by including management and optimization of the quality of assets and cost of risks;
- Development and application of quantitative risk management models as elements in the process of advanced business decision making and risk pricing;
- Development of strategies and proposed Bank's/Group's exposure limits per risk types and their control;
- Quantifying the impact of changes in the economic cycle or stress events on the Bank's/Group's financial position;
- Assessing risks of new product introduction and activity outsourcing;
- Development of methodologies, procedures and policies for risk management in accordance with relevant legislation, standards of Erste Group, good business practice and special needs of the Bank/Group;
- Development and implementation of various technical platforms and tools.

The Bank/Group adequately identifies risks it is exposed to and, in accordance with the identification, manages those risks in an attempt to avoid the risks or reduce them to acceptable levels.

In 2017 the Bank/Group successfully performed risk management activities, which was primarily reflected in the reduced impairment allowance charge, in the compliance of the operations with the defined risk management policies and procedures and their ongoing improvement, in the constant focus of the Management and Executive Board on high-quality risk management, the use of cutting edge technology in the Bank's/Group's operations and its regular upgrade and the culture of risk management adopted by all the employees of the Bank/Group.

Estimates of the material significance of the risks the Bank may be exposed to in 2017 and 2016 identified the following risks as material:

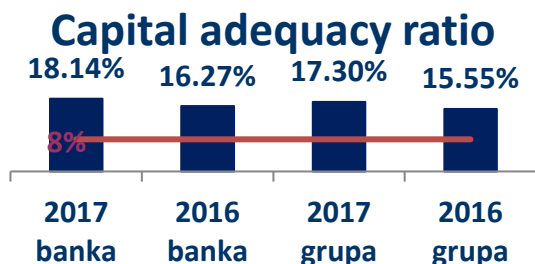
- Credit risk;
- Banking book market risk;
- Trading book market risk;
- Banking book foreign exchange risk;
- Credit—foreign exchange risk;
- Operational risk;
- Liquidity risk;
- Concentration risk;
- Residual risk;
- Reputation risk;
- Macroeconomic risk; and
- Strategic/business risk.

## CONSOLIDATED ANNUAL BUSINESS REPORT

### 8. RISK EXPOSURE (continued)

Bank / Group conducts a quarterly assessment of internal capital adequacy in accordance with the relevant methodologies and standards in the calculation of capital requirements for materially significant risks and internal capital of the Bank / Group, is available to absorb these risks.

In addition, based on NBS Decision on Capital Adequacy the Bank/Group calculates capital requirements and capital when computing the capital adequacy ratio. Regarding the aforesaid, the capital requirements for credit risk, counterparty risk and settlement/delivery risk is calculated using the standard approach, while the capital requirements for price risk and operational risk are determined using the current maturity exposure and basic indicator approaches, respectively.



**The capital adequacy ratio** was calculated as a ratio of regulatory capital and risk assets as at 31 December 2017. The Bank / Group is obliged to maintain the minimum capital adequacy ratios prescribed by the National Bank of Serbia (8% for capital adequacy, 6% for capital adequacy and 4.5% for the share capital adequacy), as well as fulfilling the requirement for combined layer of capital. The Bank's capital adequacy ratio as at 31 December 2017 amounts to 18.14%. On a consolidated basis, the capital adequacy ratio on December 31, 2017 is 17.30%..

**The Group's** liquidity is monitored and controlled through the provision of the Bank / Group's continuing ability to provide liquid funds for the payment of client deposits, financing of assets and operational growth, and the settlement of other contractual obligations. During 2017, the Bank had an indicator of daily liquidity and a indicator of coverage with liquid assets above the legally prescribed level.

The Bank / Group manages its assets and liabilities in a manner that ensures that it fulfills all its obligations at any time, and that its customers have at their disposal the Bank / Group in accordance with the agreed deadlines.

**Risk management of interest rate changes,** The Bank / Group aims to optimize the relationship of these effects in terms of impact on net interest income from one, and the economic value of capital on the other. The Assets and Liabilities Management Committee manages the assets and liabilities maturity based on: Erste Group AG's guidelines, macroeconomic analysis and forecasting, forecasting liquidity conditions, analyzing and forecasting market interest rate trends for different segments of assets and liabilities.

**The foreign exchange position of the Bank / Group** as a risk that there will be a change in the value of financial instruments and negative effects on the Bank's financial result and capital due to the change in the foreign exchange rate, was below the maximum level of open foreign exchange position in 2017. The foreign exchange risk indicator of the Bank as at 31 December 2017 amounts to 4.26% of the Bank's capital, which is well below the prescribed maximum of 20% of the capital. The foreign currency risk index on a consolidated basis at 31 December 2017 amounts to 5.76% of the Group's capital.



## CONSOLIDATED ANNUAL BUSINESS REPORT

### 8. RISK EXPOSURE (continued)

#### The Bank's/Group's performance and adequacy indicators - compliance with the legally prescribed ratios

The Bank is required to maintain the scope and structure of its business operations and risk-weighted assets in compliance with the ratios prescribed by the Law on Banks and relevant decisions enacted by the National Bank of Serbia based on the aforesaid Law. During 2017 the Bank and the Group were in full compliance with the prescribed values.

<b>Pokazatelji poslovanja</b>	<b>Propisani</b>	<b>Ostvareni - Grupa</b>	<b>Ostvareni - ERSTE Banka</b>
1. Capital	Minimum EUR 10 million	EUR 168.938.503	EUR 168.865.743
2. Adekvatnost kapitala	Minimum 8%	17.30	18.14
3. Capital adequacy	Minimum 4,5%	16.81	17.62
3. Indicator of capital adequacy ratio	Minimum 6%	16.81	17.62
5. Bank's investments	Maximum 60%	5.62	5.58
6. Exposure to related parties	No limit	12.97	16.47
7. Big and largest possible loans in relation to capital	Maximum 400%	97.33	100.75
8 Liquidity:			
– liquidity indicator	Minimum 0,8	1.61	1.61
– narrower liquidity indicator	Minimum 0,6	1.52	1.52
9. Foreign exchange risk indicator	Maximum 20%	5.76	4.26
10. Exposure of the Bank to the group	Maximum 25%	21.25	21.26
11. Exposure of the Bank to a person related to a bank	No limit	9.41	9.42
12. Bank's investments in non-financial entities	Maximum 10%	0.13	0.13

## 9. ALL SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

In its regular course of business, the Group performs transactions with its shareholders and other related parties. The Bank/Group enters into transactions with its parent entity - the majority shareholder, Erste Group Bank AG, other shareholder and other members of Erste Group. As of December 31, 2017, the sum of the Bank's net exposures to the entities related to the Bank, amounted to 16.47% of the Bank's capital. The sum of the Group's net exposures to the entities related to the Group amounted to 12.97%.

The Bank/Group did not grant terms to its related parties that are any more favourable than those approved to the individuals/entities at arm's length, in accordance with Article 37. of the Law on Banks.

Novi Sad, February 28, 2018

Approved by the Management of Erste Bank a.d. Novi Sad



Stevan Čomić

Head of the Accounting and Controlling  
Division



Aleksandra Radić

Executive Board Member



Slavko Carić

Executive Board Chairman



## INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL REPORT

To the shareholders of Erste Bank a.d. Novi Sad

We have audited the accompanying consolidated financial statements of Erste Bank a.d. Novi Sad ("the Bank") and its subsidiary (the "Group") for the year ended 31 December 2017 disclosed in the consolidated annual report and issued the opinion dated 13 March 2018.

### **Report on consolidated annual report**

We have verified that the other information included in the consolidated annual report of the Group for the year ended 31 December 2017 is consistent with the consolidated financial statements referred to above. Management is responsible for the accuracy of the consolidated annual report of the Group. Our responsibility is to express an opinion on the consistency of the consolidated annual report of the Group with the consolidated financial statements based on our verification procedures.

### **Auditor's responsibility**

We conducted our verification procedures in accordance with the Law on Auditing and auditing regulation effective in the Republic of Serbia. This regulation requires that we plan and perform the verification procedures to obtain reasonable assurance about whether the other information included in the consolidated annual report which describes matters that are also presented in the consolidated financial statements is, in all material respects, consistent with the relevant consolidated financial statements. We believe that the verification procedures performed provide a reasonable basis for our opinion.

### **Opinion**

In our opinion, the other information included in the consolidated annual report of the Group for the year ended 31 December 2017 is consistent, in all material respects, with the consolidated financial statements.

*Saša Todorović*

Saša Todorović  
Licensed Auditor

Belgrade, 13 March 2018



*PricewaterhouseCoopers d.o.o. Beograd*

PricewaterhouseCoopers d.o.o., Beograd

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This version of our report/ the accompanying documents is a translation from the original, which was prepared in Serbian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.