

Unaudited financial statements of Erste&Steiermärkische Bank d.d. for period January 1st – June 30th 2021

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MANAGEMENT REPORT

Erste Bank Croatia maintained stability and positive business indicators in the first half of 2021

Zagreb, 30 July 2021 – *“We are happy with the results achieved in the first half of 2021. Having maintained the stability of business operations, we recorded positive trends in total loans and deposits segments, while providing adequate support to clients in these challenging times. Strong emphasis was placed on further development of our digital solutions, which included the launch of online cash loans for clients of other banks through the George platform, while the KEKS Pay app, with the development of additional payment functionalities, recently exceeded 200,000 users. At the same time, we continued to implement the free-of-charge School of Smart Finance programme, which is held online and in line with the most recent COVID measures. From March to June this year, upwards of 430 participants received training through the programme”,* **Christoph Schoefboeck**, CEO of Erste Bank Croatia, pointed out while commenting on the business result in the first half of 2021 and added: *“We are pleased with the fact that at the end of June we successfully carried out the first issue of our own bonds in the international capital market, after we also successfully concluded the first issue of bonds on the domestic capital market at the beginning of the year within the so-called MREL regulatory requirement. This not only confirmed our position as the most active bond issuer among financial institutions in Croatia, but also allowed us to set new standards in the Croatian banking market. In addition to the bank's core business, the funds raised by the issue will be used to encourage green and sustainable investments, which will, in turn, keep Erste Bank Croatia on the path to a successful and long-term sustainable business in the domestic market.”*

IN BRIEF

According to the unconsolidated financial report, which includes the result of Erste Bank Croatia (the Bank) excluding subsidiaries, the Bank's net profit in the first half of 2021 amounted to HRK 511.2 million, compared to HRK 171.3 million in the first half of 2020. The growth of net profit is primarily the result of significantly lower risk costs, which in the first half of 2021 amounted to HRK 26.5 million, compared to HRK 316.5 million in the same period a year earlier.

Net interest income increased by 1.4%, from HRK 800.2 million in the first half of 2020 to HRK 811.0 million in the same period this year. At the same time, the net fee and commission income increased by 4.2%, from HRK 208.8 million in the first half of 2020 to HRK 217.5 million in the same period this year. Net trading and fair value result in the first six months of 2021 reached HRK 103.2 million, 24.8% more than HRK 82.7 million in the same period a year earlier.

The Bank's total assets at the end of June 2021 were HRK 79.9 billion, or 9.2% more than at the end of 2020, when it amounted to HRK 73.2 billion. Total loans to customers as of 30 June 2021 amounted to HRK 45.6 billion, 0.9% more than HRK 45.2 billion at the end of 2020. Total deposits of the Bank's customers as of 30 June 2021 amounted to HRK 58.7 billion, which is 2.4% more than at the end of 2020, when they amounted to HRK 57.3 billion.

EBC Group's* net profit before minority interests amounted to HRK 608.1 million in the first half of 2021, compared to HRK 200.5 million in the same period in 2020. EBC Group's net interest income increased by 0.2%, from HRK 1,004.4 million in the first half of 2021, to HRK 1,006.2 million in the same period of

the current year. Net fee and commission income amounted to HRK 349.2 million, 5.0% more than HRK 332.5 million in the first half of 2020.

EBC Group's total assets at the end of June 2021 amounted to HRK 89.2 billion, which is 8.1% more than at the end of 2020, when it amounted to HRK 82.5 billion. Total loans to customers as of 30 June 2021 amounted to HRK 50.1 billion, which is 0.6% more than HRK 49.8 billion at the end of 2020. Total deposits from EBC Group's customers as of 30 June 2021 amounted to HRK 61.8 billion, which is an increase of 2.8% compared to the end of 2020, when they amounted to HRK 60.1 billion.

IMPACT OF THE COVID-19 SITUATION – STABLE TRENDS OF NPLs

The total share of NPLs¹ at the end of June 2021 amounted to 6.2%, compared to 6.7% at the end of 2020, with a slight downward trend recorded, compared to the previous year. With respect to private individuals, the share of NPLs reached 7.5%, compared to 7.0% at the end of 2020. In the corporate segment, the share of NPLs was 5.1%, compared to 5.0% at the end of last year. In the light of the objective economic situation, a slight increase in NPLs can be expected in the coming period. As a responsible business entity, the Bank will continue to monitor and manage its loan portfolio, in accordance with its business policies and applicable credit risk management standards. At the same time, the Bank will respect all regulatory rules and apply a balanced approach that respects the objective market situation and needs of its clients.

From the very beginning of the pandemic situation, the Bank has invested maximum efforts to ensure its clients, private individuals and corporates, are affected as little as possible by the current circumstances and that companies are able to maintain the continuity of their regular business operations. Experience so far supports the fact that with an open approach and transparent mutual communication with clients, in most cases, an optimal solution can be found, whenever that is realistically possible.

Most of the so-called COVID moratoria for private individuals expired at the end of September last year. In total, slightly more than 9,200 clients, to which almost 11,600 credit lots apply, realized the possibility of COVID repayment deferral. Prior to their expiration, the Bank took a proactive stance and in direct communication with clients sought to examine their situation and what their expectations and capabilities were, so that it could offer them the best individual solution. By the end of June 2021, about 10% of clients who used the so-called COVID moratorium option, have realized some of the additional credit relief measures. The Bank offers standard restructuring measures that adapt to the clients' current financial circumstances and can use them regardless of whether they have previously used the so-called COVID moratorium.

A total number of 2,500 COVID deferrals were realized in corporate segment, and after the expiry of the six-month moratoria at the end of September last year, a limited number of clients requested the postponement period to be extended. The reason is that most of them did not need an additional extension and the clients from tourism and related segments had already taken a 12-month deferral. In direct communication with its clients, through an individual approach and considering the objective circumstances, the Bank seeks to find the optimal solution, which may include additional restructuring measures or liquidity loans. In cooperation with domestic and foreign financial institutions (HBOR, HAMAG, EIF), the Bank strives to ensure adequate sources of financing and guarantee schemes, which provide its corporate clients with favourable borrowing conditions in the current market circumstances.

EURO BOND ISSUE - ENTERING THE INTERNATIONAL CAPITAL MARKET

After successfully realising the issue of the so-called *senior preferred* bonds in the amount of EUR 45 million at the beginning of the year, which was the first such issue in the domestic capital market within the so-called MREL regulatory requirement, the Bank successfully concluded its first issue of bonds in the international market, in the total nominal amount of EUR 400 million at the end of June 2021. With

¹ Non-performing loans to clients

the realisation of this transaction, the Bank made an additional step forward and added the first international euro bond to its existing securities in circulation in the domestic capital market. This also made it the first bank in Croatia to successfully issue its own bonds in the international capital market.

The primary purpose of the issue is to meet the regulatory requirement with which the Bank must comply by 1 January 2024, and the first binding requirement in the transitional period must be met by 1 January 2022. It is about the so-called MREL requirement (Minimum regulatory capital requirement and eligible liabilities). MREL is part of the EU regulatory framework aimed at strengthening the financial system, with a focus on credit institutions, in order to increase resilience to shocks, unforeseen stress scenarios and prevent systemic risk. The funds raised by this issue will be used for general financing purposes and to encourage green and sustainable investments and will also contribute to further diversification of funding sources.

OUTLOOK

“Although positive progress is visible and some progress has been made in the general investment climate in Croatia, strengthening legal and investment security, especially at the local level, remain the most important prerequisites for sustainable economic growth. The planned path towards the implementation of the euro at the beginning of 2023, as well as the planned entry into the Schengen agreement, give an additional positive impetus to the recovery and stronger growth of the Croatian economy, i.e., its long-term stability and better positioning at the international level. In this regard, a stable financial system and a robust, liquid and adequately capitalised Croatian banking sector will continue to be the backbone of future development and growth, while at the same time representing a strong comparative advantage of the Republic of Croatia in the regional context,” Schoefboeck underlined.

“The period ahead will remain significantly dependent on the developments regarding the pandemic and its impact on the entire economy. With quality and transparent communication and a coordinated approach of all participants, Croatia can overcome current challenges, minimise all their potential negative effects and turn to finalising its strategic goals. In the next period, Erste Bank Croatia will continue to make a relevant contribution, with its active and constructive approach, to finding the best possible solutions for the benefit of its customers, the entire economy, but also to spreading the prosperity of the entire community,” Schoefboeck concluded.

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

Statement of Profit or Loss

in HRK millions	GROUP		BANK	
	2020	2021	2020	2021
Net interest income	1,004	1,006	800	811
Interest income	1,076	1,058	890	887
Other similar income	86	79	36	29
Interest expense	(120)	(105)	(89)	(80)
Other similar expense	(38)	(26)	(37)	(25)
Net fee and commission income	333	349	209	218
Fee and commission income	447	469	286	301
Fee and commission expense	(114)	(120)	(77)	(83)
Dividend income	-	1	-	9
Net trading result	80	104	83	103
Gains/losses from financial instruments measured at fair value through profit or loss	(6)	(3)	(1)	(1)
Net result from equity method investments	4	4	-	-
Rental income from investment properties & other operating leases	47	34	2	2
Personnel expenses	(375)	(373)	(271)	(277)
Other administrative expenses	(336)	(301)	(257)	(229)
Depreciation and amortisation	(126)	(126)	(63)	(71)
Gains/losses from derecognition of financial assets measured at amortised cost	-	-	-	-
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	-	-	-	-
Net impairment loss on financial instruments	(398)	(38)	(317)	(27)
Other operating result	(78)	80	(67)	84
Pre-tax result from continuing operations	149	737	118	622
Taxes on income	51	(129)	53	(111)
Net result for the period	200	608	171	511
Net result attributable to non-controlling interests	4	12	-	-
Net result attributable to owners of the parent	196	596	-	-

Statement of Financial Position as at 30 June 2021

in HRK millions

	GROUP		BANK	
	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021
Assets				
Cash and cash balances	8,673	14,945	7,947	13,924
Financial assets held for trading	162	156	162	156
Derivatives	118	81	118	81
Other financial assets held for trading	44	75	44	75
Non-trading financial assets at fair value through profit or loss	188	60	69	56
Equity instruments	36	8	36	7
Debt securities	152	52	33	49
	11,278	11,693	10,704	11,174
Financial assets at fair value through other comprehensive income				
Equity investments	130	21	114	3
Debt securities	11,148	11,672	10,590	11,171
Financial assets at amortised cost	56,154	56,350	51,322	51,682
Debt securities	2,361	2,501	2,180	2,375
Loans and advances to banks	4,041	3,763	3,968	3,682
Loans and advances to customers	49,752	50,086	45,174	45,625
Finance lease receivables	2,460	2,518	-	
Property and equipment	1,236	1,178	810	782
Investment property	5	5	2	2
Intangible assets	390	382	135	132
Investments in subsidiaries	-	-	891	853
Investments in joint ventures and associates	59	58	38	38
Current tax assets	123	34	112	30
Deferred tax assets	197	192	110	108
Trade and other receivables	1,143	1,159	596	586
Other assets	401	428	318	335
Total assets	82,469	89,158	73,216	79,858
Liabilities and equity				
Financial liabilities held for trading	106	71	106	71
Derivatives	106	71	106	71
Financial liabilities measured at amortised cost	70,636	76,708	63,302	69,408
Deposits from banks	9,048	13,051	5,209	9,478
Deposits from customers	60,128	61,799	57,253	58,749
Debt securities in issue	677	1,011	677	1,011
Other financial liabilities	783	847	163	170
Lease liabilities	102	95	102	96
Provisions	582	361	545	324
Current tax liabilities	6	5	-	-
Deferred tax liabilities	4	3	-	-
Other liabilities	649	977	424	752
Liabilities	72,085	78,220	64,479	70,651
Subscribed capital	1,698	1,698	1,698	1,698
Capital reserves and share premium	1,886	1,886	1,886	1,886
Retained earnings	6,231	6,920	4,811	5,417
Other reserves	371	224	342	206
Equity attributable to owners of the parent	10,186	10,728	8,737	9,207
Equity attributable to non-controlling interests	198	210	-	-
Total equity	10,384	10,938	8,737	9,207
Total liabilities and equity	82,469	89,158	73,216	79,858

Risk management

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

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

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

Market risks represent the risk of loss in open position stemming from the change in the movements of the market prices, including changes in interest rates, exchange currencies and prices of securities. In this sense, market risk include: (i) interest rate risk, (ii) currency risk and (iii) equity investment risk.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.

Legal risk means the risk from claim or proceeding due to non-compliance with legal and legislative provisions of national or international origin or from contractual arrangements or internal rules and/or ethical conduct deriving from national or international norms and practices or statutory responsibilities. It also includes the exposure to newly enacted laws as well as to changes in interpretations of existing laws. Legal proceedings should be considered to be any legal settlements, either judicial, or out of court, such as arbitration, or claims' negotiations.

Operational risk definition excludes strategic and reputational risk.

The Bank assesses the reputational risk for assessment purposes due to the strong links with the operational risk (e.g. most of operational risk events have a strong impact in terms of reputation).

Liquidity risk is a risk of loss stemming from an existing or expected inability of a credit institution to settle its monetary obligations upon maturity. Liquidity risk arises from maturity mismatch between assets and liabilities.

Except above mentioned risks the Bank also manages all other risks that could affect their business operations such as: systemic risk, regulatory risk, business environment risk etc..

COVID-19

After the outbreak of the COVID-19 pandemic, the Group reacted adequately and promptly and adopted the recommendations of the Croatian National Bank and the EBA in its operations (in accordance with the CNB Circulars Reg. No. 180-020-19-03-20-BV and Ur.br.348-020-20-3-BV and EBA GL / 2020/02, ie Guidelines on legislative and non-legislative moratorium on loan repayments applied in the light of the COVID-19 crisis). In connection with the above, internal regulations have been adopted that regulate this area, whereby relevant clients are provided with measures to defer payment or new financing for liquidity purposes.

The Group has adjusted its expected cash flow model accordingly. The assumptions of macroeconomic developments are primarily updated in line with the latest forecasts, which predict a significant decline in GDP, where risk parameters are updated with future macroeconomic expectations (forward-looking information). The Group has also, in accordance with the Erste Group Bank AG guidelines, identified certain industries and clients that have increased risk in accordance with the internal rating, where they are classified as increased risk clients (stage 2 clients). The Group actively monitors and reports on the loan portfolio related to the mentioned measures (covid-19 portfolio) and continues to monitor the development of the situation in the form of maintaining an adequate level of expected credit losses and appropriate classification into risk groups.

DECLARATION OF KEY PERSONNEL RESPONSIBLE FOR PREPARATION OF UNAUDITED FINANCIAL STATEMENTS

According to our best knowledge:

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

Head of Accounting and
Controlling Division



Ivona Rakovac

Member of Management Board



Krešimir Barić

Rijeka, July 30th 2021

Annex 1

ISSUER'S GENERAL DATA

Reporting period:

1.1.2021

to

30.6.2021

Year:

2021

Semmi-annual period

1

Semmi-annual financial statements

Registration number (MB):

03337367

Issuer's home Member

State code:

HR

Entity's registration
number (MBS):

040001037

Personal identification
number (OIB):

23057039320

LEI:

549300A2F46GR0UOM390

Institution
code:

2341

Name of the issuer: ERSTE & STEIERMARKISCHE BANK DD

Postcode and town:

51000

RIJEKA

Street and house number:

JADRANSKI TRG 3A

E-mail address:

erstebank@erstebank.hr

Web address:

www.erstebank.hr

Number of employees
(end of the reporting

2694

Consolidated report:

KN

(KN-not consolidated/KD-consolidated)

Audited:

RN

(RN-not audited/RD-audited)

Names of subsidiaries (according to IFRS):

Registered office:

MB:

Bookkeeping firm:

No

(Yes/No)

Name of the bookkeeping firm:

Contact person: ANDREJA BERIŠIĆ

(only name and surname of the contact person)

Telephone:

072371778

E-mail address:

arajic@erstebank.hr

Audit firm:

(name of the audit firm)

Certified auditor:

(name and surname)

BALANCE SHEET
balance as at 30.6.2021

in HRK

Submitter: ERSTE & STEIERMÄRKISCHE BANK DD

Item 1	ADP code 2	Last day of the preceding business year 3	Current period 4
Assets			
Cash, cash balances at central banks and other demand deposits (from 2 to 4)	001	7,947,240,402	13,923,522,086
Cash in hand	002	3,094,902,264	3,122,230,048
Cash balances at central banks	003	4,763,074,372	10,654,862,681
Other demand deposits	004	89,263,766	146,429,357
Financial assets held for trading (from 6 to 9)	005	162,177,693	155,866,876
Derivatives	006	117,917,370	80,954,436
Equity instruments	007	0	0
Debt securities	008	44,260,323	74,912,440
Loans and advances	009	0	0
Non-trading financial assets mandatorily at fair value through profit or loss (from 11 to 13)	010	69,330,307	56,628,038
Equity instruments	011	44,172,867	28,676,929
Debt securities	012	25,157,440	27,951,109
Loans and advances	013	0	0
Financial assets designated at fair value through profit or loss (15 + 16)	014	0	0
Debt securities	015	0	0
Loans and advances	016	0	0
Financial assets at fair value through other comprehensive income (from 18 to 20)	017	10,703,903,571	11,174,657,024
Equity instruments	018	113,609,006	3,487,269
Debt securities	019	10,590,294,565	11,171,169,755
Loans and advances	020	0	0
Financial assets at amortised cost (22 + 23)	021	51,918,228,994	52,268,077,442
Debt securities	022	2,180,423,873	2,374,844,411
Loans and advances	023	49,737,805,121	49,893,233,031
Derivatives - hedge accounting	024	0	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	025	0	0
Investments in subsidiaries, joint ventures and associates	026	935,679,335	897,167,556
Tangible assets	027	811,552,499	783,474,857
Intangible assets	028	134,814,096	131,952,329
Tax assets	029	221,867,953	137,795,757
Other assets	030	311,076,187	329,290,339
Fixed assets and disposal groups classified as held for sale	031	0	0
Total assets (1 + 5 + 10 + 14 + 17 + 21 + from 24 to 31)	032	73,215,871,037	79,858,432,304
Liabilities			
Financial liabilities held for trading (from 34 to 38)	033	105,945,776	70,597,272
Derivatives	034	105,945,776	70,597,272
Short positions	035	0	0
Deposits	036	0	0
Debt securities issued	037	0	0
Other financial liabilities	038	0	0
Financial liabilities designated at fair value through profit or loss (from 40 to 42)	039	0	0
Deposits	040	0	0
Debt securities issued	041	0	0
Other financial liabilities	042	0	0
Financial liabilities measured at amortised cost (from 44 to 46)	043	63,404,380,584	69,504,562,272
Deposits	044	62,462,405,737	68,227,334,970
Debt securities issued	045	676,986,583	1,011,426,680
Other financial liabilities	046	264,988,264	265,800,622
Derivatives - hedge accounting	047	0	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	048	0	0
Provisions	049	544,817,771	324,326,166
Tax liabilities	050	0	0
Share capital repayable on demand	051	0	0
Other liabilities	052	423,808,985	751,685,479
Liabilities included in disposal groups classified as held for sale	053	0	0
Total liabilities (33 + 39 + 43 + from 47 to 53)	054	64,478,953,116	70,651,171,189
Equity			
Initial capital	055	1,698,417,500	1,698,417,500
Share premium	056	1,801,343,055	1,801,343,055
Equity instruments issued other than capital	057	0	0
Other equity instruments	058	0	0
Accumulated other comprehensive income	059	341,454,440	205,674,595
Retained profit	060	4,421,256,866	4,905,722,683
Revaluation reserves	061	0	0
Other reserves	062	84,921,058	84,921,058
(-) Treasury shares	063	0	0
Profit or loss attributable to owners of the parent	064	389,525,002	511,182,224
(-) Interim dividends	065	0	0
Minority interests [non-controlling interests]	066	0	0
Total equity (from 55 to 66)	067	8,736,917,921	9,207,261,115
Total equity and liabilities (54 + 67)	068	73,215,871,037	79,858,432,304

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2021 to 30.06.2021

in HRK

Submitter: ERSTE & STEIERMÄRKISCHE BANK DD

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Interest income	001	938,901,168	916,289,754
(Interest expenses)	002	122,400,748	105,253,252
(Expenses on share capital repayable on demand)	003	0	0
Dividend received	004	231,033	9,079,963
Fees and commissions income	005	285,645,104	300,800,516
(Fees and commissions expense)	006	76,868,362	83,313,871
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	007	-21,110	330,240
Gains or (-) losses on financial assets and liabilities held for trading, net	008	110,112,824	98,371,257
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	009	-995,367	-804,758
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	010	0	0
Gains or (-) losses from hedge accounting, net	011	0	0
Exchange rate differences [gain or (-) loss], net	012	-27,422,682	4,819,098
Gains or (-) losses on derecognition of non-financial assets, net	013	2,480,307	2,078,390
Other operating income	014	19,846,176	15,626,320
(Other operating expenses)	015	14,464,383	11,664,326
Total operating income, net (1 – 2 – 3 + 4 + 5 – 6 + from 7 to 14 – 15)	016	1,115,043,960	1,146,359,331
(Administrative expenses)	017	490,363,399	506,275,317
(Cash contributions to resolution boards and deposit guarantee schemes)	018	81,010,667	25,983,332
(Depreciation)	019	62,995,251	71,154,936
Modification gains or (-) losses, net	020	-23,319,072	-832,862
(Provisions or (-) reversal of provisions)	021	76,139,826	-67,237,421
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	022	263,109,683	-19,457,403
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	023	0	0
(Impairment or (-) reversal of impairment on non-financial assets)	024	0	6,918,509
Negative goodwill recognised in profit or loss	025	0	0
Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	026	0	0
Profit or (-) loss from fixed assets and disposal groups classified as held for sale not qualifying as discontinued operations	027	0	0
Profit or (-) loss before tax from continuing operations (16 – 17 – 18 + 19 +20 from 21 to 24 + from 25 to 27)	028	118,106,062	621,889,199
(Tax expense or (-) income related to profit or loss from continuing operations)	029	-53,237,372	110,706,975
Profit or (-) loss after tax from continuing operations (28 – 29)	030	171,343,434	511,182,224
Profit or (-) loss after tax from discontinued operations (32 – 33)	031	0	0
Profit or (-) loss before tax from discontinued operations	032	0	0
(Tax expense or (-) income related to discontinued operations)	033	0	0
Profit or (-) loss for the year (30 + 31; 35 + 36)	034	171,343,434	511,182,224
Attributable to minority interest [non-controlling interests]	035	0	0
Attributable to owners of the parent	036	171,343,434	511,182,224

STATEMENT OF OTHER COMPREHENSIVE INCOME			
Income or (-) loss for the current year	037	171,343,434	511,182,224
Other comprehensive income (39 + 51)	038	-68,140,079	-40,839,030
Items that will not be reclassified to profit or loss (from 40 to 46) + 49 + 50)	039	-4,025,015	5,355,630
Tangible assets	040	0	0
Intangible assets	041	0	0
Actuarial gains or (-) losses on defined benefit pension plans	042	0	0
Fixed assets and disposal groups classified as held for sale	043	0	0
Share of other recognised income and expense of entities accounted for using the equity method	044	0	0
Fair value changes of equity instruments measured at fair value through other comprehensive income	045	-4,906,519	6,531,255
other comprehensive income, net	046	0	0
comprehensive income [hedged item]	047	0	0
comprehensive income [hedging instrument]	048	0	0
to changes in their credit risk	049	0	0
Income tax relating to items that will not be reclassified	050	881,504	-1,175,625
Items that may be reclassified to profit or loss (from 52 to 59)	051	-64,115,064	-46,194,660
Hedge of net investments in foreign operations [effective portion]	052	0	0
Foreign currency translation	053	0	0
Cash flow hedges [effective portion]	054	0	0
Hedging instruments [not designated elements]	055	0	0
Debt instruments at fair value through other comprehensive income	056	-78,189,103	-56,334,951
Fixed assets and disposal groups classified as held for sale	057	0	0
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	058	0	0
Income tax relating to items that may be reclassified to profit or (-) loss	059	14,074,039	10,140,291
Total comprehensive income for the current year (37 + 38; 61 + 62)	060	103,203,355	470,343,194
Attributable to minority interest [non-controlling interest]	061	0	0
Attributable to owners of the parent	062	103,203,355	470,343,194

STATEMENT OF CASH FLOW
for the period 01.01.2021 to 30.06.2021

in HRK

Submitter: ERSTE & STEIERMÄRKISCHE BANK DD

Item	ADP code	Same period of the previous year	At the reporting date of the current period
1	2	3	4
Operating activities - direct method			
Interest received and similar receipts	001	0	0
Fees and commissions received	002	0	0
(Interest paid and similar expenditures)	003	0	0
(Fees and commissions paid)	004	0	0
(Operating expenses paid)	005	0	0
Net gains/losses from financial instruments at fair value through statement of profit or loss	006	0	0
Other receipts	007	0	0
(Other expenditures)	008	0	0
Operating activities - indirect method			
Profit/(loss) before tax	009	383,954,762	621,889,199
Adjustments:			
Impairment and provisions	010	713,181,679	-76,424,624
Depreciation	011	130,754,539	71,154,936
Net unrealised (gains)/losses on financial assets and liabilities at fair value through statement of profit or loss	012	0	0
(Profit)/loss from the sale of tangible assets	013	-984,345	511,658
Other non-cash items	014	-6,639,026	-2,987,786
Changes in assets and liabilities from operating activities			
Deposits with the Croatian National Bank	015	-572,216,067	-360,783,709
Deposits with financial institutions and loans to financial institutions	016	869,471,359	646,819,458
Loans and advances to other clients	017	-6,096,465,758	-1,054,569,697
Securities and other financial instruments at fair value through other comprehensive income	018	-935,722,950	-603,057,313
Securities and other financial instruments held for trading	019	141,739,055	-32,011,609
Non-trading securities and other financial instruments at fair value through statement of profit or loss	020	19,354,909	12,702,269
Securities and other financial instruments mandatorily at fair value through statement of profit or loss	021	0	0
Securities and other financial instruments at amortised cost	022	-743,882,541	-205,236,171
Other assets from operating activities	023	-52,890,491	10,114,613
Deposits from financial institutions	024	-396,969,663	291,537,892
Transaction accounts of other clients	025	9,134,647,696	2,321,550,137
Savings deposits of other clients	026	434,696,797	1,309,867,125
Time deposits of other clients	027	-769,587,836	-1,460,787,611
Derivative financial liabilities and other liabilities held for trading	028	68,182,995	-36,971,017
Other liabilities from operating activities	029	-212,678,777	3,937,161,413
Interest received from operating activities [indirect method]	030	1,792,753,997	948,593,916
Dividends received from operating activities [indirect method]	031	4,070,212	0
Interest paid from operating activities [indirect method]	032	-253,403,831	-123,045,240
(Income tax paid)	033	-122,339,599	-17,670,113
Net cash flow from operating activities (from 1 to 33)	034	3,529,027,116	6,198,357,726
Investing activities			
Cash receipts from the sale / payments for the purchase of tangible and intangible assets	035	-111,795,220	-52,416,447
Cash receipts from the sale / payments for the purchase of investments in branches, associates and joint ventures	036	222,350,546	0
Cash receipts from the sale / payments for the purchase of securities and other financial instruments held to maturity	037	0	0
Dividends received from investing activities	038	0	2,041,423
Other receipts/payments from investing activities	039	0	38,186,015
Net cash flow from investing activities (from 35 to 39)	040	110,555,326	-12,189,009
Financing activities			
Net increase/(decrease) in loans received from financing activities	041	0	0
Net increase/(decrease) in debt securities issued	042	0	0
Net increase/(decrease) in Tier 2 capital instruments	043	0	0
Increase in share capital	044	0	0
(Dividends paid)	045	0	0
Other receipts/(payments) from financing activities	046	-26,068,434	-12,750,829
Net cash flow from financing activities (from 41 to 46)	047	-26,068,434	-12,750,829
Net increase/(decrease) in cash and cash equivalents (34 + 40 + 47)	048	3,613,514,008	6,173,417,888
Cash and cash equivalents at the beginning of period	049	4,128,672,109	7,742,186,117
Effect of exchange rate fluctuations on cash and cash equivalents	050	0	0
Cash and cash equivalents at the end of period (48 + 49 + 50)	051	7,742,186,117	13,915,604,005

STATEMENT OF CHANGES IN EQUITY
for the period from 01.01.2021 to 30.6.2021

in HRK

Item	ADP code	Attributable to owners of the parent											Non-controlling interest		Total
		Equity	Share premium	Equity instruments issued other than capital	Other equity instruments	Accumulated other comprehensive income	Retained profit	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Other items	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Opening balance [before restatement]	001	1,698,417,500	1,801,343,055	0	0	341,454,440	4,421,256,866	0	84,921,058	0	389,525,002	0	0	0	8,736,917,921
Effects of error corrections	002	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Effects of changes in accounting policies	003	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Opening balance [current period] (1 + 2 + 3)	004	1,698,417,500	1,801,343,055	0	0	341,454,440	4,421,256,866	0	84,921,058	0	389,525,002	0	0	0	8,736,917,921
Ordinary shares issue	005	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Preference shares issue	006	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Issue of other equity instruments	007	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Exercise or expiration of other equity instruments issued	008	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Conversion of debt to equity	009	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital reduction	010	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends	011	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase/sale of treasury shares	012	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale or cancellation of treasury shares	013	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reclassification of financial instruments from equity to liability	014	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reclassification of financial instruments from liability to equity	015	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers among components of equity instruments	016	0	0	0	0	0	389,525,002	0	0	0	-389,525,002	0	0	0	0
Share based payments	017	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other increase or (-) decrease in equity instruments	018	0	0	0	0	-94,940,815	94,940,815	0	0	0	0	0	0	0	0
Total comprehensive income for the current year	019	0	0	0	0	-40,839,030	0	0	0	0	511,182,224	0	0	0	470,343,194
Equity instruments increase or (-) decrease resulting from business combinations	020	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing balance [current period] (from 4 to 20)	021	1,698,417,500	1,801,343,055	0	0	205,674,595	4,905,722,683	0	84,921,058	0	511,182,224	0	0	0	9,207,261,115

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (PFI)

Name of issuer: ERSTE & STEIERMARKISCHE BANK DD

OIB: 23057039320

Reporting period: 1.1.2021 - 30.06.2021

1. History and incorporation

Erste&Steiermärkische Bank d.d. (the Bank) was established in 1954 and was entered into the Court Register as a joint stock company on 24 January 1990. The Bank's registered head office is at Jadranski trg 3a, Rijeka, the Republic of Croatia.

The Bank is a holding company for the Erste Bank Croatia Group (the Group) which has operations in the Republic of Croatia, Republic of Montenegro, and Republic of Slovenia.

2. Significant Accounting policies

The half year financial statements are prepared in accordance with the Ordinance on the structure and content of periodic financial reports for issuers during the year prescribed by Croatian Financial Services Supervisory Agency, International Financial Reporting Standards, as well as the instructions from Annex V of the Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.

The half year financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" and do not include all the information and disclosures required in the annual consolidated financial statements. Therefore, the half year financial statements should be read together the Group's consolidated financial statements as of 31 December 2020 which are available on the Bank's official website.

CHANGE IN SIGNIFICANT ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

When preparing the half year financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Judgements, estimates and assumptions applied in the half year financial statements, including the key sources of estimation uncertainty, were the same as those applied in the group's last annual financial statements for the year ended 31 December 2020.

COVID -19

After the outbreak of the COVID-19 pandemic, the Group reacted adequately and promptly and adopted the recommendations of the Croatian National Bank and the EBA in its operations. In connection with the above, internal regulations have been adopted that regulate this area, whereby relevant clients are provided with measures to defer payment or new financing for liquidity purposes.

Regarding the Covid-19 pandemic uncertainties, the Bank will continue to follow the developments closely and will recognise any effects as the situation further unfolds.

3. Definition of the consolidated group

The Bank is a parent company of the banking group (the Group) which includes the following subsidiaries and associates consolidated in the financial statements:

Name of subsidiary	Ownership interest	Principal activity	Registered office
Erste Nekretnine d.o.o.	100%	Real estate business	Ivana Lučića 2A, Zagreb, Croatia
Erste Bank AD	100%	Credit institution	Arsenija Boljevića 2A, Podgorica, Montenegro
Erste Card Club d.o.o.	100%	Financial intermediation and services	Ulica Frana Folnegovića 6, Zagreb, Croatia
Erste Card d.o.o.	100%	Financial intermediation and services	Dunajska cesta 129, Ljubljana, Slovenia
Diners Club International Mak d.o.o.e.l. (until December 2020)	100%	Financial intermediation and services	Kej 13-ti Noemvri, 2/2 GTC, Skopje, North Macedonia
Erste&Steiermärkische S-Leasing d.o.o.	50%	Financial and operating leasing	Zelinska 3, Zagreb, Croatia
Izbor Nekretnina d.o.o.	100%	Real estate management and lease	Ivana Lučića 2A, Zagreb, Croatia
Erste Group IT HR d.o.o.	80%	IT engineering	Jurja Haulika 19/A, Bjelovar, Croatia
Name of associate			
Erste d.o.o.	45.86%	Management company for obligatory and voluntary pension fund	Ivana Lučića 2A, Zagreb, Croatia

On December 7, 2020 company Diners Club International Mak d.o.o.e.l., Skopje was sold in the amount of HRK 5 million.

4. Net interest income

	GROUP			
	30 June 2020		30 June 2021	
	Income	Expenses	Income	Expenses
Derivatives -Trading	29	(30)	25	(23)
Debt securities	99	-	91	-
Loans and advances	1,043	(1)	1,017	(1)
Credit institutions	1	(1)	-	(1)
Corporate	418	-	425	-
Retail	624	-	592	-
Other assets	2	(1)	1	(1)
Deposits	2	(110)	3	(97)
Credit institutions	2	(59)	3	(53)
Corporate	-	(23)	-	(25)
Retail	-	(28)	-	(19)
Debt securities issued	-	(6)	-	(7)
Debt securities in issue	-	(6)	-	(7)
Other financial liabilities	-	(1)	-	(1)
Other Liabilities	-	(5)	-	(1)
Total interest income and expense	1,175	(154)	1,137	(131)
Net interest income	1,021	-	1,006	-

BANK

	BANK			
	30 June 2020		30 June 2021	
	Income	Expenses	Income	Expenses
Derivatives -Trading	31	(30)	25	(23)
Debt securities	83	-	79	-
Loans and advances	821	(1)	808	(1)
Credit institutions	1	(1)	-	(1)
Corporate	341	-	349	-
Retail	479	-	459	-
Other assets	2	(1)	1	-
Deposits	2	(78)	3	(72)
Credit institutions	2	(34)	3	(34)
Corporate	-	(18)	-	(20)
Retail	-	(26)	-	(18)
Debt securities issued	-	(6)	-	(7)
Debt securities in issue	-	(6)	-	(7)
Other financial liabilities	-	(1)	-	(1)
Other Liabilities	-	(5)	-	(1)
Total interest income and expense	939	(122)	916	(105)
Net interest income	817	-	811	-

5. Net fee and commission income

GROUP

	GROUP			
	30 June 2020		30 June 2021	
	Income	Expenses	Income	Expenses
Asset management, Securities and other fees	49	(13)	32	(12)
Payment services	355	(98)	382	(103)
Customer resources distributed but not managed	17	-	18	-
Lending business	26	(3)	37	(5)
Guarantees given, guarantees received	18	(1)	21	(1)
Loan commitments given, loan commitments	6	(2)	12	(4)
Other lending business	2	-	4	-
Total fee and commission income and expenses	447	(114)	469	(120)
Net fee and commission income	333	-	349	-

BANK

	BANK			
	30 June 2020		30 June 2021	
	Income	Expenses	Income	Expenses
Asset management, Securities and other fees	37	(3)	23	(2)
Payment services	213	(71)	235	(77)
Customer resources distributed but not managed	16	-	17	-
Lending business	20	(3)	26	(4)
Guarantees given, guarantees received	17	(1)	21	(1)
Loan commitments given, loan commitments	2	(2)	4	(3)
Other lending business	1	-	1	-
Total fee and commission income and expenses	286	(77)	301	(83)
Net fee and commission income	209	-	218	-

6. Provisions or (-) reversal of provisions

At the end of first half year 2021, the Bank and the Group had income on position 'Provisions or (-) reversal of provisions' compared to the same period last year.

During first half year 2021 the Bank has managed to close a number of non-consumer related court proceedings in which the Bank was named defendant either by way of settlement or other forms of discharge of claims or liabilities, resulting in total release of provisions in the amount of over HRK 146 million.

7. Debt securities at fair value through other comprehensive income

	Gross carrying amount	Credit loss allowances	Accumulated OCI changes	Carrying amount
30 June 2021				GROUP
Debt securities	11,490	(76)	258	11,672
Credit institutions	640	(18)	32	654
Corporate	10,850	(58)	226	11,018
Retail	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	-	-	-	-
Total	11,490	(76)	258	11,672
31 December 2020				GROUP
Debt securities	10,896	(72)	323	11,148
Credit institutions	626	(18)	38	647
Corporate	10,270	(54)	285	10,501
Retail	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	-	-	-	-
Total	10,896	(72)	323	11,148

	Gross carrying amount	Credit loss allowances	Accumulated OCI changes	Carrying amount
30 June 2021				BANK
Debt securities	10,993	(72)	251	11,171
Credit institutions	640	(18)	32	654
Corporate	10,353	(54)	219	10,517
Retail	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	-	-	-	-
Total	10,993	(72)	251	11,171
31 December 2020				BANK
Debt securities	10,352	(69)	307	10,590
Credit institutions	626	(18)	38	647
Corporate	9,726	(51)	269	9,943
Retail	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	-	-	-	-
Total	10,352	(69)	307	10,590

8. Financial assets at amortised cost

	Gross carrying amount	Credit loss allowances	Carrying amount
30 June 2021			GROUP
Debt securities	2,504	(2)	2,502
Corporate	2,504	(2)	2,502
Loans and advances to banks	3,768	(5)	3,763
Credit institutions	3,768	(5)	3,763
Loans and advances to customers	53,071	(2,986)	50,085
Corporate	29,750	(1,578)	28,172
Retail	23,321	(1,408)	21,913
Trade and other receivables	1,377	(218)	1,159
Credit institutions	61	-	61
Corporate	719	(88)	631
Retail	597	(130)	467
Finance lease receivables	2,573	(55)	2,518
Credit institutions	2	-	2
Corporate	2,055	(49)	2,006
Retail	516	(6)	510
Total	63,293	(3,266)	60,027

8. Financial assets at amortised cost (continued)

	Gross carrying amount	Credit loss allowances	Carrying amount
31 December 2020			GROUP
Debt securities	2,363	(2)	2,361
Corporate	2,363	(2)	2,361
Loans and advances to banks	4,051	(10)	4,041
Credit institutions	4,051	(10)	4,041
Loans and advances to customers	52,901	(3,150)	49,751
Corporate	29,812	(1,656)	28,156
Retail	23,089	(1,494)	21,595
Trade and other receivables	1,369	(226)	1,143
Credit institutions	61	-	61
Corporate	721	(93)	628
Retail	587	(133)	454
Finance lease receivables	2,512	(52)	2,460
Credit institutions	1	-	1
Corporate	2,030	(46)	1,984
Retail	481	(6)	475
Total	63,196	(3,440)	59,756

	Gross carrying amount	Credit loss allowances	Carrying amount
30 June 2021			BANK
Debt securities	2,376	(1)	2,375
Corporate	2,376	(1)	2,375
Loans and advances to banks	3,685	(3)	3,682
Credit institutions	3,685	(3)	3,682
Loans and advances to customers	48,274	(2,649)	45,625
Corporate	28,458	(1,470)	26,988
Retail	19,816	(1,179)	18,637
Trade and other receivables	671	(85)	586
Credit institutions	54	-	54
Corporate	580	(58)	522
Retail	37	(27)	10
Finance lease receivables	-	-	-
Credit institutions	-	-	-
Corporate	-	-	-
Retail	-	-	-
Total	55,006	(2,738)	52,268

31 December 2020			BANK
Debt securities	2,182	(1)	2,181
Corporate	2,182	(1)	2,181
Loans and advances to banks	3,977	(10)	3,967
Credit institutions	3,977	(10)	3,967
Loans and advances to customers	47,998	(2,825)	45,173
Corporate	28,476	(1,552)	26,924
Retail	19,522	(1,273)	18,249
Trade and other receivables	686	(89)	597
Credit institutions	60	-	60
Corporate	588	(61)	527
Retail	38	(28)	10
Finance lease receivables	-	-	-
Credit institutions	-	-	-
Corporate	-	-	-
Retail	-	-	-
Total	54,843	(2,925)	51,918

9. Financial liabilities measured at amortised costs

Deposits from banks

	GROUP		BANK	
	31 December 2020	30 June 2021	31 December 2020	30 June 2021
Overnight deposits	312	446	331	463
Term deposits	7,998	7,998	4,177	4,408
Repurchase agreements	738	4,607	701	4,607
Deposits from banks	9,048	13,051	5,209	9,478

Increase in line 'Repurchase agreements' for the Bank and for the Group compared to YE2020 relates to additional funding from mother company Erste Group bank AG in the amount of HRK 3,475 million and rest of the amount are borrowings from foreign financial institutions.

Deposits from customers

	GROUP		BANK	
	31 December 2020	30 June 2021	31 December 2020	30 June 2021
Overnight deposits	39,181	43,029	37,407	41,010
Corporate	18,108	19,495	17,203	18,374
Retail	21,073	23,534	20,204	22,636
Term deposits	20,947	18,769	19,846	17,739
Corporate	5,883	4,494	5,252	3,926
Retail	15,064	14,275	14,594	13,813
Deposits from customers	60,128	61,798	57,253	58,749
Total deposits	69,176	74,849	62,462	68,227

Debt securities issued

	GROUP		BANK	
	31 December 2020	30 June 2021	31 December 2020	30 June 2021
Debt securities issued	677	1,011	677	1,011
Bonds	677	1,011	677	1,011
Debt securities issued	677	1,011	677	1,011

At the beginning of February, the Bank issued the senior preferred bonds. Bonds were issued with a fixed interest rate of 0.75%, with a semi-annual interest payment, yield to maturity of 0.85% and with the maturity date 5 February 2026. The value of the issued bonds amounts to EUR 45 million. The bonds are listed on the Zagreb Stock Exchange and the bonds are part of the List of Eligible Collateral for CNB Credit Operations and Repo Transactions.

10. Earnings per share

For the purposes of calculating earnings per share, earnings are calculated as the net profit for the period attributable to ordinary shareholders after deducting preference dividends, if any. A reconciliation of the profit after tax attributable to ordinary shareholders is provided below.

in HRK million

	30 June 2020	30 June 2021
Net result for the period	200	608
Profit or loss attributable to ordinary shareholders	196	596
Weighted average number of shares of 100 HRK each (for basic and diluted earnings per share)	16,984,175	16,984,175
Earnings per ordinary share – basic and diluted (in HRK)	11.51	35.10

11. Total equity

Share capital

As at 30 June 2021 and 31 December 2020 the share capital of the Bank comprises of 16,984,175 ordinary shares with a par value of HRK 100 each. All the ordinary shares are ranked equally and bear one vote.

Capital reserves and share premium

The Bank's distributable and non-distributable reserves are determined by regulations of the CNB. As at 30 June 2021 and 31 December 2020 the legal reserves of the Bank disclose non-distributable reserves of HRK 85 million.

Dividends

Bank's net profit for the year 2020 was allocated to retained earnings, according to Croatian National Bank Decision on a temporary restriction of distributions (OG 4/2021) (further in text: Decision). In case Decision will be amended, and provided that distribution is allowed on the grounds of amended Decision by the regulator, the Bank intends to reconsider the use and utilization of profits, in a way that distribution of dividends to shareholders is enabled.

12. Segment reporting

in HRK million	Retail		Corporates	
	30 June 2020	30 June 2021	30 June 2020	30 June 2021
Net result attributable to owners of the parent	33	273	162	374
Operating income	926	936	521	553
Operating expenses	(596)	(572)	(200)	(196)
Operating result	330	364	321	358
Risk-weighted assets (credit risk, eop)	13,620	13,522	24,007	22,429
Average allocated equity	2,024	2,166	2,680	2,731
Cost/income ratio	64%	61%	38%	35%
Total assets (eop)	26,648	27,088	29,912	30,496
Total liabilities excluding equity (eop)	37,903	40,757	17,560	17,260

in HRK million	Group Markets		ALM & LCC	
	30 June 2020	30 June 2021	30 June 2020	30 June 2021
Net result attributable to owners of the parent	23	27	(22)	(78)
Operating income	47	46	(33)	(40)
Operating expenses	(20)	(21)	(21)	(12)
Operating result	27	26	(54)	(52)
Risk-weighted assets (credit risk, eop)	367	349	12,331	15,879
Average allocated equity	53	68	1,766	2,949
Cost/income ratio	43%	46%	-64%	-30%
Total assets (eop)	393	528	23,997	31,046
Total liabilities excluding equity (eop)	1,157	2,204	14,329	17,998

in HRK million	GROUP	
	30 June 2020	30 June 2021
Net result attributable to owners of the parent	196	596
Operating income	1,461	1,495
Operating expenses	(837)	(801)
Operating result	624	696
Risk-weighted assets (credit risk, eop)	50,325	52,179
Average allocated equity	6,523	7,914
Cost/income ratio	57%	54%
Total assets (eop)	80,950	89,158
Total liabilities excluding equity (eop)	70,949	78,219

13. Fair value hierarchy: financial instruments at fair value

	GROUP			
	Level 1	Level 2	Level 3	Total
				30 June 2021
Assets				
Financial assets - held for trading	-	156	-	156
Non-trading financial assets at fair value through profit or loss	25	-	36	61
Financial assets at fair value through other comprehensive income	10,703	838	152	11,693
Total assets	10,728	994	188	11,910
Liabilities				
Financial liabilities - held for trading	-	71	-	71
Total liabilities	-	71	-	71

	GROUP			
	Level 1	Level 2	Level 3	Total
				31 December 2020
Assets				
Financial assets - held for trading	44	118	-	162
Non-trading financial assets at fair value through profit or loss	153	-	35	188
Financial assets at fair value through other comprehensive income	9,755	1,260	263	11,278
Total assets	9,952	1,378	298	11,628
Liabilities				
Financial liabilities - held for trading	-	106	-	106
Total liabilities	-	106	-	106

13. Fair value hierarchy: financial instruments at fair value (continued)

	BANK			
	Level 1	Level 2	Level 3	Total
	30 June 2021			
Assets				
Financial assets - held for trading	-	156	-	156
Non-trading financial assets at fair value through profit or loss	22	-	35	57
Financial assets at fair value through other comprehensive income	10,278	838	58	11,174
Total assets	10,300	994	93	11,387
Liabilities				
Financial liabilities - held for trading	-	71	-	71
Total liabilities	-	71	-	71

	BANK			
	Level 1	Level 2	Level 3	Total
	31 December 2020			
Assets				
Financial assets - held for trading	44	118	-	162
Non-trading financial assets at fair value through profit or loss	34	-	35	69
Financial assets at fair value through other comprehensive income	9,275	1,260	169	10,704
Total assets	9,353	1,378	204	10,935
Liabilities				
Financial liabilities - held for trading	-	106	-	106
Total liabilities	-	106	-	106

In line 'Financial assets at fair value through other comprehensive income' the Bank had decrease on equity instruments in the amount of HRK 110 million. This decrease is result of derecognition due to sell of VISA C-common shares.

14. Fair values and the fair value hierarchy of financial instruments not carried at fair value

	GROUP				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
	30 June 2021				
Assets					
Cash and cash balances	14,945	14,945	3,377	11,568	-
Financial assets at amortised cost	60,027	60,247	2,076	476	57,695
Liabilities					
Financial liabilities measured at amortised cost	76,802	76,604	-	-	76,604

	GROUP				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
	31 December 2020				
Assets					
Cash and cash balances	8,673	8,673	3,336	5,337	-
Financial assets at amortised cost	59,756	57,422	1,939	473	55,010
Liabilities					
Financial liabilities measured at amortised cost	70,738	70,596	-	678	69,918

14. Fair values and the fair value hierarchy of financial instruments not carried at fair value (continued)

BANK

	Carrying amount	Fair value	Level 1	Level 2	Level 3
30 June 2021					
Assets					
Cash and cash balances	13,924	13,924	3,122	10,801	-
Financial assets at amortised cost	52,268	52,481	1,951	476	50,054
Liabilities					
Financial liabilities measured at amortised cost	69,504	69,337	-	-	69,337

BANK

	Carrying amount	Fair value	Level 1	Level 2	Level 3
31 December 2020					
Assets					
Cash and cash balances	7,947	7,947	3,095	4,852	-
Financial assets at amortised cost	51,918	49,904	1,756	473	47,675
Liabilities					
Financial liabilities measured at amortised cost	63,404	63,337	-	678	62,659

15. Financial guarantees and loan commitments

Off-balance exposure for financial guarantees and loan commitments at 30.06.2021. amounted HRK 9,057 million (31.12.2020: HRK 8,120 million) and for the Group HRK 12,076 million (31.12.2020.: HRK 11,221 million).

16. Related parties transactions

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Transactions with related parties are done at arm's length. Therefore, the applicable interest rates and other terms (maturity dates and collateral) represent market conditions.

17. Events after Balance sheet date

At the end of June 2021, the Bank concluded its first issue of bonds in the international market, in the total nominal amount of EUR 400 million. The primary purpose of the issue is to meet the regulatory requirement with which the Bank must comply by 1 January 2024, and the first binding requirement in the transitional period must be met by 1 January 2022. It is about the MREL requirement (Minimum regulatory capital requirement and eligible liabilities). MREL is part of the EU regulatory framework aimed at strengthening the financial system, with a focus on credit institutions, in order to increase resilience to shocks, unforeseen stress scenarios and prevent systemic risk.

Differences between financial statements according to IFRS and local requirements as at 30 June 2021

BANK

Annual report (AR)	in HRK million	Form Statement of financial position (CNB)	in HRK million	Diff.	Explanation
Cash and cash balances	13,924	Cash on hand, Cash balances at Central bank and Other demand deposits	3,122 10,656 146	-	
Financial assets held for trading	156	Financial assets held for trading	156	-	
Non-trading financial assets at fair value through profit or loss- Equity instruments	7	Non-trading financial assets at fair value through profit or loss- Equity instruments	28	(21)	AR - Non-trading financial assets at fair value through profit or loss- Debt securities
Non-trading financial assets at fair value through profit or loss- Debt securities	49	Non-trading financial assets at fair value through profit or loss- Debt securities	28	21	CNB- Equity instruments
Financial assets at fair value through other comprehensive income	11,174	Financial assets at fair value through other comprehensive income	11,174	-	
Financial assets at amortised cost- Loans and advances	49,307	Financial assets at amortised cost- Loans and advances	49,893	-	
Trade and other receivables	586				
Financial assets at amortised cost- Debt securities	2,375	Financial assets at amortised cost- Debt securities	2,375	-	
Investments in subsidiaries	853				
Investments in joint ventures and associates	38	Investments in associates, subsidiaries and joint ventures	897	(6)	AR - Other assets
Property and equipment	782	Tangible assets	784	-	
Investment property	2				
Intangible assets	132	Intangible assets	132	-	
Tax Assets- Deferred tax assets	138	Tax Assets- Deferred tax assets	138	-	
Other assets	335	Other assets	329	6	CNB - Investments in associates, subsidiaries and joint ventures
TOTAL ASSETS	79,858	TOTAL ASSETS	79,858	-	

Annual report (AR)	in HRK million	Form Statement of financial position (CNB)	in HRK million	Diff.	Explanation
Financial liabilities held for trading- Derivatives	71	Financial liabilities held for trading- Derivatives	71	-	
Financial liabilities measured at amortised cost- Deposits	68,227	Financial liabilities measured at amortised cost- Deposits	68,227	-	
Debt securities in issue	1011	Debt securities in issue	1011	-	
Other financial liabilities	170	Other financial liabilities	266	-	
Finance lease liabilities	96				
Provisions	324	Provisions	324	-	
Tax liabilities	0	Tax liabilities	0	-	
Other Liabilities	752	Other Liabilities	752	-	
Total equity	9,207	Total equity	9,207	-	
TOTAL LIABILITIES AND EQUITY	79,858	TOTAL LIABILITIES AND EQUITY	79,858		

ANNUAL REPORT (AR)	in HRK million	Form Income statement (CNB)	in HRK million	Diff.	EXPLANATION
Interest income	887	Interest income	916	-	CNB- Gains or losses on financial assets and financial liabilities held for trading, net
Other similar income	29			-	CNB - Modification gains or (-) losses, net
Interest expense	(80)	Interest expense	(105)	-	CNB- Gains or losses on financial assets and financial liabilities held for trading, net
Other similar expense	(25)				
Fee and commission income	301	Fees and commissions income	301	-	
Fee and commission expense	(83)	Fees and commissions expenses	(83)	- -	
Net trading result	103	Gains or losses on financial assets and financial liabilities held for trading, net	98	-	
		Exchange differences [gain or loss], net	5	-	
Personnel expenses	(277)	Administrative expenses	(506)		CNB- Other operating expense
Other administrative expenses	(229)	(Cash contributions to resolution boards and deposit guarantee schemes)	(26)	26	AR - Other operating result
Depreciation and amortisation	(71)	Depreciation	(71)		
Other operating result	84	Gains or losses from derecognition of non-financial assets, net	2		
Rental income from investment properties & other operating leases	2	Other operating income	16		
Net impairment loss on financial instruments	(27)	Other operating expense	(13)		
		Provisions or cancellation of provisions	67		AR - Other administrative expenses
		Impairment or impairment losses on financial assets not measured at FVPL	19		AR - Interest income
		Modification gains or (-) losses, net	1	(26)	CNB - Cash contributions to resolution boards and deposit guarantee schemes
		Impairment of non-financial assets	(7)		
Dividend income	9	Dividend income	9	- -	
Gains/losses from financial instruments measured at fair value through profit or loss	(1)	Gains/losses from financial instruments measured at fair value through profit or loss	(1)	- -	
Pre-tax profit from continuing operations	622	PRE - TAX PROFIT	622	- -	
Taxes on income	(111)	Taxes on income	(111)	- -	
NET PROFIT OF THE YEAR	511	NET PROFIT FOR THE PERIOD	511	- -	