

Unaudited financial statements of the Erste&Steiermärkische Bank d.d. and subsidiaries (the Group) for period January 1st - June 30th 2020

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MANAGEMENT REPORT

Erste Bank Croatia maintained business stability in H12020; decrease in net profit reflects higher risk costs

Zagreb, 15 September 2020 – *“In addition to maintaining business stability, ensuring business continuity, and availability of services to clients in the conditions of the coronavirus epidemic, as a responsible institution, we have taken a proactive approach to facilitate the impact of the current circumstances for our clients. At the same time, we continued with regular lending activities. New loans to companies kept the similar dynamics compared to H12019, while new retail loans, after a period of decreased citizens’ demand in April and May, have also recorded recovery and are returning towards last year’s levels,”* said **Christoph Schoefboeck**, Chairman of the Management Board of Erste Bank Croatia while commenting on the business result in the first half of 2020. He added: *“Banks in Croatia, in coordination with the Croatian National Bank and in accordance with the recommendations of the Government of the Republic of Croatia, implemented assistance measures and offered support to Croatian citizens and companies in the shortest possible time, reacting to the crisis faster than was the case in most other European countries. The measures offered by Croatian banks to clients followed the standards applied in most Western and Central European countries, while in some elements the Croatian model even took the lead.”*

IN BRIEF

According to the non-consolidated financial report, which includes the result of Erste Bank Croatia (the Bank) without subsidiaries, the Bank’s net profit in H12020 was HRK 171.3 million, down 48.4% from HRK 332.2 million in the same period last year. Increased provision costs, which reflect the impact of the current situation connected to the coronavirus epidemic on the entire economy, had the most significant impact on the net profit decrease, and it is important to emphasise that the future projections based on macroeconomic expectations were also included.

Net interest income decreased by 1.0%, from HRK 808.6 million in the first half of 2020 to HRK 800.2 million in the same period of 2019. At the same time, the net fee and commission income was down 9.2% and amounted to HRK 208.8 million in the first six months of 2020, compared to HRK 229.8 million in the first half of 2019. Net trading and fair value result amounted to HRK 82.7 million in the first half of 2020, down 27.3% compared to HRK 113.8 million in the same period last year.

At the end of June 2020, the Bank’s total assets were HRK 71.4 billion, up 11.7% compared to the end of 2019, when they amounted to HRK 63.9 billion. Total loans to customers as of 30 June 2020 amounted to HRK 44.4 billion, up 8.1% from HRK 41.1 billion at the end of 2019. Total deposits from customers as of 30 June 2020 amounted to HRK 54.0 billion, up 11.4% compared to the end of last year, when they amounted to HRK 48.5 billion.

EBC Group’s* net profit before minority interests in the first half of 2020 was HRK 200.5 million compared to HRK 427.6 million in the same period of 2019. EBC Group’s net interest income was down 1.8%, from HRK 1,022.7 million in the first half of 2019, to HRK 1,004.4 million in the same period last year. Net fee and commission income amounted to HRK 332.5 million, down 9.8% from HRK 368.8 million in the first half of 2019.

EBC Group's total assets at the end of June 2020 amounted to HRK 81.0 billion, up 9.6% compared to the end of 2019, when they amounted to HRK 73.9 billion. Total loans to customers as of 30 June 2020 amounted to HRK 49.0 billion, up 8.1% compared to the end of 2019, when they amounted to HRK 45.3 billion. EBC Group's total deposits from customers as of 30 June 2020 were HRK 56.8 billion, up 10.7% compared to the end of 2019, when they amounted to HRK 51.3 billion.

At the end of June this year, the merger of Erste Factoring d.o.o. was formally completed, making the factoring segment an integral part of the operations and an integral part of the Bank's offer. In addition to providing long-term quality technological and infrastructural support for further development of the factoring, the goal of the merger is to enable faster and easier management of the clients' core business through the synergy of existing specialised knowledge on factoring and comprehensive consulting support in other aspects of financial operations, which the bank provides through a widespread network of its branches and financial representatives.

IMPACT OF THE COVID-19 SITUATION

Since the very beginning of the crisis associated with the coronavirus epidemic, the Bank has taken a proactive and socially responsible approach. It has taken all preventive actions with the goal of protecting the health of its employees and clients, it adequately adjusted the work of the business network, especially bearing in mind the needs of more vulnerable groups of clients, and through donations to health institutions, independently and in cooperation with Erste Card Club d.o.o., it provided support in a broader context of the social community needs.

Taking the objective situation into consideration, it sought to make the maximum contribution so that clients, citizens and companies would be affected as little as possible by the current circumstances and, especially when it comes to companies, maintain the continuity of their operations. There was a clear chronological order of undertaken activities, which can be divided into three basic phases: temporary suspension of the activation of forced collection measures, enabling the contracting of deferred repayment for citizens and companies for up to 6 months, or up to 12 months maximum for clients from the industries most affected by the crisis, such as tourism and dependant activities, and providing new financing in the form of loans to preserve the liquidity of companies. In doing so, the Bank, in cooperation with national and foreign financial institutions, continuously strives to provide adequate sources of financing and favourable warranty schemes, which provide clients with the most favourable possible financing in the current market circumstances.

The Bank received around 9.100 requests from citizens for repayment deferrals, which pertain to slightly less than 13.600 loans. Of these, more than 11.600, i.e. around 85%, were approved. In the case of business entities, around 2.900 requests for repayment deferrals were received, of which around 85% were approved. The remaining number of requests from citizens and companies are cases in which the clients have either given up on their own in the meantime or they have not met the criteria necessary for the realisation of the deferral.

In the first six months of 2020, the bank continued its regular lending activities. In the retail segment, including micro-entrepreneurs, it placed a total of around HRK 2.4 billion of new loans, which is a decrease of around 12.0% compared to the same period in 2019, when new placements amounted to around HRK 2.7 billion. The decrease is the result of objective circumstances related to the coronavirus epidemic, which was especially evident in the fall in citizens' demand for new lending in April and May. At the same time, a total of HRK 3.9 billion of new loans were realised in the segment of business entities, which is approximately at the same levels as in the comparable period of the previous year.

Overall, in the first half of 2020, the share of NPLs¹ did not change significantly compared to the end of 2019, when it amounted to 7.1%. It is important to emphasise that the level of NPLs was further reduced in the first quarter, while it was expected to increase slightly in the second quarter, and at the end of June 2020 it approached the level from the end of last year. In retail, the share of NPLs at the

¹ Non-performing loans

end of last year was 7.0%, and at the end of June this year is was 7.6%. Overall, in corporate banking, the share of NPLs at the end of last year was 5.8% and at the end of June is was 5.5%.

In the light of the objective economic situation, the continuation of a slight increase in NPL placements can be expected in the coming period, and it is important to emphasise that this will not have a significant impact on the Bank's regular operations, which are completely stable. As a responsible business entity, the Bank will continue to monitor and manage the loan portfolio in accordance with the business policies and applicable standards in the credit risk management segment, while respecting all regulatory rules and applying a balanced approach that respects the objective market situation and the needs of its clients.

OUTLOOK

“With a coordinated approach of all stakeholders, Croatia can overcome the current challenges and minimise all their potential negative effects. Accession to the European Exchange Rate Mechanism (ERM2) takes Croatia another step closer to the introduction of the euro, i.e. the realisation of the strategic goal that will contribute to long-term financial stability for citizens and the economy as a whole. A positive assessment in the process of a comprehensive evaluation of the European Central Bank and the confirmation of the stability of the Croatian banking system are encouraging in the context of the challenges which the Croatian economy is currently facing, whereby a strong and adequately capitalised banking sector will be a pillar and support for recreating economic growth and ensuring the prosperity of the entire social community,” Schoefboeck said.

“Through transparent public communication with clients, business partners and the social community, Erste Bank will continue to be an active participant in seeking and finding adequate solutions that will ensure the fastest possible recovery for the Croatian economy. We have a sufficient amount of liquidity and we will continue to meet all the financial needs of citizens and business entities with our regular lending activities. We will continue to support all quality and sustainable projects, especially in the real sector. We believe that, through synergy and joint work, we will contribute to the number of such projects as much as possible, regardless of the challenges presented by the current situation”, 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 Factoring d.o.o (until June 18 2020), Erste Group IT HR d.o.o., and Izbor Nekretnina d.o.o.*

Statement of Profit or Loss

in HRK million	GROUP		BANK	
	2019	2020	2019	2020
Net interest income	1,023	1,004	809	800
Interest income	1,127	1,076	928	890
Other similar income	82	86	34	36
Interest expense	(148)	(120)	(115)	(89)
Other similar expenses	(38)	(38)	(38)	(37)
Net fee and commission income	369	333	230	209
Fee and commission income	483	447	309	286
Fee and commission expenses	(114)	(114)	(79)	(77)
Dividend income	1	0	56	-
Net trading and fair value result	118	80	114	83
Gains/losses from financial instruments measured at fair value through profit or loss	6	(6)	4	(1)
Net result from equity method investments	4	4	-	-
Rental income from investment properties & other operating leases	51	47	-	2
Personnel expenses	(363)	(375)	(261)	(271)
Other administrative expenses	(347)	(336)	(252)	(257)
Depreciation and amortisation	(124)	(126)	(54)	(63)
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	-	-	-	-
Impairment result from financial instruments	(23)	(398)	(36)	(317)
Other operating result	(186)	(78)	(207)	(67)
Pre-tax result from continuing operations	529	149	403	118
Income tax	(101)	51	(71)	53
Net result for the period	428	200	332	171
Net result attributable to non-controlling interests	11	5	-	-
Net result attributable to owners of the parent	417	195	-	-

Operating Income	1,572	1,462	1,213	1,093
Operating Expense	(834)	(837)	(567)	(591)
Operating Result	738	624	646	503

Statement of Financial Position as at 30 June 2020

in HRK million	GROUP			
	31 December 2019	30 June 2020	31 December 2019	30 June 2020
Assets				
Cash and cash balances	5,105	8,442	4,339	7,499
Financial assets - held for trading	225	134	226	134
Derivatives	39	85	40	85
Other trading assets	186	49	186	49
Non-trading financial assets at fair value through profit or loss	199	228	25	86
Pledged as collateral	-	-	-	-
Equity instruments	16	15	10	15
Debt securities	183	213	15	71
Financial assets at fair value through other comprehensive income	10,604	10,835	9,961	10,267
Pledged as collateral	816	1,260	421	1,000
Equity instruments	162	123	147	108
Debt securities	10,442	10,712	9,814	10,159
Financial assets at amortised cost	51,295	55,150	46,817	50,404
Pledged as collateral	25	931	25	811
Debt securities	1,642	2,374	1,464	2,199
Loans and advances to banks	4,367	3,823	4,260	3,783
Loans and advances to customers	45,286	48,953	41,093	44,422
Finance lease receivables	2,453	2,486	-	-
Property and equipment	1,311	1,275	803	807
Investment properties	33	34	3	3
Intangible assets	376	374	121	124
Investments in subsidiaries	-	-	989	891
Investments in associates	58	62	38	38
Current tax assets	12	99	-	86
Deferred tax assets	187	269	75	181
Trade and other receivables	1,537	1,065	188	522
Other assets	471	498	356	386
Total assets	73,866	80,951	63,941	71,428
Liabilities and equity				
Financial liabilities - held for trading	36	83	36	83
Derivatives	36	83	36	83
Financial liabilities measured at amortised cost	62,690	69,540	54,529	61,853
Deposits from banks	9,814	11,190	5,275	7,029
Deposits from customers	51,325	56,814	48,455	53,984
Debt securities issued	672	678	672	678
Other financial liabilities	879	858	127	162
Finance lease liabilities	98	113	105	113
Provisions	494	585	453	542
Current tax liabilities	24	4	8	-
Deferred tax liabilities	5	3	-	-
Other liabilities	641	621	427	428
Total liabilities	63,988	70,949	55,558	63,019
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	5,756	5,965	4,485	4,593
Other reserves	350	259	314	232
Equity attributable to owners of the parent	9,690	9,808	-	-
Equity attributable to non-controlling interests	188	194	-	-
Total equity	9,878	10,002	8,383	8,409
Total liabilities and equity	73,866	80,951	63,941	71,428

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, sovereign 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. and its subsidiaries prepared in accordance with appropriate standards of financial reporting of banks in Republic of Croatia gives complete and true state of assets and liabilities and financial result and affairs of Erste&Steiermärkische Bank d.d.
2. Management report contains true and fair view of affairs and results of Erste & Steiermärkische Bank d.d. and its subsidiaries

Head of Accounting and
Controlling Division

Ivona Rakovac



Rijeka, September 15th 2020

Member of Management Board

Krešimir Barić



Annex 1
ISSUER'S GENERAL DATA

Reporting period:

1.1.2020

to

30.6.2020

Year:

2020

Semi-annual period

1

Half year 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 period): **3,597**

 Consolidated report: **KD** (KN-not consolidated/KD-consolidated)

 Audited: **RN** (RN-not audited/RD-audited)

Names of subsidiaries (according to IFRS):

Registered office:

MB:

Erste & Steiermärkische S-Leasing, d.o.o.
Zagreb, Zelinska 3
1262343
Erste Nekretnine d.o.o.
Zagreb, Ivana Lučića 2A
2068249
Erste Group IT HR d.o.o.
Bjelovar, Jurja Haulika 19/A
2157128
Erste Card Club d.o.o.
Zagreb, Ulica Frana Folnegovića 6
3289737
Erste Bank a.d., Podgorica
Crna Gora, Podgorica, Ulica Arsenija Boljevića 2A
84499002
Izbor Nekretnina d.o.o.
Zagreb, Ivana Lučića 2A
4175590
Erste Card d.o.o. Slovenija
Slovenija, Ljubljana, Dunajska cesta 129
8705634
Diners Club International Mak d.o.o.e.l. in Skopje
Makedonija, Skopje, Kej 13-ti Noemvri, 2/2 GTC

 Bookkeeping firm: **No** (Yes/No)

Name of the bookkeeping firm:

 Contact person: **Hadžović Lana**
 (only name and surname of the contact person)

 Telephone: **072372392**

 E-mail address: **lhadzovic@erstebank.hr**

 Audit firm: _____
 (name of the audit firm)

 Certified auditor: _____
 (name and surname)

BALANCE SHEET
balance as at 30.06.2020

in HRK

Submitter: ERSTE & STEIERMARKISCHE BANK DD

Item	ADP code	Last day of the preceding business year	Current period
1	2	3	4
Assets			
Cash, cash balances at central banks and other demand deposits (from 2 to 4)	001	5,104,919,965	8,442,499,942
Cash in hand	002	2,557,692,022	3,314,121,285
Cash balances at central banks	003	1,957,984,385	4,777,547,305
Other demand deposits	004	589,243,558	350,831,352
Financial assets held for trading (from 6 to 9)	005	225,050,510	134,313,209
Derivatives	006	39,051,133	84,917,818
Equity instruments	007	0	0
Debt securities	008	185,999,377	49,395,391
Loans and advances	009	0	0
Non-trading financial assets mandatorily at fair value through profit or loss (from 11 to 13)	010	199,210,286	228,758,078
Equity instruments	011	176,322,031	165,712,212
Debt securities	012	22,888,255	63,045,866
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	10,604,450,252	10,835,394,523
Equity instruments	018	162,117,542	122,956,180
Debt securities	019	10,442,332,710	10,712,438,343
Loans and advances	020	0	0
Financial assets at amortised cost (22 + 23)	021	55,283,947,819	58,699,959,890
Debt securities	022	1,641,927,265	2,374,052,338
Loans and advances	023	53,642,020,554	56,325,907,552
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	58,262,384	61,641,414
Tangible assets	027	1,344,128,494	1,308,547,534
Intangible assets	028	375,452,578	372,773,724
Tax assets	029	199,289,441	368,119,038
Other assets	030	471,461,557	498,510,934
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	73,866,173,286	80,950,518,286
Liabilities			
Financial liabilities held for trading (from 34 to 38)	033	36,136,244	82,832,534
Derivatives	034	36,136,244	82,832,534
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	62,787,752,568	69,651,548,940
Deposits	044	61,138,608,849	68,002,370,868
Debt securities issued	045	671,973,050	677,925,147
Other financial liabilities	046	977,170,669	971,252,925
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	494,251,582	585,002,575
Tax liabilities	050	28,670,199	6,626,788
Share capital repayable on demand	051	0	0
Other liabilities	052	640,951,269	622,488,539
Liabilities included in disposal groups classified as held for sale	053	0	0
Total liabilities (33 + 39 + 43 + from 47 to 53)	054	63,987,761,862	70,948,499,376
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	349,859,083	258,941,211
Retained profit	060	4,793,339,902	5,769,687,575
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	962,284,807	195,525,058
(-) Interim dividends	065	0	0
Minority interests [non-controlling interests]	066	188,246,019	193,183,453
Total equity (from 55 to 66)	067	9,878,411,424	10,002,018,910
Total equity and liabilities (54 + 67)	068	73,866,173,286	80,950,518,286

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2020 to 30.06.2020

in HRK

Submitter: ERSTE & STEIERMARKISCHE BANK DD

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Interest income	001	1,199,697,544	1,174,652,750
(Interest expenses)	002	176,769,743	153,985,845
(Expenses on share capital repayable on demand)	003	0	0
Dividend received	004	968,722	259,810
Fees and commissions income	005	482,685,292	446,871,921
(Fees and commissions expense)	006	113,888,886	114,346,787
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	007	46,211	-11,311
Gains or (-) losses on financial assets and liabilities held for trading, net	008	105,167,696	118,455,477
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	009	5,534,866	-5,803,267
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	13,119,295	-38,890,678
Gains or (-) losses on derecognition of non-financial assets, net	013	15,532,972	5,106,630
Other operating income	014	105,153,774	67,970,853
(Other operating expenses)	015	66,189,333	73,143,226
Total operating income, net (1 – 2 – 3 + 4 + 5 – 6 + from 7 to 14 – 15)	016	1,571,058,410	1,427,136,327
(Administrative expenses)	017	668,614,077	665,711,218
(Depreciation)	018	123,703,593	126,455,399
Modification gains or (-) losses, net	019	-515,476	-23,319,072
(Provisions or (-) reversal of provisions)	020	229,219,897	120,927,858
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	021	18,630,412	342,041,547
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	022	-346,834	0
(Impairment or (-) reversal of impairment on non-financial assets)	023	6,193,930	3,042,042
Negative goodwill recognised in profit or loss	024	0	0
Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	025	3,974,855	3,603,370
Profit or (-) loss from fixed assets and disposal groups classified as held for sale not qualifying as discontinued operations	026	0	0
Profit or (-) loss before tax from continuing operations (16 – 17 – 18 + 19 – from 20 to 23 + from 24 to 26)	027	528,502,714	149,242,561
(Tax expense or (-) income related to profit or loss from continuing operations)	028	100,901,825	-51,219,931
Profit or (-) loss after tax from continuing operations (27 – 28)	029	427,600,889	200,462,492
Profit or (-) loss after tax from discontinued operations (31 – 32)	030	0	0
Profit or (-) loss before tax from discontinued operations	031	0	0
(Tax expense or (-) income related to discontinued operations)	032	0	0
Profit or (-) loss for the year (29 + 30; 34 + 35)	033	427,600,889	200,462,492
Attributable to minority interest [non-controlling interests]	034	10,720,676	4,937,434
Attributable to owners of the parent	035	416,880,213	195,525,058
STATEMENT OF OTHER COMPREHENSIVE INCOME			
Income or (-) loss for the current year	036	427,600,889	200,462,492
Other comprehensive income (38 + 50)	037	126,696,996	-76,896,802
Items that will not be reclassified to profit or loss (from 39 to 45) + 48 + 49)	038	28,077,719	-3,990,103
Tangible assets	039	0	0
Intangible assets	040	0	0
Actuarial gains or (-) losses on defined benefit pension plans	041	-2,197	5,317
Fixed assets and disposal groups classified as held for sale	042	0	0
Share of other recognised income and expense of entities accounted for using the equity method	043	0	0
Fair value changes of equity instruments measured at fair value through other comprehensive income	044	33,961,518	-4,873,435
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	045	0	0
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	046	0	0
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	047	0	0
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	048	0	0
Income tax relating to items that will not be reclassified	049	-5,881,602	878,015
Items that may be reclassified to profit or loss (from 51 to 58)	050	98,619,277	-72,906,699
Hedge of net investments in foreign operations [effective portion]	051	0	0
Foreign currency translation	052	-1,992,776	10,760,885
Cash flow hedges [effective portion]	053	0	0
Hedging instruments [not designated elements]	054	0	0
Debt instruments at fair value through other comprehensive income	055	121,340,947	-100,101,449
Fixed assets and disposal groups classified as held for sale	056	0	0
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	057	0	0
Income tax relating to items that may be reclassified to profit or (-) loss	058	-20,728,894	16,433,865
Total comprehensive income for the current year (36 + 37; 60 + 61)	059	554,297,885	123,565,690
Attributable to minority interest [non-controlling interest]	060	10,760,495	4,937,434
Attributable to owners of the parent	061	543,537,390	118,628,256

STATEMENT OF CASH FLOW
for the period 01.01.2020 to 30.06.2020

in HRK

Submitter: ERSTE & STEIERMARKISCHE BANK DD

Item 1	ADP code 2	Same period of the previous year 3	At the reporting date of the current period 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	528,502,715	149,242,561
Adjustments:			
Impairment and provisions	010	173,500,194	466,011,446
Depreciation	011	123,703,593	126,455,399
Net unrealised (gains)/losses on financial assets and liabilities at fair value through	012	0	0
(Profit)/loss from the sale of tangible assets	013	0	0
Other non-cash items	014	-5,426,103	7,381,853
Changes in assets and liabilities from operating activities			
Deposits with the Croatian National Bank	015	-163,378,825	814,549,175
Deposits with financial institutions and loans to financial institutions	016	343,636,225	-230,882,935
Loans and advances to other clients	017	-2,360,572,849	-4,358,936,634
Securities and other financial instruments at fair value through other comprehensive income	018	-3,746,780,256	-504,006,677
Securities and other financial instruments held for trading	019	244,767,736	136,603,987
Non-trading securities and other financial instruments at fair value through statement of profit or loss	020	-34,600,824	4,528,391
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	-61,749,849	-749,937,288
Other assets from operating activities	023	-49,339,343	-86,558,515
Deposits from financial institutions	024	2,149,924,851	2,353,125,781
Transaction accounts of other clients	025	-708,321,651	5,529,403,110
Savings deposits of other clients	026	199,776,711	958,166,964
Time deposits of other clients	027	-321,626,637	-1,480,068,396
Derivative financial liabilities and other liabilities held for trading	028	19,088,192	46,696,290
Other liabilities from operating activities	029	116,725,578	-436,047,957
Interest received from operating activities [indirect method]	030	1,042,468,493	950,552,151
Dividends received from operating activities [indirect method]	031	946,113	0
Interest paid from operating activities [indirect method]	032	-160,833,547	-99,731,297
(Income tax paid)	033	-187,227,193	-121,883,612
Net cash flow from operating activities (from 1 to 33)	034	-2,856,816,676	3,474,663,797
Investing activities			
Cash receipts from the sale / payments for the purchase of tangible and intangible assets	035	-125,876,788	-86,471,268
Cash receipts from the sale / payments for the purchase of investments in branches, associates and joint ventures	036	0	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	0
Other receipts/payments from investing activities	039	0	0
Net cash flow from investing activities (from 35 to 39)	040	-125,876,788	-86,471,268
Financing activities			
Net increase/(decrease) in loans received from financing activities	041	2,082,885,690	0
Net increase/(decrease) in debt securities issued	042	-1,073,642	11,746,421
Net increase/(decrease) in Tier 2 capital instruments	043	0	0
Increase in share capital	044	0	0
(Dividends paid)	045	-288,730,975	0
Other receipts/(payments) from financing activities	046	0	-23,162,168
Net cash flow from financing activities (from 41 to 46)	047	1,793,081,073	-11,415,747
Net increase/(decrease) in cash and cash equivalents (34 + 40 + 47)	048	-1,189,612,391	3,376,776,782
Cash and cash equivalents at the beginning of period	049	6,908,579,590	4,897,144,820
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	5,718,967,199	8,273,921,602

STATEMENT OF CHANGES IN EQUITY
for the period from 01.01.2020 to 30.6.2020

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	349,859,083	4,793,339,902	0	84,921,058	0	962,284,807	0	0	188,246,019	9,878,411,424
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	349,859,083	4,793,339,902	0	84,921,058	0	962,284,807	0	0	188,246,019	9,878,411,424
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	1,047,384,848	0	0	0	-962,284,807	0	0	0	85,100,041
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	-14,021,070	-71,037,175	0	0	0	0	0	0	0	-85,058,245
Total comprehensive income for the current year	019	0	0	0	0	-76,896,802	0	0	0	0	195,525,058	0	0	4,937,434	123,565,690
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	258,941,211	5,769,687,575	0	84,921,058	0	195,525,058	0	0	193,183,453	10,002,018,910

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (PFI)

Name of issuer: ERSTE & STEIERMARKISCHE BANK DD

OIB: 23057039320

Reporting period: 1.1.2020 - 30.06.2020

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, Republic of North Macedonia 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.

Half year financial statements are prepared in accordance with the same accounting policies, as in the latest annual financial statements. The latest annual financial statements are available on the Bank's official website.

CHANGE IN SIGNIFICANT ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

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.

Due to COVID-19 pandemic the Group performed qualitative analysis of whether there are any indications of the need for impairment of non-financial assets. The Group did not identify indicators for impairment of non-financial assets.

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
Erste Bank AD Podgorica, Montenegro	100%	Credit institution	Arsenija Boljevića 2A, Podgorica, Montenegro
Erste Card Club d.o.o.	100%	Financial intermediation and services	Ulica Frana Folnegovića 6, Zagreb
Erste Card d.o.o. Slovenia	100%	Financial intermediation and services	Dunajska cesta 129, Ljubljana, Slovenia
Diners Club International Mak d.o.o.e.l., Skopje	100%	Financial intermediation and services	Kej 13-ti Noemvri, 2/2 GTC, Skopje
Erste Factoring d.o.o. *	100%	Accounts receivables repurchase	Ivana Lučića 2A, Zagreb
Erste&Steiermärkische S-Leasing d.o.o.	50%	Financial and operating leasing	Zelinska 3, Zagreb
Izbor Nekretnina d.o.o.	100%	Real estate management and lease	Ivana Lučića 2A, Zagreb
Erste Group IT HR d.o.o.	80%	IT engineering	Jurja Haulika 19/A, Bjelovar
Name of associate			
Erste d.o.o.	45.86%	Management company for obligatory and voluntary pension fund	Ivana Lučića 2A, Zagreb

*As of 18 June 2020 the merger of Erste Factoring d.o.o. was formally completed, making the factoring segment an integral part of the operations and an integral part of the Bank's offer. When Bank and Erste Factoring merged tax losses from previous years of Erste Factoring become recoverable which resulted in increase of Bank's deferred tax asset in amount of HRK 62 million.

4. Net interest income

GROUP

	30 June 2019		30 June 2020	
	Income	Expenses	Income	Expenses
Derivatives -Trading	20	(19)	29	(30)
Debt securities	110	-	99	-
Loans and advances	1,065	(5)	1,043	(1)
Credit institutions	3	(5)	1	(1)
Corporate	418	-	418	-
Retail	644	-	624	-
Other assets	2	(1)	2	(1)
Deposits	3	(141)	2	(109)
Credit institutions	3	(68)	2	(60)
Corporate	-	(26)	-	(22)
Retail	-	(47)	-	(28)
Debt securities issued	-	(6)	-	(6)
Debt securities in issue	-	(6)	-	(6)
Other financial liabilities	-	(4)	-	(1)
Other Liabilities	-	(1)	-	(5)
INTEREST	1,200	(177)	1,175	(154)

BANK

	30 June 2019		30 June 2020	
	Income	Expenses	Income	Expenses
Derivatives -Trading	21	(19)	31	(30)
Debt securities	90	-	83	-
Loans and advances	836	(5)	822	(1)
Credit institutions	2	(5)	1	(1)
Corporate	338	-	341	-
Retail	496	-	481	-
Other assets	2	-	2	(1)
Deposits	3	(109)	2	(79)
Credit institutions	3	(41)	2	(36)
Corporate	-	(23)	-	(18)
Retail	-	(45)	-	(26)
Debt securities issued	-	(6)	-	(6)
Debt securities in issue	-	(6)	-	(6)
Other financial liabilities	-	(4)	-	(1)
Other Liabilities	-	(1)	-	(5)
INTEREST	952	(144)	939	(122)

5. Net fee and commission income

GROUP

	30 June 2019		30 June 2020	
	Income	Expenses	Income	Expenses
Asset management, Securities and other fees	41	(12)	49	(13)
Payment services	393	(99)	356	(98)
Customer resources distributed but not managed	18	-	17	-
Lending business	30	(3)	26	(3)
Guarantees given, guarantees received	18	(1)	18	(1)
Loan commitments given, loan commitments received	9	(2)	6	(2)
Other lending business	3	-	2	-
Total fee and commission income and expenses	483	(114)	447	(114)
Net fee and commission income	369	-	333	-

BANK

	30 June 2019		30 June 2020	
	Income	Expenses	Income	Expenses
Asset management, Securities and other fees	30	(2)	37	(3)
Payment services	241	(74)	213	(71)
Customer resources distributed but not managed	18	-	16	-
Lending business	20	(2)	20	(2)
Guarantees given, guarantees received	17	(1)	17	(1)
Loan commitments given, loan commitments received	2	(1)	2	(2)
Other lending business	1	-	1	-
Total fee and commission income and expenses	309	(79)	286	(77)
Net fee and commission income	230	-	209	-

6. Financial assets at fair value through other comprehensive income

	Gross carrying amount	Credit loss allowances	Accumulated other fair value changes	Carrying amount
30 June 2020				GROUP
Debt securities	10,572	(52)	140	10,712
Credit institutions	618	(22)	25	643
Corporate	9,955	(30)	115	10,069
Retail	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	-	-	-	-
Total	10,572	(52)	140	10,712
31 December 2019				GROUP
Debt securities	10,184	(34)	258	10,442
Credit institutions	612	(16)	(1)	611
Corporate	9,572	(18)	259	9,831
Retail	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	-	-	-	-
Total	10,184	(34)	258	10,442

	Gross carrying amount	Credit loss allowances	Accumulated other fair value changes	Carrying amount
30 June 2020				BANK
Debt securities	10,030	(49)	130	10,159
Credit institutions	618	(22)	25	643
Corporate	9,412	(27)	104	9,516
Retail	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	-	-	-	-
Total	10,030	(49)	130	10,159
31 December 2019				BANK
Debt securities	9,589	(31)	226	9,814
Credit institutions	612	(16)	(1)	611
Corporate	8,977	(15)	226	9,203
Retail	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	-	-	-	-
Total	9,589	(31)	226	9,814

7. Financial assets at amortised cost

	Gross carrying amount	Credit loss allowances	Carrying amount
30 June 2020			GROUP
Debt securities	2,378	(4)	2,374
Corporate	2,378	(4)	2,374
Loans and advances to banks	3,826	(4)	3,823
Credit institutions	3,826	(4)	3,823
Loans and advances to customers	51,898	(2,945)	48,953
Corporate	29,096	(1,556)	27,541
Retail	22,802	(1,390)	21,412
Trade and other receivables	1,315	(250)	1,065
Credit institutions	62	-	62
Corporate	643	(93)	549
Retail	611	(157)	454
Total	59,418	(3,204)	56,214
31 December 2019			GROUP
Debt securities	1,644	(2)	1,642
Corporate	1,644	(2)	1,642
Loans and advances to banks	4,372	(5)	4,367
Credit institutions	4,372	(5)	4,367
Loans and advances to customers	47,934	(2,649)	45,286
Corporate	25,614	(1,494)	24,120
Retail	22,321	(1,155)	21,166
Trade and other receivables	1,760	(224)	1,537
Credit institutions	96	-	95
Corporate	1,017	(101)	917
Retail	647	(123)	524
Total	55,711	(2,879)	52,831

	Gross carrying amount	Credit loss allowances	Carrying amount
30 June 2020			BANK
Debt securities	2,202	(3)	2,199
Corporate	2,202	(3)	2,199
Loans and advances to banks	3,786	(3)	3,783
Credit institutions	3,786	(3)	3,783
Loans and advances to customers	47,114	(2,692)	44,422
Corporate	27,892	(1,467)	26,425
Retail	19,222	(1,225)	17,997
Trade and other receivables	615	(93)	522
Credit institutions	56	-	56
Corporate	513	(59)	455
Retail	45	(34)	11
Total	53,716	(2,791)	50,925
31 December 2019			BANK
Debt securities	1,465	(1)	1,464
Corporate	1,465	(1)	1,464
Loans and advances to banks	4,264	(4)	4,260
Credit institutions	4,264	(4)	4,260
Loans and advances to customers	43,542	(2,450)	41,093
Corporate	24,835	(1,420)	23,415
Retail	18,707	(1,029)	17,677
Trade and other receivables	240	(53)	188
Credit institutions	92	-	92
Corporate	104	(24)	81
Retail	44	(29)	15
Total	49,512	(2,507)	47,005

8. Financial liabilities measured at amortised costs

Deposits from banks

	GROUP		BANK	
	31 December 2019	30 June 2020	31 December 2019	30 June 2020
Overnight deposits	152	339	148	324
Term deposits	9,026	8,921	4,718	5,004
Repurchase agreements	635	1,929	409	1,701
Deposits from banks	9,813	11,189	5,275	7,029

Deposits from customers

	GROUP		BANK	
	31 December 2019	30 June 2020	31 December 2019	30 June 2020
Overnight deposits	29,657	35,952	27,787	34,281
Corporate	12,738	16,947	11,822	16,168
Retail	16,919	19,004	15,964	18,113
Term deposits	21,668	20,862	20,668	19,703
Corporate	5,344	5,181	4,850	4,497
Retail	16,324	15,681	15,818	15,205
Deposits from customers	51,325	56,814	48,455	53,984
Total deposits	61,138	68,003	53,730	61,013

Debt securities issued

	GROUP		BANK	
	31 December 2019	30 June 2020	31 December 2019	30 June 2020
Other debt securities issued	672	678	672	678
Bonds	672	678	672	678
Debt securities issued	672	678	672	678

9. 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	GROUP	
	30 June 2019	30 June 2020
Net result for the period	417	196
Profit or loss attributable to ordinary shareholders	417	196
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)	24.55	11.51

10. Total equity

Share capital

As at 30 June 2020 and 31 December 2019 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 2020 and 31 December 2019 the legal reserves of the Bank disclose non-distributable reserves of HRK 85 million.

Dividends

The Bank has received a decision of the Croatian National Bank as of March 20th 2020 which is adopted on basis of article 175 paragraph 1 point 3, article 224 paragraph 1 point 3 and point 20, article 228 paragraph 1 point 5 and paragraph 3 point 4 and article 323 of Credit Institution Act (OG 159/13, 19/15 and 102/15, 15/18 and 70/19) and article 43 paragraph 2 point 5 of Croatian National Bank Act (OG 75/08 and 54/13). In accordance with the aforementioned decision, the Bank is obliged to retain its net profit realized in the financial year 2019 in the Bank's capital and shall not pay out the dividend in order to ensure the stability of the financial system of the Republic of Croatia.

11. Segment reporting

	Retail		Corporates	
	30 June 2019	30 June 2020	30 June 2019	30 June 2020
Net result attributable to owners of the parent	373	33	111	162
Operating income	1,038	926	563	521
Operating expenses	(575)	(596)	(205)	(200)
Operating result	463	330	358	321
Risk-weighted assets (credit risk, eop)	10,105	13,262	22,759	25,479
Average allocated capital	1,673	2,024	2,512	2,680
Cost/income ratio	55%	64%	36%	38%
Total assets (eop)	24,474	26,652	26,469	29,914
Total liabilities excluding equity (eop)	34,343	37,905	13,218	17,563

	Group Markets		ALM & LCC	
	30 June 2019	30 June 2020	30 June 2019	30 June 2020
Net result attributable to owners of the parent	36	23	(102)	(23)
Operating income	63	47	(92)	(33)
Operating expenses	(19)	(20)	(35)	(21)
Operating result	45	27	(127)	(54)
Risk-weighted assets (credit risk, eop)	211	193	5,906	5,941
Average allocated capital	59	53	6,009	6,005
Cost/income ratio	29%	42%	(34%)	(85%)
Total assets (eop)	1,429	393	21,123	23,992
Total liabilities excluding equity (eop)	1,015	1,157	15,604	14,323

	GROUP	
	30 June 2019	30 June 2020
Net result attributable to owners of the parent	417	195
Operating income	1,572	1,462
Operating expenses	(834)	(837)
Operating result	738	624
Risk-weighted assets (credit risk, eop)	38,980	44,876
Average allocated capital	10,254	10,762
Cost/income ratio	53%	57%
Total assets (eop)	73,495	80,951
Total liabilities excluding equity (eop)	64,180	70,948

12. Fair value hierarchy: financial instruments at fair value

	GROUP			
	Level 1	Level 2	Level 3	Total
	30 June 2020			
Assets				
Financial assets - held for trading	-	50	-	50
Derivatives	-	50	-	50
Other financial assets held for trading	-	-	-	-
Non-trading financial assets at fair value through profit or loss	158	-	42	200
Equity instruments	-	-	19	19
Debt securities	158	-	23	181
Financial assets at fair value through other comprehensive income	8,224	1,541	720	10,485
Equity instruments	-	-	145	145
Debt securities	8,224	1,541	575	10,340
Total assets	8,382	1,591	762	10,735
Liabilities				
Financial liabilities - held for trading	-	46	-	46
Derivatives	-	46	-	46
Total liabilities	-	46	-	46

	GROUP			
	Level 1	Level 2	Level 3	Total
	31 December 2019			
Assets				
Financial assets - held for trading	-	278	-	278
Derivatives	-	33	-	33
Other financial assets held for trading	-	245	-	245
Non-trading financial assets at fair value through profit or loss	147	-	18	165
Equity instruments	-	-	11	11
Debt securities	147	-	7	154
Financial assets at fair value through other comprehensive income	5,835	2,344	423	8,602
Equity instruments	-	-	111	111
Debt securities	5,835	2,344	312	8,491
Total assets	5,982	2,622	441	9,046
Liabilities				
Financial liabilities - held for trading	-	27	-	27
Derivatives	-	27	-	27
Total liabilities	-	27	-	27

	BANK			
	Level 1	Level 2	Level 3	Total
	30 June 2020			
Assets				
Financial assets - held for trading	49	85	-	135
Derivatives	-	85	-	85
Other financial assets held for trading	49	-	-	49
Non-trading financial assets at fair value through profit or loss	8	-	78	86
Equity instruments	-	-	15	15
Debt securities	8	-	63	71
Financial assets at fair value through other comprehensive income	8,845	1,150	272	10,267
Equity instruments	-	-	108	108
Debt securities	8,845	1,150	164	10,159
Total assets	8,902	1,235	351	10,488
Liabilities				
Financial liabilities - held for trading	-	83	-	83
Derivatives	-	83	-	83
Total liabilities	-	83	-	83

	BANK			
	Level 1	Level 2	Level 3	Total
	31 December 2019			
Assets				
Financial assets - held for trading	186	40	-	226
Derivatives	-	40	-	40
Other financial assets held for trading	186	-	-	186
Non-trading financial assets at fair value through profit or loss	8	-	17	25
Equity instruments	-	-	10	10
Debt securities	8	-	7	15
Financial assets at fair value through other comprehensive income	8,482	1,150	329	9,962
Equity instruments	-	-	147	147
Debt securities	8,482	1,150	182	9,814
Total assets	8,676	1,190	346	10,212
Liabilities				
Financial liabilities - held for trading	-	36	-	36
Derivatives	-	36	-	36
Total liabilities	-	36	-	36

13. 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 2020				
Assets					
Cash and cash balances	5,458	5,458	-	-	-
Financial assets at amortised cost	50,742	55,247	1,387	-	53,860
Loans and advances to banks	5,306	5,302	-	-	5,302
Loans and advances to customers	44,103	48,558	-	-	48,558
Debt securities	1,333	1,387	1,387	-	-
Finance lease receivables	2,499	2,751	-	-	2,751
Assets held for sale	-	-	-	-	-
Trade and other receivables	1,506	1,658	-	-	1,658
Liabilities					
Financial liabilities measured at amortised cost	63,024	63,307	-	671	62,636
Deposits from banks	11,801	11,830	-	-	11,830
Deposits from customers	49,575	49,822	-	-	49,822
Debt securities in issue	669	671	-	671	-
Other financial liabilities	979	984	-	-	984

	GROUP				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
	31 December 2019				
Assets					
Cash and cash balances	4,953	4,953	-	-	-
Financial assets at amortised cost	49,678	48,717	1,295	-	47,421
Loans and advances to banks	5,228	5,152	-	-	5,152
Loans and advances to customers	43,177	42,270	-	-	42,270
Debt securities	1,273	1,295	1,295	-	-
Finance lease receivables	2,080	2,037	-	-	2,037
Assets held for sale	-	-	-	-	-
Trade and other receivables	1,425	1,395	-	-	1,395
Liabilities					
Financial liabilities measured at amortised cost	(59,688)	59,700	-	672	59,028
Deposits from banks	(8,931)	8,957	-	-	8,957
Deposits from customers	(49,197)	49,182	-	-	49,182
Debt securities in issue	(670)	672	-	672	-
Other financial liabilities	(889)	889	-	-	889

	BANK				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
	30 June 2020				
Assets					
Cash and cash balances	7,499	7,499	-	-	-
Financial assets at amortised cost	50,403	48,312	2,193	-	46,119
Loans and advances to banks	3,783	3,780	-	-	3,780
Loans and advances to customers	44,422	42,339	-	-	42,339
Debt securities	2,199	2,193	2,193	-	-
Finance lease receivables	-	-	-	-	-
Assets held for sale	-	-	-	-	-
Trade and other receivables	522	497	-	-	497
Liabilities					
Financial liabilities measured at amortised cost	61,852	61,635	-	679	60,956
Deposits from banks	7,029	6,791	-	-	6,791
Deposits from customers	53,984	54,003	-	-	54,003
Debt securities in issue	678	679	-	679	-
Other financial liabilities	162	162	-	-	162

BANK

	Carrying amount	Fair value	Level 1	Level 2	Level 3
					31 December 2019
Assets					
Cash and cash balances	4,339	4,339	-	-	-
Financial assets at amortised cost	46,817	46,097	1,511	-	44,586
Loans and advances to banks	4,260	4,260	-	-	4,260
Loans and advances to customers	41,093	40,326	-	-	40,326
Deb securities	1,464	1,511	1,511	-	-
Finance lease receivables	-	-	-	-	-
Assets held for sale	-	-	-	-	-
Trade and other receivables	188	184	-	-	184
Liabilities					
Financial liabilities measured at amortised cost	(54,529)	54,699	-	673	54,025
Deposits from banks	(5,275)	5,260	-	-	5,260
Deposits from customers	(48,455)	48,637	-	-	48,637
Debt securities in issue	(672)	673	-	673	-
Other financial liabilities	(127)	128	-	-	128

14. 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.

15. Events after Balance sheet date

There were no significant events after balance sheet date.