

Unaudited financial statements of the Erste&Steiermärkische Bank d.d. and subsidiaries (the Group) for period January 1st - June 30th 2022

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MANAGEMENT REPORT

Erste Bank Croatia achieved positive business results in H12022, recording growth in total loans and deposits

Zagreb, 1 August 2022. – “We are happy with the results achieved in the first half of 2022. Positive indicators of business operations, exceeding the level of HRK 100 billion when it comes to the total assets of our local group, growth of total loans with a steady growth of deposits, the influx of new customers and increase in the number of users of our digital solutions — George on-line banking platform and KEKS Pay app — are factors influencing our optimistic outlook for the rest of the year, which also affirm that our business model is effective,” said **Christoph Schoefboeck**, CEO of Erste Bank Croatia, commenting on the business results achieved in the first half of 2022 and added: “Approval of Croatia’s entry into the European monetary union with the first day of next year is certainly one of the most important news that marked the year so far. Joining the eurozone will lead to further integration of the Croatian economy into the European financial and economic flows, positively increasing its competitiveness and attractiveness to investors, which will ultimately ensure further intensification of the process of convergence. At the same time, the demanding criteria that Croatia had to fulfil as part of the euro adoption process will positively contribute to the achievement of the basic objective — a high-quality and long-term sustainable position of the Croatian economy based on solid foundations.”

IN BRIEF

According to an unrevised unconsolidated financial report, which includes the results of Erste Bank Croatia (“the Bank”) excluding subsidiaries, the Bank’s net profit in the first half of 2022 amounted to HRK 745.0 million, which is 45.8% higher than HRK 511.0 million in the same period of 2021. Net profit growth is the result of a further reduction in risk costs and an improved operating result, supported primarily by growth in income from transaction operations in the post-COVID period and by positive trends in the trading segment. Net interest income increased by 0.7%, from HRK 811.0 million in the first half of 2021 to HRK 817.0 million in the same period this year. At the same time, the net fee and commission income increased by 24.3%, from HRK 218.0 million in the first half of 2021 to HRK 271.0 million in the same period this year. Net trading and fair value result in the first six months of 2022 reached HRK 154.0 million, 49.5% more than HRK 103.0 million in the same period a year earlier.

The Bank’s total assets at the end of June 2022 were HRK 92.3 billion, or 11.5% more than at the end of 2021, when it amounted to HRK 82.8 billion. Total loans to customers as of 30 June 2022 amounted to HRK 50.7 billion, 10.9% more than HRK 45.7 billion at the end of 2021. Total deposits of the Bank’s customers as of 30 June 2022 amounted to HRK 74.7 billion, which is 15.1% more than at the end of 2021, when they amounted to HRK 64.9 billion.

EBC Group’s¹ net profit before minority interests amounted to HRK 867.0 million in the first half of 2022, 42.6% higher than HRK 608.0 million in the same period in 2021. ECB Group’s net interest income amounted to HRK 1,002.0 million, compared to HRK 1,006.0 million in the first six months of 2021. Net fee and commission income amounted to HRK 396.0 million, 13.5% more than HRK 349.0 million in the first half of 2021.

EBC Group’s total assets at the end of June 2022 amounted to HRK 101.6 billion, which is 10.1% more than at the end of 2021, when it amounted to HRK 92.3 billion. Total loans to customers as of 30 June 2022 amounted to HRK 55.1 billion, which is 10.2% more than HRK 50.0 billion at the end of 2021. Total deposits from EBC Group’s customers as of 30 June 2022 amounted to HRK 77.6 billion, up 13.6% compared to the end of 2021, when they amounted to HRK 68.3 billion.

¹EBC 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, Erste Group IT HR d.o.o. and Izbor Nekretnina d.o.o.

GROWING DEMAND FOR NEW LOANS

Demand for new loans in the first six months of 2022 recorded positive trends and growth rates. In the retail segment, the Bank placed a total of over HRK 2.9 billion in new loans, which represents an increase of 22.0% compared to the same period of 2021.

The increase in new household placements was mainly driven by the growth of new housing loans, while the placement of new cash loans was at approximately the same levels as in the previous year. In the corporate segment, the Bank placed a total of over HRK 6.5 billion in new loans in the first six months of 2022, which represents a 22.0% increase compared to the same period in 2021. Most of the newly generated exposure in the corporate segment stems from financing clients from natural resources, construction, production of consumer products, hotels and real estate segments, whether micro, small or medium-sized clients. A very similar situation is present in the segment of large-size clients, where the increased exposure in the health care industry is additionally emphasized.

DOWNWARD TRENDS OF NPLs

In the first half of 2022, risk costs continued to decline, while the share of the Bank's so-called NPLs was additionally reduced from 6.7% at the end of 2021 to 4.3% at the end of June 2022. With respect to private individuals, the NPL share reached 5.7% at the end of June 2022, compared to 8.2% at the end of 2021. In the corporate segment, the NPL share was 3.2% in mid-2022, compared to 6.4% at the end of 2021. 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, while respecting all regulatory rules and applying a balanced approach that takes into account the objective market situation and customer needs.

USE OF BANK'S DIGITAL SOLUTIONS ON THE RISE

The use of digital solutions of Erste Bank, George on-line banking platform and KEKS Pay app, has continued to grow in the first half of 2022. George online banking platform recorded a total of nearly 388 thousand users at the end of June 2022, 13.5% more than at the end of 2021, when there were about 342 thousand users recorded. The total volume of transactions in the first half of 2022 was about HRK 16.3 billion, 43.0% more than HRK 11.4 billion recorded in the same period last year. At the same time, KEKS Pay app recorded almost 279 thousand users at the end of June 2022, of which 76% are not the Bank's customers. Compared to about 233 thousand of users at the end of 2021, this is an increase of 19.7%. The total volume of transactions in the first half of 2022 amounted to HRK 387.3 million, which is an increase of 75.5% compared to the same period last year, when it amounted to HRK 220.7 million.

OUTLOOK

"After a prolonged period of gradual decline in interest rates, it was likely to expect a stabilisation of this trend in 2022, also influenced by inflationary developments, consequences of monetary policy stance and global geopolitical developments," Schoefboeck stressed and continued: "The recent reduction in regulatory cost, resulting from the accession of the Republic of Croatia to the eurozone, is certainly one of the components that will have a positive impact on the level of interest rates in the medium term and the overall lending conditions in Croatia. Among other benefits of integration into the monetary union, such as the practical elimination of currency risk and the contribution to reducing the risk premium, and bearing in mind the fact that the banking system in Croatia has already been highly liquid, the expected increase in interest rates in Croatia, especially in relation to some other European countries, should certainly be mitigated to some extent. However, in the short term, in the coming period, the level of interest rates will depend dominantly on the moves of monetary policy-makers in the segment of raising reference interest rates, notably the European Central Bank, in response to the current high inflation environment and the ensuing uncertainties associated with the conflict in Ukraine."

"It should be stressed that global factors, such as geopolitical risks, continuing problems in supply chains, strong inflation, and monetary policy responses, will also largely determine economic perspectives in the coming period. Nevertheless, membership in the monetary union, in addition to entering the so-called Schengen zone, will, I am convinced, place the Republic of Croatia on the map of the European Union as a fully integrated member which will make further progress in terms of economic growth and development in the coming period. With positive economic trends, stable public finances and the potential that lies in using EU funds under the Next Generation instrument, Croatia is looking towards the future with optimism. At the same time, continuous work on further improving the investment and legal security remains a fundamental precondition for long-term sustainable economic growth and development", Schoefboeck underlined.

Statement of Profit or Loss

in HRK million	GROUP		BANK	
	2021	2022	2021	2022
Net interest income	1,006	1,002	811	817
Interest income	1,058	1,024	887	867
Other similar income	79	83	29	32
Interest expense	(105)	(74)	(80)	(53)
Other similar expenses	(26)	(31)	(25)	(29)
Net fee and commission income	349	396	218	271
Fee and commission income	469	535	301	377
Fee and commission expenses	(120)	(139)	(83)	(106)
Dividend income	1	-	9	47
Net trading and fair value result	104	155	103	154
Gains/losses from financial instruments measured at fair value through profit or loss	(3)	(6)	(1)	(6)
Net result from equity method investments	4	4	-	-
Rental income from investment properties & other operating leases	34	30	2	1
Personnel expenses	(373)	(397)	(277)	(307)
Other administrative expenses	(301)	(335)	(229)	(272)
Depreciation and amortisation	(126)	(122)	(71)	(75)
Impairment result from financial instruments	(38)	344	(27)	298
Other operating result	80	(11)	84	(30)
Pre-tax result for the period	737	1,060	622	898
Income tax	(129)	(193)	(111)	(153)
Net result for the period	608	867	511	745
Net result attributable to non-controlling interests	12	14	-	-
Net result attributable to owners of the parent	596	853	-	-

Statement of Financial Position as at 30 June 2022

in HRK million	GROUP		BANK	
	31 December 2021	30 June 2022	31 December 2021	30 June 2022
Assets				
Cash and cash balances	14,530	17,594	13,518	16,756
Financial assets – held for trading	145	211	145	211
Derivatives	70	211	70	211
Other trading assets	75	-	75	-
Non-trading financial assets at fair value through profit or loss	75	64	70	64
Equity instruments	10	8	10	8
Debt securities	65	56	60	56
Financial assets at fair value through other comprehensive income	11,947	9,861	11,448	9,409
Equity instruments	4	4	4	4
Debt securities	11,943	9,857	11,444	9,405
Financial assets at amortised cost	59,328	67,567	54,719	62,821
Debt securities	4,935	6,542	4,674	6,274
Loans and advances to banks	4,406	5,953	4,322	5,871
Loans and advances to customers	49,987	55,072	45,723	50,676
Finance lease receivables	2,546	2,784	-	-
Property and equipment	1,179	1,168	792	785
Investment properties	3	11	-	-
Intangible assets	327	311	135	124
Investments in subsidiaries	-	-	805	805
Investments in associates	62	62	38	38
Current tax assets	-	-	-	-
Deferred tax assets	207	355	132	287
Assets held for sale	336	-	3	-
Trade and other receivables	1,270	1,255	692	772
Other assets	324	347	251	264
Total assets	92,279	101,590	82,748	92,336
Liabilities and equity				
Financial liabilities – held for trading	56	192	56	192
Derivatives	56	192	56	192
Financial liabilities measured at amortised cost	79,559	89,187	72,378	82,147
Deposits from banks	6,533	6,647	3,242	3,201
Deposits from customers	68,268	77,612	64,927	74,688
Debt securities issued	4,010	4,029	4,010	4,029
Other financial liabilities	748	899	199	229
Lease liabilities	99	100	100	101
Provisions	409	385	384	360
Current tax liabilities	92	161	74	142
Deferred tax liabilities	2	-	-	-
Liabilities associated with assets held for sale	261	-	-	-
Other liabilities	631	708	438	473
Total liabilities	81,109	90,733	73,430	83,415
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	7,231	7,558	5,592	5,810
Other reserves	139	(513)	142	(474)
Equity attributable to owners of the parent	10,954	10,629	9,318	8,921
Equity attributable to non-controlling interests	216	228	-	-
Total equity	11,170	10,857	9,318	8,921
Total liabilities and equity	92,279	101,590	82,748	92,336

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, strategic, reputational and compliance risk, and transversal risks: macroeconomic, political, pandemic and ESG 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. The most significant risks related to credit risk are: default risk, migration risk, currency induced credit risk, residual risk, credit risk concentration and model 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. The most significant risks that market risk includes are: interest rate risk and credit spread 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 is considered as a secondary impact of operational risk and other risk categories, such as credit, market and liquidity risks ("source" risks), and it includes losses or other expenses triggered by the breach of rules resulting in legal proceedings or in other voluntary actions on behalf on the institution undertaken with the view to avoiding upcoming legal risk.

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.

Strategic risk is possibility of adverse effect on the bank's financial result or capital due to absence of adequate strategies and adverse business decisions, or their inadequate implementation, changes in the business environment in which the bank operates or failure of the bank to adequately respond to these changes. Elements considered within strategic risk are business risk, capital risk and profitability risk.

Reputational risk is the current or prospective risk arising from negative perceptions on the part of customers, suppliers, stakeholders, the public or other relevant parties that, apart from the bank's reputation itself, can adversely affect the bank's share price, earnings, funds and liquidity.

Macroeconomic risk is the risk that the bank incurs losses due to adverse changes in the overall economy. It includes also a risk of severe shock that could result in such financial instability that will spread in all parts of financial system and to the extent that could have negative impact on the real economy.

Political risk is the exposure to a loss, caused by events in a particular country which are under the control of the government but clearly not under the control of an independent private enterprise or individual, e.g. expropriation, changes in regulatory/legal regime (incl. changes of banking regulatory regime defined by national or international authorities), war, terrorism and other political upheaval, which might have negative impact on the capital position or profitability of an institution (directly or indirectly through its clients).

Pandemic risk is possibility of adverse effect on the bank's financial result, capital or operations due to the impact of widespread infectious disease in humans on human health, economies, and communities. Pandemics are epidemics (occurrence of disease above an expected norm) that affect at least several countries on more than one continent.

ESG (Environmental, Social and Governance) risks arise as negative financial impact from the materialization of negative environmental, social or governance events. Environmental risks are those posed by the exposure to climate or environmental degradation related risk events, and they usually materialize through physical risk or damages, or through transitional risk creating additional costs and capital expenditure need, or in some cases damages through liabilities. Social risks are mostly those which materialize due to poor standards of respecting elementary rights, inclusiveness, or ineffective labour relations and unfair, untransparent or malleus customer practices. Governance risks are prominently those related to poor or untransparent company governance measures, missing or weak code of conduct including lack of substantiated policies on anti-money laundering, bribes and corruption, or tax citizenship.

Except above mentioned risks the Bank also manages all other risks that could affect their business operations such as: real estate risk, step-in risk, business risk of excessive leverage 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, i.e. 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 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.

Ukraine War

The conflict in the parts of Eastern Ukraine which started in 2014 has not been resolved to date. In December 2021-January 2022, the news on the increased concentration of Russian military forces alongside the Russian-Ukrainian border started to raise concerns about possible Russian military intervention into Ukraine. In late February 2022, the conflict escalated with significant numbers of troops becoming more active in Ukraine and a state of emergency was declared in Ukraine. As of March, the sanctions against Russia were imposed by many countries of the Western world, aiming to respond to the gravity of Russia's violation of the sovereignty and territorial integrity of Ukraine, and grave human rights violations that have been committed in Ukraine and in Russia.

The evolving Russia-Ukraine situation does not impact the Group and the Bank directly. In cooperation with the Erste Group, the Group and the Bank have been adequately and actively monitoring the situation between Russia and Ukraine for several months and have no direct exposure to the state or to entities from Ukraine and Russia. Limits on Russian banks to which there is also no exposure at the Group and the Bank level (including local branches of Russian banks) have also been suspended. In addition, the Group and the Bank has identified clients on an individual level who could be indirectly more affected by the current situation, and there are no significant exposures in its portfolio in this regard either.

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

Member of Management Board



Krešimir Barić

Rijeka, August 1st 2022

Annex 1**ISSUER'S GENERAL DATA**

Reporting period:

1.1.2022

to

30.6.2022

Year:

2022

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

3492

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 8499002

Izbor Nekretnina d.o.o.

Zagreb, Ivana Lučića 2A 4175590

Bookkeeping firm:

No

(Yes/No)

Name of the bookkeeping firm:

Contact person: Ana Musa

(only name and surname of the contact person)

Telephone: 072/372891

E-mail address: finrep@erstebank.hr

Audit firm:

(name of the audit firm)

Certified auditor:

(name and surname)

BALANCE SHEET
balance as at 30.06.2022

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	14,530,229,950	17,593,634,814
Cash in hand	002	3,052,397,053	4,316,928,236
Cash balances at central banks	003	11,036,134,394	12,993,922,481
Other demand deposits	004	441,698,503	282,784,097
Financial assets held for trading (from 6 to 9)	005	144,965,160	211,247,214
Derivatives	006	69,793,420	211,247,214
Equity instruments	007	0	0
Debt securities	008	75,171,740	0
Loans and advances	009	0	0
Non-trading financial assets mandatorily at fair value through profit or loss (from 11 to 13)	010	74,838,747	64,353,626
Equity instruments	011	39,062,589	28,809,264
Debt securities	012	35,776,158	35,544,362
Loans and advances	013	0	0
Financial assets 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	11,947,197,692	9,861,266,067
Equity instruments	018	3,940,586	3,864,186
Debt securities	019	11,943,257,106	9,857,401,881
Loans and advances	020	0	0
Financial assets at amortised cost (22 + 23)	021	63,143,196,054	71,606,533,290
Debt securities	022	4,935,473,427	6,541,536,303
Loans and advances	023	58,207,722,627	65,064,996,987
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	62,446,273	66,372,531
Tangible assets	027	1,181,862,495	1,178,531,370
Intangible assets	028	327,305,045	310,906,293
Tax assets	029	206,508,081	355,197,126
Other assets	030	324,181,939	342,435,990
Fixed assets and disposal groups classified as held for sale	031	336,247,611	0
Total assets (1 + 5 + 10 + 14 + 17 + 21 + from 24 to 31)	032	92,278,979,047	101,590,478,321

Liabilities			
Financial liabilities held for trading (from 34 to 38)	033	56,289,543	191,813,611
Derivatives	034	56,289,543	191,813,611
Short positions	035	0	0
Deposits	036	0	0
Debt securities issued	037	0	0
Other financial liabilities	038	0	0
Financial liabilities 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	79,657,939,252	89,287,706,109
Deposits	044	74,800,477,488	84,259,547,145
Debt securities issued	045	4,010,479,414	4,029,009,131
Other financial liabilities	046	846,982,350	999,149,833
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	409,208,653	385,047,863
Tax liabilities	050	93,051,962	160,726,097
Share capital repayable on demand	051	0	0
Other liabilities	052	631,471,024	707,814,163
Liabilities included in disposal groups classified as held for sale	053	260,807,935	0
Total liabilities (33 + 39 + 43 + from 47 to 53)	054	81,108,768,369	90,733,107,843
Equity			
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	058	0	0
Accumulated other comprehensive income	059	138,951,626	-513,381,747
Retained profit	060	6,180,485,975	6,705,223,786
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	1,049,995,154	852,655,294
(—) Interim dividends	065	0	0
Minority interests [non-controlling interests]	066	216,096,310	228,191,532
Total equity (from 55 to 66)	067	11,170,210,678	10,857,370,478
Total equity and liabilities (54 + 67)	068	92,278,979,047	101,590,478,321

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2022 to 30.06.2022

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	1,137,179,709	1,106,180,055
(Interest expenses)	002	131,070,627	104,324,546
(Expenses on share capital repayable on demand)	003	0	0
Dividend income	004	753,708	347
Fees and commissions income	005	469,421,292	535,431,530
(Fees and commissions expenses)	006	120,203,835	139,135,257
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	007	330,240	384,633
Gains or (-) losses on financial assets and liabilities held for trading, net	008	99,868,671	153,842,411
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	009	-2,782,735	-6,207,603
Gains or (-) losses on derecognition of financial assets and liabilities 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	3,862,702	1,006,340
Gains or (-) losses on derecognition of investments in subsidiaries, joint ventures and associates, net	013	0	0
Gains or (-) losses on derecognition of non-financial assets, net	014	4,563,787	7,216,062
Other operating income	015	53,621,915	40,822,701
(Other operating expenses)	016	24,280,704	19,585,821
Total operating income, net (1 – 2 – 3 + 4 + 5 – 6 + from 7 to 15 – 16)	017	1,491,264,123	1,575,630,852
(Administrative expenses)	018	670,373,825	709,201,522
(Cash contributions to resolution boards and deposit guarantee schemes)	019	30,931,716	59,078,362
(Depreciation)	020	126,126,709	121,905,620
Modification gains or (-) losses, net	021	-548,479	474,661
(Provisions or (-) reversal of provisions)	022	-68,739,619	42,265,772
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	023	-6,970,785	-379,743,128
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	024	0	0
(Impairment or (-) reversal of impairment on non-financial assets)	025	6,614,145	-1,956,761
Negative goodwill recognised in profit or loss	026	0	0
Share of the profit or (-) losses of investments in subsidiaries, joint ventures and associates accounted for using the equity method	027	4,449,609	4,425,690
Profit or (-) loss from fixed assets and disposal groups classified as held for sale not qualifying as discontinued operations	028	0	29,742,544
Profit or (-) loss before tax from continuing operations (17 – 18 to 20 + 21 – from 22 to 25 + from 26 to 28)	029	736,829,262	1,059,522,360
(Tax expense or (-) income related to profit or loss from continuing operations)	030	128,730,389	192,870,239
Profit or (-) loss after tax from continuing operations (29 – 30)	031	608,098,873	866,652,121
Profit or (-) loss after tax from discontinued operations (33 – 34)	032	0	0
Profit or (-) loss before tax from discontinued operations	033	0	0
(Tax expense or (-) income related to discontinued operations)	034	0	0
Profit or (–) loss for the year (31 + 32; 36 + 37)	035	608,098,873	866,652,121
Attributable to minority interest [non-controlling interests]	036	11,980,736	13,996,827
Attributable to owners of the parent	037	596,118,137	852,655,294

STATEMENT OF OTHER COMPREHENSIVE INCOME			
Income or (-) loss for the current year	038	608,098,873	866,652,121
Other comprehensive income (40+ 52)	039	-52,258,123	-653,665,453
Items that will not be reclassified to profit or loss (from 41 to 47 + 50 + 51)	040	6,932,225	-354,949
Tangible assets	041	0	0
Intangible assets	042	0	0
Actuarial gains or (-) losses on defined benefit pension plans	043	-1,966	-42,909
Fixed assets and disposal groups classified as held for sale	044	0	0
Share of other recognised income and expense of entities accounted for using the equity method	045	0	0
Fair value changes of equity instruments measured at fair value through other comprehensive income	046	8,265,730	-76,400
value through other comprehensive income, net	047	0	0
Fair value changes of equity instruments measured at fair value through	048	0	0
Fair value changes of equity instruments measured at fair value through	049	0	0
Fair value changes of financial liabilities measured at fair value through profit or loss attributable to changes in their credit risk	050	0	0
Income tax relating to items that will not be reclassified	051	-1,331,539	-235,640
Items that may be reclassified to profit or loss (from 53 to 60)	052	-59,190,348	-653,310,504
Hedge of net investments in foreign operations [effective portion]	053	0	0
Foreign currency translation	054	-4,587,661	1,182,349
Cash flow hedges [effective portion]	055	0	0
Hedging instruments [not designated elements]	056	0	0
Debt instruments at fair value through other comprehensive income	057	-65,816,170	-796,847,339
Fixed assets and disposal groups classified as held for sale	058	0	0
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	059	0	0
Income tax relating to items that may be reclassified to profit or (-) loss	060	11,213,483	142,354,486
Total comprehensive income for the current year (38 + 39; 62 + 63)	061	555,840,750	212,986,668
Attributable to minority interest [non-controlling interest]	062	11,980,736	13,996,827
Attributable to owners of the parent	063	543,860,014	198,989,841

STATEMENT OF CASH FLOW
for the period 01.01.2022 to 30.06.2022

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	736,829,262	1,059,522,360
Adjustments:		0	0
Impairment and provisions	010	-67,631,749	-325,918,181
Depreciation	011	126,126,709	121,905,620
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	2,485,347	2,008,132
Other non-cash items	014	-2,984,011	-29,068,163
Changes in assets and liabilities from operating activities			
Deposits with the Croatian National Bank	015	-360,783,709	-578,425,085
Deposits with financial institutions and loans to financial institutions	016	638,982,687	-968,739,390
Loans and advances to other clients	017	-1,186,233,576	-5,849,576,478
Securities and other financial instruments at fair value through other comprehensive income	018	-558,387,516	1,191,510,777
Securities and other financial instruments held for trading	019	-32,011,609	75,233,389
Securities and other financial instruments at fair value through statement of profit or loss, not traded	020	127,209,642	10,485,120
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	-155,214,472	-1,642,820,464
Other assets from operating activities	023	2,193,755	-167,691,711
Deposits from financial institutions	024	282,189,140	141,666,607
Transaction accounts of other clients	025	2,553,077,236	8,548,167,910
Savings deposits of other clients	026	1,310,730,431	1,514,171,521
Time deposits of other clients	027	-1,499,133,094	-603,734,206
Derivative financial liabilities and other liabilities held for trading	028	-36,971,017	133,755,858
Other liabilities from operating activities	029	3,729,270,108	117,624,198
Interest received from operating activities [indirect method]	030	1,122,884,106	1,115,487,341
Dividends received from operating activities [indirect method]	031	0	0
Interest paid from operating activities [indirect method]	032	-148,656,104	-98,906,151
(Income tax paid)	033	-25,927,458	-132,069,019
Net cash flow from operating activities (from 1 to 33)	034	6,558,044,108	3,634,589,985
Investing activities			
Cash receipts from the sale / payments for the purchase of tangible and intangible assets	035	-75,623,350	-97,844,892
Cash receipts from the sale / payments for the purchase of investments in branches, associates and joint ventures	036	0	67,649,868
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	-75,623,350	-30,195,024
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	-1,144,948	-526,882,469
Other receipts/(payments) from financing activities	046	-12,750,829	-14,097,292
Net cash flow from financing activities (from 41 to 46)	047	-13,895,777	-540,979,761
Net increase/(decrease) of cash and cash equivalents (34 + 40 + 47)	048	6,468,524,981	3,063,415,200
Cash and cash equivalents at the beginning of period	049	8,468,131,963	14,530,211,627
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	14,936,656,944	17,593,626,827

STATEMENT OF CHANGES IN EQUITY
for the period from to 30.6.2022

in HRK

Sources of equity changes	ADP code	Attributable to owners of the parent											Non-controlling interest		Total
		Equity	Share premium	Equity instruments issued other than capital	Other equity	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	138,951,626	6,180,485,975	0	84,921,058	0	1,049,995,154	0	0	216,096,310	11,170,210,678
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	138,951,626	6,180,485,975	0	84,921,058	0	1,049,995,154	0	0	216,096,310	11,170,210,678
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 receivables to equity instruments	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	-524,980,849	0	0	0	0	0	0	-1,901,605	-526,882,454
Purchase 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	016	0	0	0	0	0	1,049,995,154	0	0	0	-1,049,995,154	0	0	0	0
Equity increase or (-) decrease resulting from business combinations	017	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Share based payments	018	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other increase or (-) decrease in equity	019	0	0	0	0	1,332,080	-276,494	0	0	0	0	0	0	0	1,055,586
Total comprehensive income for the current year	020	0	0	0	0	-653,665,453	0	0	0	0	852,655,294	0	0	13,996,827	212,986,668
Closing balance [current period] (from 4 to 20)	021	1,698,417,500	1,801,343,055	0	0	-513,381,747	6,705,223,786	0	84,921,058	0	852,655,294	0	0	228,191,532	10,857,370,478

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (PFI)

Name of issuer: ERSTE & STEIERMARKISCHE BANK DD

OIB: 23057039320

Reporting period: 1.1.2022 - 30.06.2022

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 and Republic of Montenegro.

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 2021 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 2021.

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
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&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

In June 2022, Erste card club d.o.o. sold its whole investment in Erste card d.o.o., Slovenia which was in Group consolidated financial statements for the financial year ending 31 December 2021 presented as a disposal group held for sale.

4. Net interest income

in HRK million	GROUP		BANK	
	30 June 2021	30 June 2022	30 June 2021	30 June 2022
Interest income				
Financial assets at amortised cost	981	953	820	805
Financial assets at fair value through other comprehensive income	77	71	67	62
Other similar income				
Non-trading financial assets at fair value through profit or loss	1	1	1	1
Financial assets – held for trading	25	27	25	26
Other assets	50	50	-	1
Interest income from negative interest rates	3	5	3	4
Interest and other similar income	1,137	1,107	916	899
Interest expenses				
Financial liabilities measured at amortised cost	(105)	(74)	(80)	(53)
Other similar expense				
Financial liabilities – held for trading	(22)	(25)	(23)	(25)
Other liabilities	(2)	(1)	(1)	(1)
Interest expense from negative interest rates	(2)	(5)	(1)	(3)
Interest and other similar expense	(131)	(105)	(105)	(82)
Net interest income	1,006	1,002	811	817

5. Net fee and commission income

in HRK million	GROUP				BANK			
	30 June 2021 Income	Expenses	30 June 2022 Income	Expenses	30 June 2021 Income	Expenses	30 June 2022 Income	Expenses
Asset management, Securities and other fees	32	(12)	37	(13)	23	(2)	28	(4)
Payment services	382	(103)	440	(123)	235	(77)	302	(100)
Customer resources distributed but not managed	18	-	19	-	17	-	18	-
Lending business	37	(5)	39	(3)	26	(4)	29	(2)
Guarantees given, guarantees received	21	(1)	25	-	21	(1)	24	-
Loan commitments given, Loan commitments received	12	(4)	10	(3)	4	(3)	3	(2)
Other lending business	4	-	4	-	1	-	2	-
Total fee and commission income and expenses	469	(120)	535	(139)	301	(83)	377	(106)
Net fee and commission income	349	-	396		218		271	-

6. Provisions or (-) reversal of provisions

At the end of first half year 2022, the Bank and the Group had expense 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

in HRK million	Gross carrying amount	Credit loss allowances	Accumulated OCI changes	Carrying amount
30 June 2022	GROUP			
Debt securities	10,558	(76)	(625)	9,857
Credit institutions	800	(17)	(5)	778
Corporate	9,758	(59)	(620)	9,079
Total	10,558	(76)	(625)	9,857
31 December 2021	GROUP			
Debt securities	11,853	(81)	171	11,943
Credit institutions	749	(18)	23	754
Corporate	11,104	(63)	148	11,189
Total	11,853	(81)	171	11,943

Debt securities at fair value through other comprehensive income (continued)

in HRK million	Gross carrying amount	Credit loss allowances	Accumulated OCI changes	Carrying amount
30 June 2022				BANK
Debt securities	10,057	(72)	(580)	9,405
Credit institutions	801	(17)	(5)	779
Corporate	9,256	(55)	(575)	8,626
Total	10,057	(72)	(580)	9,405
31 December 2021				BANK
Debt securities	11,350	(78)	172	11,444
Credit institutions	750	(18)	23	755
Corporate	10,600	(60)	149	10,689
Total	11,350	(78)	172	11,444

8. Financial assets at amortised cost

The analysis of the gross carrying amount and of related credit loss allowances of Group's and Bank's financial assets at amortised cost as of 30 June 2022 and 31 December 2021 is provided in the table below:

	31 December 2021			30 June 2022		
in HRK million	Gross carrying amount	Credit loss allowances	Carrying amount	Gross carrying amount	Credit loss allowances	Carrying amount
Debt securities	4,940	(5)	4,935	6,547	(5)	6,542
Corporate	4,940	(5)	4,935	6,547	(5)	6,542
Loans and advances to banks	4,410	(4)	4,406	5,958	(5)	5,953
Credit institutions	4,410	(4)	4,406	5,958	(5)	5,953
Loans and advances to customers	52,928	(2,941)	49,987	57,566	(2,494)	55,072
Corporate	29,795	(1,610)	28,185	33,703	(1,314)	32,389
Retail	23,133	(1,331)	21,802	23,863	(1,180)	22,683
Trade and other receivables	1,459	(189)	1,270	1,394	(139)	1,255
Credit institutions	79	-	79	100	-	100
Corporate	911	(83)	828	829	(57)	772
Retail	469	(106)	363	465	(82)	383
Finance lease receivables	2,604	(58)	2,546	2,833	(49)	2,784
Credit institutions	1	-	1	1	-	1
Corporate	2,057	(51)	2,006	2,166	(44)	2,122
Retail	546	(7)	539	615	(5)	610
Total	66,341	(3,197)	63,144	74,298	(2,692)	71,606

Financial assets at amortised cost (continued)

in HRK million	31 December 2021			30 June 2022		
	Gross carrying amount	Credit loss allowances	Carrying amount	Gross carrying amount	Credit loss allowances	Carrying amount
Debt securities	4,676	(2)	4,674	6,277	(3)	6,274
Corporate	4,676	(2)	4,674	6,277	(3)	6,274
Loans and advances to banks	4,325	(3)	4,322	5,875	(4)	5,871
Credit institutions	4,325	(3)	4,322	5,875	(4)	5,871
Loans and advances to customers	48,320	(2,597)	45,723	52,859	(2,183)	50,676
Corporate	28,491	(1,483)	27,008	32,296	(1,200)	31,096
Retail	19,829	(1,114)	18,715	20,563	(983)	19,580
Trade and other receivables	773	(81)	692	832	(60)	772
Credit institutions	75	-	75	86	-	86
Corporate	659	(53)	606	707	(33)	674
Retail	39	(28)	11	39	(27)	12
Finance lease receivables	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-
Corporate	-	-	-	-	-	-
Retail	-	-	-	-	-	-
Total	58,094	(2,683)	55,411	65,843	(2,250)	63,593

9. Financial liabilities measured at amortised costs

Deposits from banks

in HRK million	GROUP		BANK	
	31 December 2021	30 June 2022	31 December 2021	30 June 2022
Overnight deposits	172	279	172	282
Term deposits	6,355	6,360	3,064	2,911
Repurchase agreements	6	8	6	8
Deposits from banks	6,533	6,647	3,242	3,201

Deposits from customers

in HRK million	GROUP		BANK	
	31 December 2021	30 June 2022	31 December 2021	30 June 2022
Overnight deposits	49,186	59,294	46,925	57,417
Corporate	22,600	28,449	21,378	27,764
Retail	26,586	30,845	25,547	29,653
Term deposits	19,082	18,318	18,002	17,271
Corporate	5,275	5,484	4,681	4,835
Retail	13,807	12,834	13,321	12,436
Deposits from customers	68,268	77,612	64,927	74,688
Total deposits	74,801	84,259	68,169	77,889

Debt securities issued

in HRK million	GROUP		BANK	
	31 December 2021	30 June 2022	31 December 2021	30 June 2022
Debt securities issued	4,010	4,029	4,010	4,029
Bonds	4,010	4,029	4,010	4,029
Debt securities issued	4,010	4,029	4,010	4,029

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	GROUP	
	30 June 2021	30 June 2022
Net result for the period	608	867
Net result attributable to owners of the parent	596	853
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)	35.10	50.20

11. Total equity

Share capital

As at 30 June 2022 and 31 December 2021 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 2022 and 31 December 2021 the legal reserves of the Bank disclose non-distributable reserves of HRK 85 million.

Dividends

Bank's net profit for the year 2021 in the amount of HRK 847,307,177.50 was distributed as dividend to shareholders in the amount of HRK 524,980,849.25 and the remaining amount HRK 322,326,328.25 was allocated to retained earnings.

12. Segment reporting

in HRK million	Retail		Corporates		Group Markets		ALM & LCC		GROUP	
	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022
Net result attributable to owners of the parent	273	322	374	490	27	38	(78)	3	596	853
Operating income	936	939	553	572	46	74	(40)	(4)	1,495	1,581
Operating expenses	(572)	(620)	(196)	(209)	(21)	(25)	(12)	-	(801)	(854)
Operating result	364	319	358	363	26	49	(52)	(4)	696	727
Risk-weighted assets (credit risk, eop)	13,522	13,459	22,429	22,976	349	463	15,879	19,719	52,179	56,617
Average allocated capital	2,166	2,107	2,731	3,025	68	87	2,949	3,592	7,914	8,811
Cost/income ratio	61%	66%	35%	37%	46%	34%	(30)%	0%	54%	54%
Total assets (eop)	27,088	28,924	30,496	34,904	528	609	31,046	37,153	89,158	101,590
Total liabilities excluding equity (eop)	40,757	47,512	17,260	25,502	2,204	3,269	17,998	14,450	78,219	90,733

13. Fair value hierarchy: financial instruments at fair value

The table below shows the classification of financial instruments carried at fair value with respect to levels of fair value hierarchy:

								GROUP
31 December 2021				30 June 2022				
in HRK million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial assets HFT	-	145	-	145	-	211	-	211
Non-trading financial assets – FVPL	27	-	48	75	17	-	48	65
Financial assets – FVOCI	10,876	695	376	11,947	7,409	2,355	97	9,861
Total assets	10,903	840	424	12,167	7,426	2,566	145	10,137
Liabilities								
Financial liabilities HFT	-	56	-	56	-	192	-	192
Total liabilities	-	56	-	56	-	192	-	192

								BANK
31 December 2021				30 June 2022				
in HRK million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial assets HFT	-	145	-	145	-	211	-	211
Non-trading financial assets – FVPL	22	-	48	70	17	-	47	64
Financial assets – FVOCI	10,454	695	299	11,448	7,029	2,355	25	9,409
Total assets	10,476	840	347	11,663	7,046	2,566	72	9,684
Liabilities								
Financial liabilities HFT	-	56	-	56	-	192	-	192
Total liabilities	-	56	-	56	-	192	-	192

In line 'Financial assets at fair value through other comprehensive income' the Bank had decrease on debt instruments in the amount of HRK 2,039 million.

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

The following tables shows fair values and fair value hierarchy of financial instruments not measured at fair value for the 30 June 2022 and 31 December 2021:

31 December 2021						30 June 2022				
GROUP	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
in HRK million										
ASSETS										
Cash and cash balances	14,530	14,530	3,052	11,478	-	17,594	17,594	4,317	13,277	-
Financial assets at AC	63,144	63,907	4,955	-	58,952	71,606	68,480	3,510	2,310	62,660
LIABILITIES										
Financial liabilities measured at amortised costs	79,559	79,169	3,018	-	76,151	89,187	85,738	-	3,033	82,705

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

BANK	31 December 2021					30 June 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
in HRK million										
ASSETS										
Cash and cash balances	13,518	13,518	2,831	10,687	-	16,756	16,755	3,976	12,779	-
Financial assets at AC	55,411	56,081	4,698	-	51,383	63,593	60,776	3,303	2,310	55,163
LIABILITIES										
Financial liabilities measured at amortised costs	72,378	72,000	3,018	-	68,982	82,147	78,864	-	3,033	75,831

15. Financial guarantees and loan commitments

Off-balance exposure for financial guarantees and loan commitments at 30.06.2022. amounted HRK 10,450 million (31.12.2021: HRK 9,297 million) and for the Group HRK 12,113 million (31.12.2021.: HRK 12,363 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

There were no significant events after balance sheet date.

Differences between financial statements according to IFRS and local requirements as at 30 June 2022

					GROUP
Annual report (AR)	in HRK million	Form Statement of financial position (CNB)	in HRK million	Diff.	Explanation
Cash and cash balances	17,594	Cash on hand, Cash balances at Central bank and Other demand deposits	4,317 12,994	-	
Financial assets held for trading	211	Financial assets held for trading	283 211	-	
Non-trading financial assets at fair value through profit or loss- Equity instruments	8	Non-trading financial assets at fair value through profit or loss- Equity instruments	28	(20)	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	56	Non-trading financial assets at fair value through profit or loss- Debt securities	36	20	CNB- Equity instruments
Financial assets at fair value through other comprehensive income	9,861	Financial assets at fair value through other comprehensive income	9,861	-	
Financial assets at amortised cost- Loans and advances	61,025	Financial assets at amortised cost- Loans and advances			
Trade and other receivables	1,255		65,064	-	
Finance lease receivables	2,784				
Financial assets at amortised cost- Debt securities	6,542	Financial assets at amortised cost- Debt securities	6,542	-	
Investments in subsidiaries	-	Investments in associates, subsidiaries and joint ventures	67	(5)	AR - Other assets
Investments in joint ventures and associates	62				
Property and equipment	1,168	Tangible assets	1,179	-	
Investment property	11				
Intangible assets	311	Intangible assets	311	-	
Tax Assets- Deferred tax assets	355	Tax Assets- Deferred tax assets	355	-	
Other assets	347	Other assets	342	5	CBN - Investments in associates, subsidiaries and joint ventures
TOTAL ASSETS	101,590	TOTAL ASSETS	101,590		

Annual report (AR)	in HRK million	Form Statement of financial position (CNB)	in HRK million	Diff.	Explanation
Financial liabilities held for trading- Derivatives	192	Financial liabilities held for trading- Derivatives	192	-	
Financial liabilities measured at amortised cost- Deposits	84,259	Financial liabilities measured at amortised cost- Deposits	84,259	-	
Debt securities in issue	4,029	Debt securities in issue	4,029	-	
Other financial liabilities	899	Other financial liabilities	999	-	
Finance lease liabilities	100		-		
Provisions	385	Provisions	385	-	
Tax liabilities	161	Tax liabilities	161	-	
Other Liabilities	708	Other Liabilities	708	-	
Total equity	10,857	Total equity	10,857	-	
TOTAL LIABILITIES AND EQUITY	101,590	TOTAL LIABILITIES AND EQUITY	101,590		

Differences between financial statements according to IFRS and local requirements as at 30 June 2022

					GROUP	
ANNUAL REPORT (AR)	in HRK million	Form Income statement (CNB)	in HRK million	Diff.	EXPLANATION	
Interest income	1,024	Interest income	1,107	-		
Other similar income	83			-		
Interest expense	(74)	Interest expense	(105)	-		
Other similar expense	(31)			-		
Fee and commission income	535	Fees and commissions income	535	-		
Fee and commission expense	(139)	Fees and commissions expenses	(139)	-		
Net trading result	155	Gains or losses on financial assets and financial liabilities held for trading, net	154	-		
		Exchange differences [gain or loss], net	1			
Personnel expenses	(397)	Administrative expenses	(708)			
Other administrative expenses	(335)	(Cash contributions to resolution boards and deposit guarantee schemes)	(59)	34	AR - Other operating result	
Depreciation and amortisation	(122)	Depreciation	(121)			
Other operating result	(11)	Gains or losses from derecognition of non-financial assets, net	7			
Rental income from investment properties & other operating leases	30	Other operating income	41			
Net impairment loss on financial instruments	344	Other operating expense	(20)			
		Provisions or cancellation of provisions	(42)			
		Impairment or impairment losses on financial assets not measured at FVPL	379			
		Modification gains or (-) losses, net	-	(34)	CNB - Cash contributions to resolution boards and deposit guarantee schemes	
		Impairment of non-financial assets	2			
		Profit or (-) loss from fixed assets and disposal groups classified as held for sale not qualifying as discontinued operations	30			
Net result from equity method investments	4	Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	4	-		
Dividend income	-	Dividend income	-	-		
Gains/losses from financial instruments measured at fair value through profit or loss	(6)	Gains/losses from financial instruments measured at fair value through profit or loss	(6)	-		
Pre-tax profit from continuing operations	1,060	PRE - TAX PROFIT	1,060			
Taxes on income	(193)	Taxes on income	(193)	-		
NET PROFIT OF THE YEAR	867	NET PROFIT FOR THE PERIOD	867			