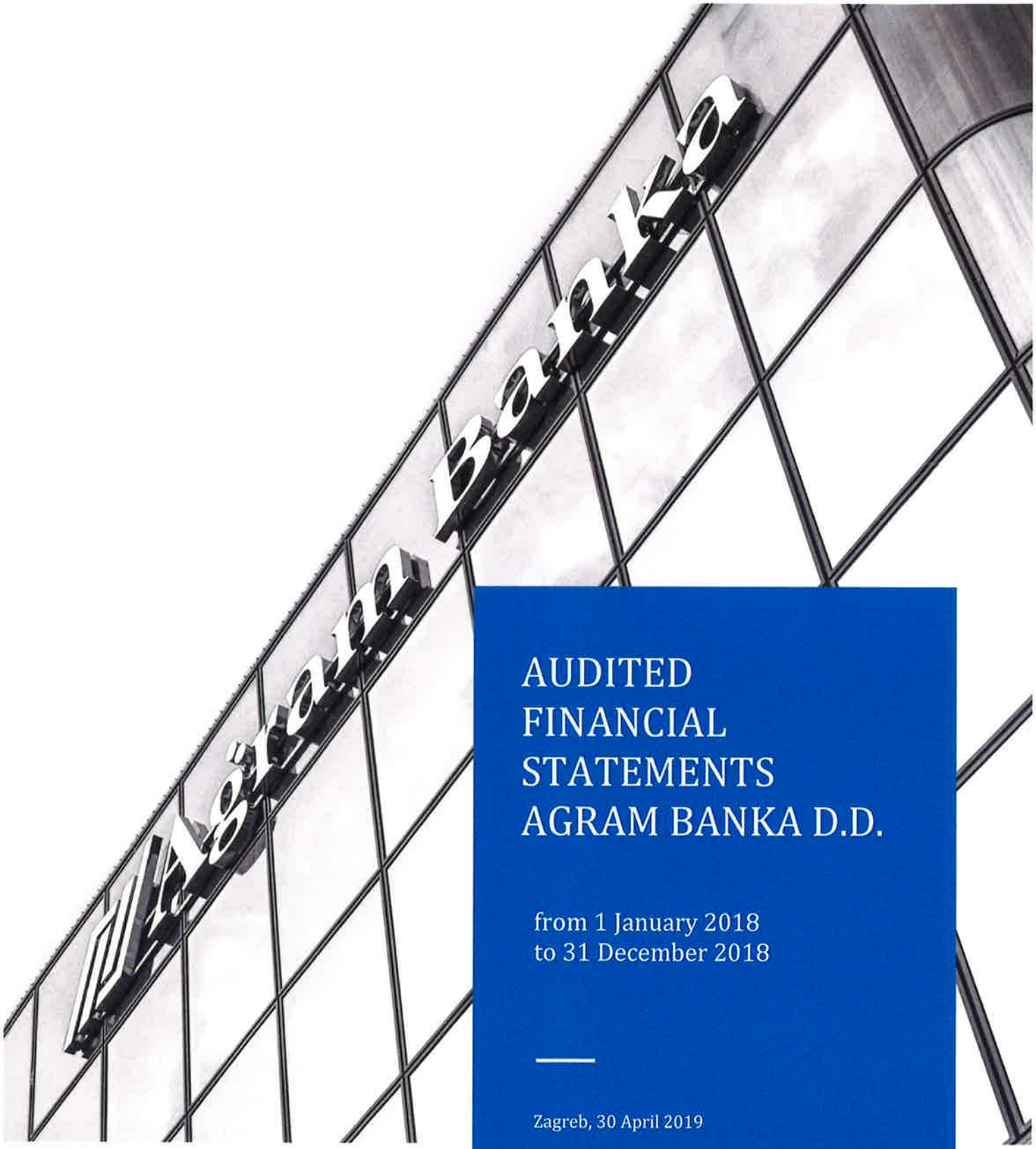

AUDITED FINANCIAL STATEMENTS AGRAM BANKA D.D.

from 1 January 2018
to 31 December 2018

Zagreb, 30 April 2019

Agram Banka

Contents

	Page
Management Report on the Bank's Operations in 2018	1
Corporate Governance Statement for 2018	21
Responsibility for the Financial Statements	24
Independent Auditor's Report	25
Financial statements	
Statement of Profit or Loss and Other Comprehensive Income for the year ended as at 31 December 2018	31
Statement of Financial Position as at 31 December 2018	32
Statement of Changes in Equity for the year ended as at 31 December 2018	33
Statement of Cash Flows for the year ended as at 31 December 2018	34
Notes to the Financial Statements	35
Appendix 1 - Supplementary statements for the Croatian National Bank	106
Appendix 2 - Reconciliation of financial statements and supplementary statements for the Croatian National Bank	111

CORPORATE GOVERNANCE STATEMENT

Pursuant to the provisions of the Article 272.p of the Companies Act and Article 22 of the Accountancy Act, the Management Board of the Agram Banka d.d. declares that it voluntarily applies the Corporate Governance Code jointly prepared by the Croatian Agency for Supervision of Financial Services (HANFA) and the Zagreb Stock Exchange (ZSE), who published the Code on their web pages.

An integral part of this statement is the Annual survey for the business year 2018 (available on the web page of the Bank, www.agrambanka.hr and the web page of the Zagreb Stock Exchange www.zse.hr) which reflects the state and practices of the Bank's corporate governance in relation to the recommendations contained in the Corporate Governance Code with the explanations for certain exceptions. In particular, the Bank's corporate governance is achieved not only by entirely complying with regulatory claims, but it also derives from the well-established corporate culture and personal integrity of the management and employees.

In line with the consistent application of the Code's principles, the Bank develops and acts in compliance with good practices of corporate governance and tries to contribute to transparent and efficient business operations and high-quality connections with the business environment it operates in through its business strategy, policy, practice, and key by-laws.

In order to protect the interest of all investors, shareholders and other interested parties, the Bank established high-level standards of corporate governance.

Pursuant to the positive legal regulations, the Bank prepared the Corporate Governance Statement for 2018, by which it confirmed undertaking actions and developing pursuant to good practices of corporate governance in all business segments.

Pursuant to the Code principles and recommendations which are based on the "ACT OR EXPLAIN" principle, the Bank below provides parts of the Code it departs from together with explanations, as follows:

15	Are shareholders allowed to participate and vote in the Company's General Assembly by using modern communication technology means? (If not, explain)	NO	There was no need. The shareholders did not express the need for that type of voting.
18	Has the Management Board of the Company publicly disclose data on potential claims for contesting such decisions? (If not, explain)	NO	There were no such cases.
23	Is the reward or compensation the members of the Supervisory or Management Board receive entirely or partly determined pursuant to their contribution to Company performance? (If not, explain)	NO	The Supervisory Board member's fees are defined in a fixed amount.
25	Are detailed data on all compensations and other benefits of the Company and the Company's related persons of every individual member of the Management Board or CEOs, including the compensation structure, publicly disclosed (in the annual financial statement)? (If not, explain)	NO	We do not think this is necessary.
26	Are detailed data on all compensations and other benefits of the Company and the Company's related persons of every individual member of the Supervisory Board or the Management Board, including the compensation structure, publicly disclosed (in the annual financial statement)? (If not, explain)	NO	We do not think this is necessary.
27	Does every member of the Supervisory or Management Board notify the Company of all changes concerning its acquisition, disposal or the	NO	The Supervisory Board does not own shares. If it becomes an owner of

	possibility to obtain voting rights over the Company's shares, no later than five trade days after the change occurs? (If not, explain)		shares, it will then act accordingly.
30	Were they previously approved by the Supervisory or the Management Board? (If not, explain)	NO	There were no such contracts.
31	Are all relevant elements of all such contracts or agreements contained in the annual report? (If not, explain)	NO	There were no such contracts.
35	Are the most of the Audit Committee members independent Supervisory Board members? (If not, explain)	NO	Members of the Audit Committee are members of the Supervisory Board.
48	Are all forms of rewards for the Management and Supervisory Board members, including the options and other Management Board privileges, publicly disclosed per detail individual items and persons in the Company's annual report? (If not, explain)	NO	There were no special rewards. The Management and Supervisory Board outside the contracted benefits and compensations.

Data on significant shareholders in the Company are listed in the ownership structure overview. Please find below the description of the main elements of the internal controls system and risk management in relation to the financial reporting procedure.

AGRAM BANKA d.d.

Financial statements for the year ended 31 December 2018 together with the Independent Auditor's Report

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

Responsibility for the unconsolidated financial statements

Pursuant to the Croatian Accounting Act in force, the Management Board is obliged to ensure that the financial statements for every financial year are prepared in line with the legal accountancy regulations applicable to banks in the Republic of Croatia, so as to provide a truthful and objective image of the financial state and business results of Agram banka d.d. (the "Bank") for the given period.

The Management Board has a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bank and must also ensure that the financial statements comply with the Croatian Accounting Law currently in force. The Management Board is also responsible for safeguarding the assets of the Bank in order to prevent and detect fraud and other irregularities.

Signed on behalf of and for the Management Board:

Boris Zadro
President of the Management Board

Agram Banka 1 AGRAM BANKA d.d.

Nataša Jakić Felić
Member of the Management Board

Agram banka d.d.
Ulica grada Vukovara 74
10000 Zagreb
Republic of Croatia

30 April 2019

Deloitte d.o.o.
ZagrebTower
Radnička cesta 80
10 000 Zagreb
Croatia
TAX ID: 11686457780
Tel: +385 (0) 1 2351 900
Fax: +385 (0) 1 2351 999
www.deloitte.com/hr

INDEPENDENT AUDITOR'S REPORT

To the owners of Agram banka d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Agram banka d.d. (the "Bank"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the legal requirements for banks' accounting in the Republic of Croatia.

Basis for Opinion

We conducted our audit in accordance with the Audit Act and International Standards on Auditing ("ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements section of our report.* We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are matters that proved to be, in our professional judgment, of utmost importance for our audit of financial statements of the current period. We tackled those matters in the context of our audit of financial statements as a whole, and while drawing up our opinion on the issues; therefore, we do not provide a separate opinion concerning those issues.

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

The company was registered at Zagreb Commercial Court: MBS 030022053; paid-in initial capital: Kn 44,900.00; Board Members: Branislav Vrtačnik, Marina Tonžetić, Juraj Moravek and Dražen Nimčević; Bank: Zagrebačka banka d.d., Trg bana Josipa Jelačića 10, 10 000 Zagreb, bank account no. 2360000-1101896313; SWIFT Code: ZABAHR2X IBAN: HR2723600001101896313; Privredna banka Zagreb d.d., Radnička cesta 50, 10 000 Zagreb, bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR3823400091110098294; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, bank account no. 2484008-1100240905; SWIFT Code: RZBHHR2X IBAN: HR1024840081100240905.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/hr/about to learn more about our global network of member firms.

© 2019. For information, contact Deloitte Croatia.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)

Impairment of expected loan losses on loans to customers and related effects of the transition to IFRS 9

Refer to Note 3 for accounting policies and estimates that are important for loan impairment to customers and Notes 10 and 15 for the additional information regarding identified key audit matter

Key audit matter	How the matter was addressed in our audit
From 1 January 2018, the Bank, as a result of IFRS 9 implementation, introduced a new model for impairment measurement which is based on the expected credit loss model rather than the incurred loss, as previously applied under IAS 39 - Financial Instruments: Recognition and Measurement. In order to harmonize the legal requirements for accounting of banks with IFRS 9, the Croatian National Bank issued a Decision on Classification of Exposure to Risk Groups and the Method of Determining Credit Losses (NN 114/2017) and provided additional guidance for IFRS 9 impairment framework of the legal reporting framework. More than half of the total assets of the Bank make loans to customers. At 31 December 2018 gross book value of loans to customers amounted to HRK 1,880 million. The related impairment provision amounted to HRK 192 million. The related effects of the transition to IFRS 9 (first adoption) on loans to customers as at 1 January 2018 are presented in Note 2.2. Basics of Compilation, 2.2.2 Changes in Accounting Policies - Overview of Financial Assets. Credit risk represents one of the most important types of financial risks to which the Bank is exposed to. Determining appropriate methods and models by the Management to measure and manage credit risk is, therefore, one of the most important areas in safeguarding the Bank's capital. As part of the credit risk management process, appropriate determination impairment allowances for expected credit losses on loans and receivables from customers represent key considerations for Bank's Management.	In order to address the risks associated with impairment allowances for expected credit losses on loans and receivables from customers, identified as key audit matter, we have designed audit procedures that allowed us to obtain sufficient appropriate audit evidence for our conclusion. We performed the following audit procedures with respect to the area of loans and receivables from customers: • Reviewing the Bank's methodology for recognizing impairment allowances for expected credit losses and comparing the reviewed methodology against the requirements of IFRS 9 within statutory reporting framework • Obtaining an understanding of the control environment and internal controls implemented by the Management within the process of measuring impairment allowance for expected credit losses • Evaluating design and inspecting the implementation of identified internal controls relevant to the process of measuring impairment allowance for expected credit losses • Testing identified relevant controls for operating effectiveness • Assessing the quality of historical data used in the determination of risk parameters and evaluating the appropriateness of IT elements and data processing • Disaggregating loans and receivables from customers account balance based on stage allocation and relevant segments for the purposes of sample selection - for Stage 3, individually assessed loans and receivables, the criteria for selection included, but were not limited to, client's credit risk assessment, industry risk, days past due, etc.

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
In determining both the timing and the amount of impairment allowances for expected credit losses on loans and receivables from customers, the Management exercises statistic modules and significant judgment in relation to the following areas: • Use of historic data in the process of determining risk parameters • Estimation of the credit risk related to the exposure • Assessment of stage allocation • Assessment on the significance of subsequent changes in the credit risk of exposure for the purposes of identifying whether a significant increase in credit risk has occurred, leading to changes in stage allocation and the required measurement of lifetime expected credit losses • Expected future cash flows from operations • Valuation of collateral and assessment of realization period Since the determination of appropriate impairment allowances for expected credit losses on loans and receivables requires the use of complex models (generally dependent on IT elements) and significant judgment from the Management, the process of measuring expected credit losses may be exposed to management bias. This fact, in addition to the adoption of IFRS 9 within statutory reporting framework for banks in the Republic of Croatia, led to the determination of impairment allowances for expected credit losses on loans and receivables from customers as key audit matter in our audit of the Bank's financial statements for the year ended 31 December 2018.	• Performing substantive tests over recognition and measurement of impairment allowance for expected credit losses on a sample of loans and receivables allocated to Stage 1 and Stage 2, focusing on: i. models applied in stage allocation ii. assumptions used by the Management in the expected credit loss measurement models iii. criteria used for the determination of the significant increase in credit risk iv. assumptions applied to calculate the lifetime probability of default v. methods applied to calculate loss given default vi. methods applied to incorporate forward-looking information • Performing substantive tests over recognition and measurement of impairment allowance for expected credit losses on a sample of individually assessed non-performing loans and receivables allocated to Stage 3, which included: i. Estimate the financial position and performance of the client according to the latest credit reports and available information ii. A critical assessment of judgments and assumptions applied in the calculation and measurement of expected future cash flows from operations taking into consideration borrower's financial status and performance iii. Reviewing and critically assessing the estimated value of the collateral and estimated realization period iv. A critical assessment of discount rates used in the estimation of the expected cash flows from operations and/or collateral v. Re-performing calculation of expected credit losses by applying our own independent judgment and assumptions, based on our industry experience, on to calculation and comparing the derived result of the impairment losses per certain sampled loans and receivables with the ones provided by the Bank.

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Management Board Report and the Corporate Governance Statement, which are included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include an examination of whether the Management Board Report and the Corporate Governance Statement include required disclosures as set out in the Article 21 and Article 22 of the Accounting Act and Statement and whether the Corporate Governance Statement includes all information according to the requirements of the Article 22 of the Accounting Act.

Based on the procedures performed during our audit, to the extent we were able to assess it, we report that:

1) The information included in the other information is, in all material respects, consistent with the attached financial statements.

2) Management Board Report has been prepared, in all material respects, in accordance with Article 21 of the Accounting Act.

3) Corporate Governance Statement has been prepared, in all material respects, in accordance with the Article 22, paragraph 1, points 3 and 4 of the Accounting Act and include all information required by the Article 22, paragraph 1, points 2, 5, 6 and 7.

Based on the knowledge and understanding of the Bank and its environment, which we gained during our audit of the financial statements, we have not identified material misstatements in the other information.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with statutory accounting requirements for Banks in Croatia and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

We were appointed as the statutory auditor of the Bank by the Bank's General Assembly on 27 June 2018 to perform the audit of accompanying financial statements. Our total uninterrupted engagement has lasted 2 years and covers the period from 1 January 2017 to 31 December 2018.

We confirm that:

- our audit opinion on the accompanying financial statements is consistent with the additional report issued to the Audit Committee of the Bank on 30 April 2019 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

There are no services, in addition to the statutory audit, which we provided to the Bank and its controlled undertakings, and which have not been disclosed in the Annual Report.

Pursuant to the Decision of the Croatian National Bank on the structure and Content of Annual Financial Statements of Banks (Official Gazette No. 42/18; hereinafter: "the Decision"), Management has prepared the supplementary schedules, as presented in the Appendix to these financial statements, which comprise Bank statements of financial position as at 31 December 2018, Bank statements of profit or loss, Bank statements of other comprehensive income, statements of changes in Bank's equity and Bank statements of cash flows for the year then ended, as well as the reconciliation to the accompanying financial statements.

These forms and the reconciliation to the accompanying financial statements are the responsibility of the Management and do not represent components of the accompanying financial statements prepared in accordance with statutory accounting requirements for banks in Croatia, but rather a requirement specified by the Decision. The financial information provided in those forms has been derived from the accompanying financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Vanja Vlak.

Branislav Vrtačnik
President of the Board

Vanja Vlak
Certified auditor

Deloitte d.o.o.

30 April 2019

Radnička cesta 80,

10 000 Zagreb,

Republic of Croatia

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

Statement of Profit or Loss and Other Comprehensive Income

for the year ended as at 31 December 2018

(all amounts given in thousands of HRK)

	Note	2018	2017
Interest and similar income	4	118,197	129,474
Interest and similar expenses	5	(33,475)	(43,862)
Net interest income		**84,722**	**85,612**
Fee and commission income	6	30,155	27,449
Fee and commission expenses	6	(7,519)	(8,239)
Net fee and commission income		**22,636**	**19,210**
Net gains from dealing in foreign currencies	7	8,153	7,849
Gain/loss from financial assets at fair value through profit or loss	7	-	37
Gain/loss from available-for-sale financial assets	7	-	7,168
Gains on termination of recognition of financial assets that are not measured at fair value		7,544	-
Losses on financial assets that are not traded, which are measured at fair value		(906)	-
Calculated foreign exchange gains or losses	7	878	735
Other income	8	13,358	5,515
Operating income		**136,385**	**126,126**
Operating expenses	9	(77,358)	(75,133)
Impairment losses and provisions	10	(26,489)	(25,481)
Operating expenses		**(103,847)**	**(100,614)**
Profit before taxation		**32,538**	**25,512**
Corporate income tax	11	(6,070)	(4,748)
Net profit for the year		**26,468**	**20,765**
Net other comprehensive income reclassified in the future to profit or loss:			
Financial assets measured at fair value through other comprehensive income unrealized gains / losses	**17**	1,997	-
Unrealized gains on available-for-sale financial assets		-	13,705
Other comprehensive income		**1,997**	**13,705**
Total comprehensive income		**28,465**	**34,470**
Earnings per share in HRK	28	**13.66**	**10.72**

Notes to the Financial Statements form an integral part of the Statement of the Profit or Loss and Other Comprehensive Income.

Statement of Financial Position
as at 31 December 2018
(all amounts given in thousands of HRK)

	Note	31/12/2018	31/12/2017
ASSETS			
Cash and balances with the Croatian National Bank	12	440,945	428,465
Placements with other banks	13	154,318	92,856
Financial assets at fair value through profit or loss	14	-	12,315
Assets that are measured at fair value through profit or loss	14	41,315	-
Assets measured at fair value through other comprehensive income	17	777,826	-
Available-for-sale financial assets	17	-	911,516
Loans to customers	15	1,880,402	1,786,259
Held-to-maturity financial assets	16	-	29,174
Debt securities at amortized cost	16	20,720	-
Intangible assets	18	23,956	25,030
Tangible assets	19	59,641	60,092
Investment property	20	21,451	18,981
Other assets	21	26,164	18,506
Total assets		**3,446,738**	**3,383,194**
LIABILITIES			
Deposits from customers	22	2,386,563	2,342,729
Borrowings	23	590,613	599,851
Subordinated instruments	25	84,076	84,089
Provisions	29	3,607	2,090
Other liabilities	24	28,521	18,077
Total liabilities		**3,093,380**	**3,046,836**
SHAREHOLDERS' EQUITY			
Share capital	26	193,775	193,775
Share premium	26	50,541	50,541
Unrealized gains on available-for-sale financial assets	17	27,038	25,041
Retained earnings	27	40,048	31,786
Legal reserves	27	15,488	14,450
Profit for the current year		26,468	20,765
Total shareholders' equity		**353,358**	**336,358**
Total liabilities and shareholders' equity		**3,446,738**	**3,383,194**

Notes to the Financial Statements form an integral part of the Statement of the Financial Position.

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Unrealized gains on available-for-sale financial assets	Retained earnings and reserves	Profit/loss for the year	Total
Balance at 1 January 2017	**193,775**	**50,541**	**11,336**	**38,669**	**13,575**	**307,896**
Dividends paid			-	-	(6,007)	(6,007)
Transfer to reserves	-	-	-	679	(679)	-
Transfer of profit to retained earnings	-	-	-	6,888	(6,888)	-
Total transactions with owners	*193,775*	*50,541*	-	*46,236*	-	-
Net profit for the current year	-	-	-	-	20,765	20,765
Unrealized gains on available-for-sale financial assets	-	-	13,705	-	-	13,705
Total comprehensive income	-	-	**13,705**	-	***20,765***	***34,470***
Balance at 31 December 2017	**193,775**	**50,541**	**25,041**	**46,236**	**20,765**	**336,358**
The effect of applying IFRS 9				**3,336**		**3,336**
Balance at 1 January 2018	**193,775**	**50,541**	**25,041**	**46,236**	**20,765**	**336,358**
				(9,689)	-	(9,689)
Dividends paid	-	-	-	20,765	(20,765)	-
Transfer to reserves	-	-	-	(5,112)	-	(5,112)
Transfer of profit to retained earnings	-	-	-	-	-	-
Total transactions with owners	*193,775*	*50,541*	-	*52,200*	-	*321,557*
Net profit for the current year	-	-	-	-	**26,468**	26,468
Unrealized gains on available-for-sale financial assets	-	-	1,997	-	-	1,997
Total comprehensive income	-	-	***1,997***	-	**26,468**	**28,465**
Balance at 31 December 2018	**193,775**	**50,541**	**27,038**	**55,536**	**26,468**	**353,358**

Notes to the Financial Statements form an integral part of the Statement of Changes in Equity

	Note	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		32,538	25,512
Adjustments:			
Depreciation and value adjustment	7	8,482	7,262
Release of reservations	10	26,489	25,112
Net interest income		(84,722)	(85,612)
Net fee and commission income		(22,636)	(19,210)
Other gains/losses		-	(22,758)
Cash flow from operating activities before working capital changes		**(39,849)**	**(69,695)**
Decrease/(increase) in receivables from CNB		100,804	(2,502)
(Increase)/decrease in loans and advances to customers		(104,226)	25,163
(Decrease)/increase in deposits from other banks		(61,462)	32,384
Increase/(decrease) in deposits from customers	13	43,834	(297,762)
Decrease / (Increase) in debt securities	17	133,690	(91,426)
Increase in equity securities	14	(29,000)	(38)
Reduction of bills of exchange	16	8,454	91,627
Interest paid		(9,690)	(9,772)
Interest charged		120,296	122,600
Received dividends		165	3
Fees and commissions paid		(7,519)	(8,239)
Charged fees and commissions		23,487	21,097
Decrease in other assets		2,425	4,541
Increase/(decrease) in other liabilities		2,259	(6,942)
Paid advances for income tax	18	(4,238)	(5,657)
Net cash flow used in operating activities		**219,278**	**(124,923)**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible and intangible assets		(945)	(3,464)
Net cash flow from investing activities	12	**(945)**	**(3,464)**
CASH FLOW FROM FINANCING ACTIVITIES			
(Repaid) / received loans		(9,238)	114,710
Paid dividends		(9,689)	(6,007)
Net cash flow (used) / realized from financial activities		**(18,927)**	**108,703**
Net increase / (decrease) in cash and cash equivalents		**159,557**	**(89,378)**
The effect of foreign currency exchange rate fluctuations		878	735
Cash and cash equivalents at the beginning of the year	25	257,631	346,274
Cash and cash equivalents at the end of the year	25	**418,066**	**257,631**

Notes to the Financial Statements form an integral part of the Statement of Cash flow.

1. General data

Agram Banka d.d. (the "Bank") was incorporated as a public limited liability company in accordance with applicable laws of the Republic of Croatia. It was registered at the Commercial Court in Zagreb in 1994. The Bank's registered office is in Zagreb, Ulica grada Vukovara 74.

Since its founding until the 27 December 2018 the Bank operated under the name Kreditna banka Zagreb d.d.
By the decision of the General Assembly, and the related Commercial Court decision of 28 December 2018 it operates under a new name, Agram banka d.d.

The principal activities of the Bank include all types of corporate and retail deposit and lending operations, domestic and foreign payment transactions, issuance of guarantees, bills of exchange and other forms of guarantees, securities trading and other banking services. The Bank operates only in the banking sector through 24 local offices on the Croatian market.

The Bank performs insurance agency operations in accordance with the insurance laws, in the part that relates to bank insurance activities, based on the license dated 14 February 2007.

Management Board

Boris Zadro	President of the Management Board
Nataša Jakić Felić	Member of the Management Board

Supervisory Board

Nadira Eror	President of the Supervisory Board
Ankica Čeko	Vice President of the Supervisory Board
Ivan Penić	Member of the Supervisory Board
Silvije Orsag	Member of the Supervisory Board

Audit Committee

Nadira Eror	President of the Audit Board
Ankica Čeko	Vice President of the Audit Board
Ivan Penić	Member of the Audit Board
Silvije Orsag	Member of the Supervisory Board

2. Basis for preparation

2.1. Compliance with legal requirements for banks' accounting in Croatia

The financial statements have been prepared in accordance with statutory accounting requirements for banks in the Republic of Croatia. The Bank's operations in the Republic of Croatia are subject to the Credit Institutions Law, in accordance with which the Bank's financial reporting is regulated by the Croatian National Bank ("the CNB") which is the central monitoring institution of the banking system in the Republic of Croatia. These financial statements have been prepared in accordance with these banking regulations.

Accounting regulations for banks in the Republic of Croatia are based on the International Financial Reporting Standard (IFRS) adopted in the European Union adapted to the specific accounting rules adopted by the CNB. The main difference between IFRS requirements and accounting rules of the CNB relates to recognition and measurement in the following:

- According to the Decision, minimum impairment allowances and provisions for exposures classified in the A1 and A2 risk classes of a minimum of 0.8% of the gross book value of exposure in these risk subgroups are prescribed in accordance with the Decision on the Classification of Exposures to Risk Groups and the Method of Determining Credit Losses, except for financial assets measured at fair value through other comprehensive income
- the minimum amounts of impairment and provisions for exposures that are in the status of non-fulfillment of obligations and the increase of impairment for an additional 5% of the receivables per principal for each further 180 days are stipulated when the payment has not been made within two years of the date on which the non-fulfillment status liabilities that may be different from impairment losses calculated in accordance with IFRS 9,
- If exposure is not secured by adequate collateral and future cash flows for a given exposure can not be reliably estimated, minimum impairment percentages are prescribed, depending on the number of delays in settling the liability. The minimum percentages established are:
    - if the borrower is late in settling the obligation for more than 90 days to 180 days, the minimum percentage of impairment is 2% of the exposure,
    - if the borrower is late to settle the obligation for more than 180 days to 270 days, the minimum percentage of impairment is 30% of the exposure,
    - if the borrower is late to settle the obligation for more than 270 days to 365 days, the minimum percentage of impairment is 70% of the exposure,
    - if the borrower is late in settling the obligation for more than 365 days, the impairment is equal to 100% of the exposure.

- In accordance with the regulations of the CNB, when the exposure that has been classified as non-performing (Stage 3) meets the criteria for classification in the income (Stage 1 or Stage 2), it must be a period of at least three months from the date of fulfillment of the return criterion exposure before exposure is classified as revenue. Over a three-month period, exposure at all times must meet the criteria for classification in revenue-generating exposures.

2. The basis for preparation (continued)

2.1. Compliance with legal requirements for banks' accounting in Croatia (continued)

Provisions for outstanding legal disputes against the Bank are recorded based on internal procedures which comply with the CNB's Decision which is in force. They can differ from impairment calculated in accordance with the IFRS 9, since the CNB prescribes the minimum levels of provisions.

2.2. The basis for preparation of financial statements

The financial statements are presented in Croatian kuna ("HRK"), which is the primary currency of the economic environment in which the Bank operates (the functional currency) and are rounded to the nearest thousand.

The financial statements have been prepared on the historical cost basis except for financial assets and liabilities carried at fair value in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

The financial statements have been prepared on the accrual basis of accounting, under the going concern assumption.

2.2.1. Changes in accounting policies and disclosures

The Bank has adopted the following new and amended IFRS and IFRIC interpretations during the year which were endorsed by the EU. When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Bank, its impact is described below.

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 9 "Financial Instruments"**, adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018);
- **amendments to IFRS 2 "Share-based Payment"** – "Classification and measurement of share-based payment transactions"- adopted by the EU on 27 February 2018 (effective for annual periods beginning on or after 1 January 2018)
- **amendments to IFRS 4 "Insurance Contracts"** - "Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'", adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied for the first time);

2.2. The basis for preparation of financial statements (continued)

2.2.2. Changes in accounting policies and disclosures (continued)

- **amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 "Revenue from Contracts with Customers", adopted by the EU as at 31 October 2017 (effective for annual periods beginning on or after 1 January 2018);
- **amendments to IFRS 40 "Investment Property"** – "Transfer of Investment Property" (effective for annual periods beginning on or after 1 January 2018);
- **amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to remove inconsistencies and clarify wording, adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2017).
- **Interpretation of IFRS 22: "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

Amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these financial statements, the following new standards and amendments to standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 16 "Leases"**, adopted by the EU as at 31 October 2017 (effective for annual periods beginning on or after 1 January 2019);
- **amendments to IFRS 9 "Financial Instruments"** – "Prepayment Features with Negative Compensation" (effective for annual periods beginning on or after 1 January 2019);
- **Amendment to IFRIC 23 "Uncertainties regarding the application of taxation rules on income tax"** - adopted in the European Union on October 23, 2018 (effective for annual periods beginning on or after 1 January 2019).

The Bank has chosen not to apply new standards, amendments to existing standards and interpretations before the date of their entry into force. The Bank expects that the implementation of these standards and the amendment of existing standards will not lead to material changes to the financial statements in the First Standards Implementation Period.

The Bank conducted an analysis of all operating lease agreements in accordance with IFRS 16 "Leases" and assessed the effect of the introduction, guided by the principle of materiality. The total effect on the increase in assets and liabilities was estimated at HRK 1,487 thousand. The Bank has also conducted an analysis of the impact of IFRS 15 and estimates that the introduction thereof will have no impact on the statement of financial position and profit and loss account.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU does not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at 30 April 2018 (the effective dates stated below is for IFRS in full):

2.2. The basis for preparation of financial statements (continued)

2.2.3. Changes in accounting policies and disclosures (continued)

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016); – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 "Business Combinations"** – Business definition (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period commencing on or after 1 January 2020 and on the acquisition of or after the beginning of that period).
- **amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IAS 1 "Presentation Financial Statements" and IAS 8 "Accounting Policies.** Changes in Accounting Misstatements" – the definition of a "Significant" was issued to synchronize the definitions used in the conceptual framework and standards (effective for annual periods beginning on or after 1 January 2020).
- **Amendments to IFRS 19 "Employee Benefits"** - "Plan Amendment, Curtailment or Settlement" (effective for annual periods beginning on or after 1 January 2019).
- **amendments to IFRS 28 "Investments in Associates and Joint Ventures"** – "Long-term Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2019);
- **amendments to various standards "Improvements to IFRSs (cycle 2015-2017)"**, resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarify wording (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to the Conceptual Framework Guidelines in IFRS** (in force for annual periods starting on or after 1 January 2020).

According to Bank's estimates, the application of these new standards and the amendment of existing standards would not have a material impact on the financial statements.
Accounting for hedges in a portfolio of financial assets and liabilities whose policies have not been adopted in the EU remains unregulated.

2.2. The basis for preparation of financial statements (continued)

2.2.4. Change in accounting policy – the first application of IFRS 9

a) **Classification of financial instruments**

IFRS 9 in the segment of classification and measurement of financial assets is based on the characteristics of contracted cash flows and business models of financial asset management.

Business models are determined on the basis of whether cash flows will arise:

- by collecting contracted cash flows,
- sale of financial assets or
- combination of the previous two options.

2.2.5. Change in accounting policy – the first application of IFRS 9 (continued)

In accordance with the above-mentioned financial assets, the following business models are arranged:

- financial assets held for the purpose of billing,
- financial assets held for collection and sale,
- other business models.

Depending on the business model of financial asset management and the characteristics of contracted cash flows, financial assets are classified into three categories:

- financial assets valued at amortized cost;
- financial assets valued at fair value through other comprehensive income;
- financial assets valued at fair value through profit or loss.

After defining business models for financial assets held for collection and financial assets held for billing and sales, testing of contracted cash flows is performed using the SPPI test (Solely Payments of Principal and Interest). For the SPPI test of financial assets, an internal methodology has been established with a detailed examination of the characteristics of cash flows. It is tested whether the expected cash flows represent only principal and interest payments on the principal's default or the contractual terms also contain some other elements that may result in a change in cash flows that are not related to basic credit and credit risk.

Financial assets held for collection and meeting the SPPI test are classified as financial assets measured at amortized cost, while financial assets held for collection and sale and meeting the SPPI test are classified as financial assets measured at fair value through other comprehensive income.

If the product/placement does not meet the SPPI test, it must be classified into the category at which the financial asset is measured at fair value through profit or loss.

For loans from the Citizen Business Group, since standardization contracts are in place, the analysis is carried out at the product level and the SPPI test results are applied to all credit placements for the product. In the business group Business Banking, as it is not always a standard contract, the SPPI test is implemented at the product level if all the required parameters for defining the expected cash flows are identical, and if any difference is involved, over the loan or group of loans separate SPPI tests are performed. For given loans and deposits from the Treasury business

group, the analysis is performed at the product level and the SPPI test results are applied to all placements for the specified
product. For Securities The SPPI test is done for each securities individually, sometimes even for a single purchase transaction or multiple purchase transactions that make up one set, to test whether its purchase and purpose meet the set goals of the business model to which it belongs.

For financial assets that include e.g. the imparity between the maturity of the reference interest rate and the rate of change in the interest rate, the prerequisite for passing the SPPI test is the implementation and fulfillment of the so-called conditions. Benchmark Cash Flow Test.

2.2. The basis for preparation of financial statements (continued)

2.2.6. Change in accounting policy – first application of IFRS 9 (continued)

All credit placements from the assets of the bank (asset class of loans and receivables in accordance with IAS 39) from all three business groups met the requirements of the SPPI test and on 1 January 2018 are allocated to a portfolio of financial assets measured at amortized cost.

Debt securities investments at 31 December 2017 were arranged in a portfolio available for sale (in accordance with IAS 39). All investments met the SPPI test and on 1 January 2018 are classified into a portfolio of financial assets measured at fair value through other comprehensive income.

On 1 January 2018 the Bank has invested all equity investments in its assets that were available for sale in the portfolio (in accordance with IAS 39) in a portfolio of financial assets that are measured at fair value through profit or loss.

For financial liabilities, the classification remains unchanged in relation to IAS 39, ie, financial liabilities are divided into the portfolio at amortized cost and fair value through profit or loss.

a) Impairment of financial assets

Significant increase in credit risk

Criteria for assessing a significant increase in credit risk for exposures to households are defined at the level of individual placements/clients and vary depending on the credit risk of exposure at the time of occurrence.
Criteria include changes in the implementation of restructuring measures and a safeguard measure for failure to fulfill obligations if contractual payments have been due for more than 30 days.
Additional criteria used to identify a significant increase in credit risk is a consecutive blockade of the client longer than 15 days at the reporting date.
Credit risk has increased significantly since initial recognition when one of the criteria has been met.

Significant increase in credit risk for exposures to entities is determined on the basis of an internal credit risk assessment that is assessed on the basis of individual borrowers using credit risk-specific models based on historical data.
Criteria for assessing a significant increase in credit risk are defined at the appropriate level of the client and vary depending on the internal rating of the credit risk of exposure at the time of occurrence.
The criteria include related changes in the determination of the internal credit risk rating, the protective measure for failure to fulfill obligations if the contractual payments have been due for more than 30 days, the failure to meet certain financial indicators, the implementation of the restructuring measures, the debtors blockade longer than 15 days at the reporting date.
Credit risk has increased significantly since initial recognition when one of the criteria has been met.

2.2. The basis for preparation of financial statements (continued)

2.2.7. Change in accounting policy – the first application of IFRS 9 (continued)

Measuring expected credit loss

Expected credit losses are calculated as the multiplicity of PDs (probability of default status), Loss due to default status (LGD) and EAD expense over the remaining life expectancy of a financial asset and are discounted with the reporting date at the effective interest rate for exposures with a significant increase in credit risk (Stage 2 contracts), whereby the Bank applies the average interest rate on placements calculated on the basis of placement data approved in the last 5 years for those exposures that do not have effective interest rates.
On the other hand, for exposures classified as Stage 1, the expected credit loss that may arise on the basis of 12-month that represent part of life-long expected loan losses that would occur if the default status of the obligation within the next 12 months is reached.

The calculation of the PD represents the PD at a certain point, updated on an annual basis according to the Bank's historical experience. LGD calculation is determined based on historical returns. EAD includes balance sheet exposure at the time of default.

Expected credit losses

Expected credit losses are recognized when initially recognizing financial assets. The provision for credit losses represents the best estimate of the management's risk of default and expected credit losses (ECL) on financial assets, including all off-balance sheet exposures, at the reporting date.

The management's judgment is used to determine the point within the range that is the best estimate of the qualitative component that contributes to ECLs, based on an assessment of business and economic conditions, historical loss experience, credit portfolio composition, and other relevant indicators and advanced indicators of information.
The administration applies judgments to ensure that the estimate of loss arising from historical information is suitably adapted to reflect current economic conditions.
The loss rates are regularly compared with the actual loss experience. Changes to these assumptions would have a direct impact on the provision for credit losses and may result in a change in credit loss provisions

For financial assets that have been credit default swaps (POCI), estimated expected loan losses are included in the initial fair value of the asset. For POCI assets, the Bank recognizes the only cumulative change in expected credit losses over the entire life of the financial asset over the initial recognition in the reporting period. Such assets are not subject to de minimis allocation.

2.3. Reclassification

In order to comply the statement of individual positions in financial statements with the IFRS requirements and regulatory requirements, and for the purposes of comparable positions in the 2018 report compared to 2017 in the statement of financial position, the Bank reclassified the position "Loans and receivables from customers" and the position "Other assets" for 2017.
The position "Loans and receivables to customers" are included in all receivables that are carried at amortized cost with expected credit losses, while in the previous year they were posted in the "Other assets" category, as shown in this reclassification.
Since there were no changes in the applied measurement rules, reclassification had no bearing on the income or loss, other comprehensive income and retained earnings of the Bank.

	Note	Bank - previously published as at 31/12/2017	Reclassifications	Reclassified as at 31/12/2017
ASSETS				
Loans to customers	14	1,776,176	10,083	1,786,259
Other assets	19	28,589	(10,083)	18,506
Total assets		**1,804,765**	**0**	**1,804,765**

Also for the purposes of comparable positions in the report in 2018 compared to 2017 in the income statement and other comprehensive income, the Bank reclassified the position "Interest income" and "Other income" position for 2017, interest income excludes interest income from interest on arrears, and are included in the "Other Income" position.

	Note	Bank - previously published as at 31/12/2017	Reclassifications	Reclassified as at 31/12/2017
STATEMENT OF INCOME AND LOSS FOR OTHER COMPREHENSIVE INCOME				
Interest income		129,474	(5,647)	123,827
Other income		5,515	5,647	11,162
Total assets		**134,989**	**0**	**134,989**

3. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

3.1. Financial assets and financial liabilities

The Bank's financial assets and financial liabilities recorded on the balance sheet include cash and cash equivalents, marketable securities, trade and other receivables and payables, long-term loans, deposits and investments. The accounting principles for these items are disclosed in the respective accounting policies. The Bank recognizes financial assets and liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Financial assets held by the Bank are categorized into portfolios in accordance with the Bank's intent upon acquisition of a financial asset and pursuant to the Bank's investment strategy.

Financial assets are classified as:

- Financial assets valued at amortized cost,
- Financial assets that are valued at fair value through profit or loss,
- Financial assets valued at fair value through other comprehensive income.

The principal difference among the portfolios relates to the measurement of financial assets and the recognition of their fair values in the financial statements as described below.

Financial liabilities are any type of liabilities for which the obligation to deliver funds or other financial assets to another business entity has been contracted. This contractual obligation refers to the exchange of financial assets and liabilities with other business entities under potentially unfavourable financial conditions, and contracts which will or might be settled with the shares of the business entity. Financial liabilities of the Bank are recorded and measured at amortized cost.

Financial assets and liabilities are offset and the net amount is recognized in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

All routine financial instrument transactions are recognized at the date when the instruments are transferred (settlement date). Under the settlement date accounting, the underlying asset or liability is not recognized until the settlement date, with the changes in fair value of the underlying asset or liability being recognized starting from the trade date. When a financial asset or financial liability is recognized initially, the Bank measures it at its fair value plus transaction costs, in the case of financial assets, that are directly attributable to the acquisition or issue of the financial asset or financial liability.

3. Summary of significant accounting policies (continued)

3.2. Financial assets and financial liabilities – recognition and measurement

Financial assets are measured at fair value through other comprehensive income if both conditions are met:

a) Holds within the business model the goal of which is through the collection of contracted cash flows and the sale of financial assets and

b) based on the contractual terms of the financial asset, cash flows are generated, which are only the payment of principal and interest on the outstanding principal amount.

Financial assets from the business model for collecting and selling the business that met the SPPI test is classified into the category of financial assets that are measured at fair value through other comprehensive income.

This category includes debt securities and one of the objectives is to issue the current surplus of the Bank and to generate certain revenues that include interest income and, in the case of sale of financial assets and income realized in a price differential. The Bank uses this business model to meet regulatory obligations in accordance with the Minimum Requirements for Foreign Currency Claims and the Mandatory Reserve Decision and to manage daily liquidity needs for foreign and domestic currency.

Financial assets measured at fair value through other comprehensive income are stated at fair value on the last calendar day of the month.

Subsequent measurement at the fair value of all gains or losses is included in the revaluation reserves in the equity and reserves, until the assets are sold or alienated in another way, at which point accumulated gains or losses previously stated in equity and reserves are included in the net gains or losses of the period.

Interest and dividends from this portfolio are recorded in the income statement as well as expected losses. For equity securities, the fair value of financial instruments is based on the market price at the reporting date, without any reduction in transaction costs.

Fixed assets measured at fair value through profit or loss are financial assets that are not classified in the previous two categories and are allocated to:

a) Securities and other financial instruments that are measured at fair value through profit or loss and are not actively traded

b) Securities and other financial instruments that are measured at fair value through profit or loss.

In this category, the Bank classifies all financial instruments held for trading, that is, acquired by the Bank for the purposes of short-term gains on the basis of price or margin changes. This category also classifies all equity securities that are legally measured at fair value and derivatives other than those that would serve as hedging instruments.

3. Summary of significant accounting policies (continued)

3.2. Financial assets and financial liabilities - recognition and measurement (continued)

The financial instruments originally classified by the Bank into the category of instruments that are measured at fair value through profit or loss are subsequently measured at fair value. The fair value measurement results are included in net profit or loss for the period in which they arise.

Financial assets are measured at amortized cost if both of the following conditions are met:

a) The purpose of the business model within which the financial asset is held is the collection of contracted cash flows and

b) based on the contractual terms of the financial asset, cash flows are generated, which are only the payment of principal and interest on the outstanding principal amount.

Financial assets measured at amortized cost are all financial assets with fixed payments or payments that can be determined which are not quoted in the active market and which the Bank has created by placing money, goods or services directly on the debtor.

This group primarily consists of loans, deposits and receivables issued by the Bank.

Debt securities for which the Bank intends and holds up to maturity are classified in this category.

Expected Credit Loss Measurement (ECL)

Expected loan losses represent a credit loss estimate based on the probability of a default in the twelve-month period or during the life of the financial instrument.

Expected credit loss is accounted for as a multiplication of the PD (likelihood of a non-fulfillment of obligations), a loss due to the non-fulfillment of obligations (LGDs) and exposures in the status of non-fulfillment of obligations (EAD).

When calculating the expected credit losses for exposures deployed in the A-1 subgroup (level 1), the discounted 12-month PD is used on the reporting date and the discounted PD for the entire lifetime of the A-2 subgroup (Stage 2) is discounted.

For placements classified in risk category A (Stages 1 and 2), the Bank performs the expected loss calculation using an internal model. The total amount of expected credit loss, other than financial assets measured at fair value through other comprehensive income, is compared with a regulated minimum amount (minimum 0.80% of the gross book value of exposure in risk category A (Stages 1 and 2), which does not take into account financial assets measured at fair value through other comprehensive income).

If the total amount of expected credit loss is obtained by an internal model, for all assets other than for financial assets measured by comprehensive income, is less than 0.80% of the gross book value of exposure in risk category A (Stages 1 and 2), the Bank as a total impairment of exposures classified in risk category A (portfolio in the status

3. Summary of significant accounting policies (continued)

3.2. Financial assets and financial liabilities – recognition and measurement (continued)

of the fulfillment of contractual obligations), for all assets except for financial assets measured by comprehensive income, determines the amount at the level of 0.80% of the gross book value of exposure in risk category A (Stage 1 and Stage 2).

For exposures that are in the status of default, the Bank calculates the expected losses in the manner prescribed in the internal procedures for the calculation of the provision and the determination of the exposure classification.

The Bank recognizes the expected credit loss in the income statement within the cost of impairment and provisions.

The Bank initially recognizes financial assets in the balance sheet on the day of purchase. At initial recognition of financial assets at amortized cost and fair value through other comprehensive income, the Bank measures at its fair value including all resulting transaction costs.

At the balance sheet date, all financial instruments are reconsidered in order to establish the existence of objective reasons for impairment. If there are such indicators, the Bank estimates the recoverable amount.

Loans and advances are shown a net of impaired allowances, estimated on the basis of historical loss pattern, the credit rating of borrowers and reflecting the economic environment in which borrowers are doing business. If, in the later period, the impairment loss is reduced and the reduction can be objectively associated with an event that occurs after impairment, the abolition of impairment provisions is recognized in the income statement.

Loans created by the Bank by giving money directly to the Borrower are presented as loans approved by the Bank and are stated at amortized cost using the effective interest rate method, less any impairment allowance. Third party costs, such as legal fees resulting from obtaining credit insurance instruments, are treated as part of the transaction cost as well as client fees. Credit approval fees for which the funds are likely to be withdrawn shall be postponed, together with all related direct costs, recognized as an adjustment to the effective yield on the loan and adjusted for interest income. All loans and advances are recognized at the time of loan repayment, ie advances to borrowers.

An impairment loss for expected credit losses is established if there is objective evidence that the Bank will not be able to collect all the amounts it claims. The amount of the allowance is determined as the difference between the carrying amount and the recoverable amount, which represents the present value of the expected cash flows, including recoverable amounts from guarantees and other provisions, discounted at the original effective interest rate for the loan.

The impairment allowance for expected loan losses also covers losses that, by objective evidence, already exist in the loan portfolio at the balance sheet date. These losses are estimated on the basis of past losses on a particular component of the portfolio, the creditworthiness of the creditor and the economic environment in which the borrowers operate, in accordance with the prescribed positive cash flow methodologies.

3. Summary of significant accounting policies (continued)

3.2. Financial assets and financial liabilities – recognition and measurement (continued)

Impairment losses are charged to the income statement at the expense of the bank's expense for the period in which the losses are determined, with the approval of the exposure value adjustments to which those adjustments relate.

If, after the first impairment of placements, the revaluation loss increases due to the changed circumstances, the amount of the increase in the loss is recognized as an increase in the cost of the provision in the income statement and in the balance sheet as a write-off of the partially recoverable placements.

If the loss is reduced, the amount of the decrease is recognized in the income statement as the revenue from the reversal of the provision and in the balance sheet as a decrease in the write-off of the partially recoverable doubtful and contingent claims.

Loss per fully irrecoverable placements is posted in the Bank's accounting books as the cost of provisions in the income statement for the period in which the loss was determined and in the balance sheet as a one-time correction for placements.

Non-recoverable loans are written off in full and all subsequent recoveries are credited to the income statement.

The amount of provisions for identified losses on contingent liabilities is recognized as an expense in the income statement for the period in which the loss is determined and in the liability as a separate reserve for contingent liabilities in accordance with the current Regulations.

The Bank regularly reviews loans and receivables to assess whether there is objective evidence of impairment. The Bank applies a general approach according to which the credit risk is divided into three stages:

- Stage 1 - covers the exposure of the Bank where credit quality after initial recognition has not significantly deteriorated;
- Stage 2 - covers the exposure of the Bank where the credit quality after the initial recognition deteriorated significantly
- Stage 3 - exposure to the status of non-fulfillment of contractual obligations.

For reporting purposes to the CNB (Croatian National Bank), all of the Bank's exposures are classified into the following categories:

- the risk group A, which consists of risky subgroups A-1 (Stage 1) and A-2 (Stage 2);
- a risk group B, consisting of risky subgroups B-1, B-2 and B-3 (Stage 3);
- a risk group C (Stage 3).

3. Summary of significant accounting policies (continued)

3.2. Financial assets and financial liabilities – recognition and measurement (continued)

Only exposure to a debtor that is not classified in non-fulfillment of liabilities group is allocated to the risk category A. In accordance with the requirements of IFRS 9, the Bank performs the appropriate impairment and provision of exposure in the amount equal to:

- expected credit losses that may arise on the basis of 12-month expected credit losses that represent part of life-long expected credit losses that would occur if the default status of the obligation within the next 12 months for the risk subgroup A-1,
- expected credit losses over the life of the risk subgroup A-2.

For determining the increased credit risk of debtors moving from risk subgroup A-1 to A-2, the Bank uses internal internally prescribed criteria. The credit risk is considered to have increased considerably depending on the internal rating of the debtor, the unfavorable financial statements, the delay in payment of overdue debt for more than 30 days in a material amount, a blockage over 15 up to 60 days, a prepayment settlement, restructured exposure for which the Bank has estimated that will not result in a reduction in the financial liability and that the borrower will fully meet his obligations.

Exposure to the fulfillment of contractual obligations meets the minimum requirements prescribed by the CNB.

Exposures to a debtor that is in the status of non-fulfillment of obligations shall be classified by the Bank into a risk subgroup B-1 or lower, and performs appropriate impairment and provisioning. The impairment in the risk subgroup B-1 is at least 2%.

Depending on the level of impairment and provisions for exposures to debtors in the status of non-fulfillment, the liabilities are allocated to the following sub-groups:

- B-1, if the level of impairment and provisions does not exceed 30% of the exposure amount;
- B-2, the level of impairment and provisions exceeds 30% and not more than 70% of the exposure amount;
- B-3, the level of impairment and provisions exceeds 70% and less than 100% of the exposure amount;
- C, the level of impairment and provisions is 100% of the exposure amount and the conditions have not been met for the write-off of receivables.

Exposure or debtor is in the status of default if it is overdue for more than 90 days of the materially significant amount or when it is unlikely that the borrower will be fully able to settle its liabilities to the Bank without taking any measures of enforced collection. In accordance with the internal criteria, the Bank classifies the exposure and/or entire debtor as a defaulting status and for blocking the account for more than 60 days, bankruptcy, performance of pre-installment, restructurings for which the Bank has estimated that it could result in a reduction of the borrower's financial liability to fully comply with its obligations.

3. Summary of significant accounting policies (continued)

3.3. Financial assets and financial liabilities – derecognition

The Bank derecognizes the financial asset or part of it when contractual rights that include financial assets [or any part of it] expire or when it transfers financial assets and all risks and rewards of ownership to another entity or have been completely corrected and written off.

Loans and receivables are derecognized on the date on which the Bank transfers its rights, while assets held at amortized cost to maturity are derecognized at maturity.

When a financial asset held for trading or in a fair value portfolio is sold, its recognition ceases on the day of trading when the Bank assumes the obligation to sell the asset.

Financial liabilities are derecognized when they are paid or otherwise ceased to exist.

3.4. Interest income and expense

Interest income and expense are accounted for on an accrual basis at the effective interest rate, which includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-earning instrument and its amount at maturity, calculated on an effective interest rate basis.

The effective interest rate method represents a method used for calculating the depreciated cost of the financial asset and distributing the interest income throughout the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts, including all paid or received fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the financial asset, or, where appropriate, a shorter period.

Loan origination fees are deferred, together with related direct costs, and recognized as an adjustment to the effective yield on the loan and as such adjust interest income or expense.

When loans become impaired, they are written down to their recoverable amounts. The calculation of interest on placements classified in the group of partially and completely non-recoverable placements is recorded in off-balance sheet accounts and the income is not accounted for and is not recognized in the income statement until the time of collection when recognized in profit or loss.

Interest charged and recorded on off-balance sheet accounts is recognized in the income statement only on the basis of the bill. Other fees receivable are recognized when earned. Dividend income is recognized when the right to receive payment is established.

3. Summary of significant accounting policies (continued)

3.5. Fee and commission income and expense

Fee and commission income is comprised mainly of fees receivable from enterprises for loans and guarantees granted and other services provided by the Bank, together with commissions from managing funds on behalf of legal entities and individuals and fees for foreign and domestic payment transactions.

Fees and commissions are recognised on an accrual basis.

3.6. Foreign means of payment

Income and expenses arising from transactions in foreign currencies are translated into HRK at the official rates of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into HRK at the middle exchange rate of the CNB on the last day of the accounting period. Gains and losses resulting from foreign currency translation are included in the income statement for the year.

3.7. Staff contributions

According to national legislation, the Bank is obliged to pay contributions to pension and health insurance funds. This obligation relates to all employees and provides for paying contributions to the amount of certain percentages determined on the basis of the gross salary as follows:

	2018	**2017**
Pension contributions	20 %	20 %
Health insurance contributions	15 %	15 %
Contribution to the Croatian Employment Service	1.7 %	1.7 %
Occupational injuries	0.5 %	0.5 %

Contributions on behalf of employees and the employer are recognized as an expense in the period when incurred.

3.8. Corporate income tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liability is based on the taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is the tax expected to be payable or recoverable based on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, calculated using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

3. Summary of significant accounting policies (continued)

3.8. Corporate income tax (continued)

The carrying amount of deferred tax assets is reviewed on every reporting date of the financial statement and reduced if it is no longer probable that a sufficient taxable profit amount for the return of all tax assets or a part of tax assets will be available.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised. Deferred tax is recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Bank has the ability and intention to settle its current tax asset and liability on a net basis.

The Bank is liable to pay various indirect taxes which have been presented under administrative expenses.

3.9. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, balances with the CNB, balances with banks on giro accounts and term deposits with other banks with original maturities of three months or less from the date of acquisition.

Cash and cash equivalents exclude the obligatory reserves with the CNB as these funds are not available for the Bank's day to day operations. The obligatory reserve with the CNB is a required reserve to be held by all commercial banks licensed in Croatia and the calculation of expected credit losses is applied to the offsetting amount.

Sale and repurchase agreements

Securities sold under sale and repurchase agreements (repos) are retained in the financial statements and the counterparty is included in due to banks or customers as appropriate. Securities purchased under agreements to resell (reverse repo) are recorded as placements with other banks and loans to customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued on a straight-line basis over the life of the agreements at the effective interest rate.

Reclassification of financial assets

The Bank will reclassify financial assets if and only if the business model of financial asset management initially recognized is changed.

After the change, the Bank is obliged to cover all the financial assets affected by this reclassification.

3. Summary of significant accounting policies (continued)

3.10. Tangible and intangible assets

Property and equipment are initially carried at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and all costs directly attributable to bringing the asset to working condition for its intended use. Maintenance and repairs, replacements and improvements of the minor scale are expensed when incurred. Items of tangible and intangible assets with a unit value less than HRK 2,000 are expensed when putting into use.

Depreciation and amortisation are computed under the straight-line method over the estimated useful life of the assets according to the following annual rates:

	2018	2017
Description	**%**	**%**
Buildings	2.50 - 3.03	2.50 - 3.03
Computer hardware	15	15
Furniture and equipment	10	10
Motor vehicles	20	20
Computer software	10	10
Investment in third-party assets	10	10

The land is not depreciated.

The Management Board periodically tests whether there are circumstances indicating the impairment of tangible and intangible assets. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposal of non-current assets are determined by reference to their carrying amount and are recognised in the profit and loss account. Repairs and maintenance are charged to the income statement when the expenditure is incurred.

3.11. Investment property

Investment property is property kept with the purpose to obtain income from lease and/or increase in the value of capital assets (including the assets prepared for that purpose). Investment property is measured at cost, including transaction fees. Investment property is de-recognized during disposal or final withdrawal of the investment property from use and without any future economic benefits from disposal being expected. Gains or losses incurred due to property de-recognition (calculated as the difference between net gains from disposal and the carrying amounts of assets) are recognised in the profit and loss account in the period when the assets stop being recognised.

3.12. Assets took in exchange for uncollected receivables

The Bank takes over the property in exchange for unpaid claims on loans and advances that are the subject of enforcement proceedings. Such property is recognized in the ownership of the bank by virtue of a final court settlement decision, and the value of the property is recorded by the Bank at the value of the Solvency or at the estimated value. The bank evaluates the assets taken over every two years, and in the case of a lower estimated value, the Bank records the impairment. Income or expense on the sale of acquired real estate is recognized in the income statement.

3. Summary of significant accounting policies (continued)

3.13. Foreign currency translation

The financial statements are presented in Croatian kuna ("HRK") and rounded to the nearest thousand. The year-end exchange rates were as follows:

31 December 2018	EUR 1 = HRK 7.417575	USD 1 = HRK 6.469192
31 December 2017	EUR 1 = HRK 7.513648	USD 1 = HRK 6.269733

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and monetary liabilities in foreign currencies and linked to foreign currencies are translated at the middle exchange rates of the Croatian National Bank valid on the balance sheet date. Foreign currency differences arising on translation are recognised in the income statement.

3.14. Off-balance sheet financial instruments

In the ordinary course of business, the Bank disclosed in its off-balance-sheet records contingent liabilities and commitments, comprising primarily guarantees, letters of credit and undrawn loan commitments. Such financial instruments are recognised in the Bank's balance sheet if and when they become payable.

3.15. Derivative financial instruments

Derivative financial instruments include contracts with one-way currency clause whose reference exchange rate, placement date and contracted value are recognised initially in off-balance-sheet records and as a loan given with a one-way currency clause in the balance sheet. Increase in exchange rates (fair value of the embedded one-way currency clause) above the contracted rate is recorded in the balance sheet as an embedded derivative and recognised within profit or loss from embedded derivatives in the profit and loss account.

3.16. Custody operations

The Bank manages funds through custody for and on behalf of corporate and retail customers, for which it charges a fee. As these amounts do not represent the Bank's assets and liabilities, they are excluded from the accompanying balance sheet (Note 31), other than the temporary custody account with third-party funds.

3.17. Sale and repurchase agreements

If a financial asset is sold under an agreement to repurchase it at a fixed price or at the sale price plus a lender's return or if it is loaned under an agreement to return it to the transferor, it is not derecognised as the Bank retains substantially all the risks and rewards of ownership.
Securities sold under sale and repurchase agreements ("repos") are recorded in the balance sheet items in line with the original classification of assets or the Bank reclassifies them in its balance sheet. The liability to the counterparty is included within "Borrowings".

3. Summary of significant accounting policies (continued)

3.18. Financial assets netting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.19. Accounting for financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking products.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount or the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.
Any increase in guarantee liabilities is recognised in profit or loss.

3.20. Significant accounting estimates and judgments

In the process of applying the Bank's accounting policies, the Management Board is required to make judgments, assessments and perform assumptions about the carrying amount of assets and liabilities that need not be obvious from other sources. Estimates and associated assumptions are based on past experience and other factors considered relevant. The results obtained may differ from the estimated.

The estimates and assumptions on which they are derived are continually revised. Changes in accounting estimates are recognized in the change period if the change only affects that period, and both in the change period and in future periods if the change affects both current and future periods.

The following are the baseline assumptions concerning the future and other key sources of estimation uncertainty on the reporting date that carries significant risk, which may lead to materially significant adjustments to the carrying amount of assets and liabilities in the next financial year.

Although the Bank may suffer losses for a certain period, which is largely proportional to the impairment allowance, the Management has estimated that loan loss adjustments are adequate to cover losses that may arise from risk assets. As part of its regular business, several court disputes and complaints have been initiated against the Bank. The Bank's management believes that any eventual final obligation of the Bank after the termination of the dispute will not have additional material adverse impacts - after the provisions have been made up to the date of compilation of this report - on the financial position or future results of the Bank's business.

3. Summary of significant accounting policies (continued)

3.20. Significant accounting estimates and judgments (continued)

The Bank's management through a business model determines the financial asset management goal, which is defined on the basis of an assessment of whether financial assets are held for the purpose of collecting contractual cash flows, collecting contractual cash flows and selling financial assets or just for sale. The Bank seeks to achieve its objectives through three main business groups: business banking, citizenship and treasury.

When defining business models, the Bank looks at the past experience in the way of cash flow for each business group and then at the business model level. It also analyzes the success of a business model in achieving the goals, as well as reporting to the Bank's management on the same. Primary risks that affect the success of a business model and how these risks are managed are also considered. The frequency and significance of the sale of financial assets in previous periods, the reasons for such sale and the expected future sales activity are also being considered when defining a business model.

The Bank reviews its loan portfolio at least once every three months for the purpose of estimating expected credit losses. In its internal acts, the Bank has prescribed indicators for determining the increased credit risk of debtors used to switch exposure from risk subgroup A1 to risk subgroup A2. Similarly, internal acts prescribed criteria for determining the status of non-fulfillment of obligations.

Criteria for assessing significant increases in credit risk used to transition exposure from risk subgroup A1 to risk subgroup A2 are defined at the appropriate client level and differ depending on whether exposure to the population or exposure to legal entities is concerned.

Criteria include related changes in the determination of the internal credit rating, the hedging measure for non-fulfillment of obligations if the contractual payments have matured continuously, in amounts exceeding the threshold of material significance, for more than 30 days, failure to meet certain financial indicators, implementation of restructuring measures, consecutive blockade of the client longer than 15 days on report date. Credit risk has significantly increased from the initial recognition when one of the above criteria has been met.

Only exposure to a debtor not in the status of non-fulfillment of liabilities is allocated to the risk category A. In accordance with the provisions of IFRS 9, the Bank performs the appropriate impairment and provision of exposure in the amount equal to:

- expected loan losses that may arise on the basis of 12-month expected credit losses that represent part of life-long expected credit losses that would occur if the default status of the obligation within the next 12 months for the risk subgroup A-1,
- expected credit losses over the life of the risk subgroup A-2.

Exposures to a debtor who is in the status of non-fulfillment of obligations shall be classified by the Bank into a risk subgroup B-1 or lower, and performs appropriate impairment and provisioning.

Calculating the percentage value of expected credit losses is based on standard credit risk parameters:

- Probability of Default (PD) - likelihood of occurrence of non-fulfillment of financial obligations,
- Loss Given Default (LGD) - loss due to the non-fulfillment of obligations,
- Exposure at Default (ED).

3. Summary of significant accounting policies (continued)

3.20. Significant accounting estimates and judgments (continued)

The PDs are calculated by the Bank depending on the exposure category in which each customer is classified (according to the ESA sector), so that the PD for each individual exposure category is calculated as a weighted annual average based on the data for each individual year.

Loss rates in the event of non-fulfillment of the obligation (LGD) The Bank has calculated, depending on the exposure category in which the individual customer is classified (according to the ESA sector), and whether the placement is secured or unsecured on the basis of data on default in the status of default, billing and withdrawals from a non-fulfillment status.

Exposure at default (EAD) represents the total exposure amount for which value adjustments are to be calculated.

The Bank applies conversion factor 1 to estimate provisions for off-balance sheet items.

Expected Credit Losses (ECL) for exposures where after the initial recognition no significant increase in credit risk has been identified from the initial recognition, is accounted for as a 12-month expected credit loss that represents the part of the expected life-expectancy loss losses that would occur (risk subgroup A1 - Stage 1), while exposures where, after initial recognition, a significant increase in credit risk is identified at the reporting date, the expected lifetime credit losses (risk subgroup A2 - Stage 2) .

For Exposure to Substantial Group B and C (Stage 3) Expected Credit Losses are calculated using the standard DCF method (the present value method of estimated future cash flows discounted using the effective interest rate).

3.21. Reporting per segments

Business segments are shown in compliance with internal reports which the organization units, i.e. sectors, prepare and present to the Management Board of the Bank as the key business decision-maker.

Pursuant to the IFRS 8, the Bank identified three main segments: commercial banking, retail banking, and the treasury.

The Bank exclusively operates in the territory of the Republic of Croatia, so the total assets and most of the clients are located in Croatia.

The description of business segments and their financial overview is presented in Note 33 of these financial statements.

4. Interest income

	2018	2017
a) Analysis by sectoral division		
Loans to corporate clients	59,514	64,323
Loans to retail clients	32,862	34,130
Placements with other banks	9	21
Debt securities	20,839	24,692
Other companies	4,975	6,308
	118,197	**129,474**

b) Analysis by product

	2018	2017
Loans to customers	97,350	104,761
Placements with banks	9	21
Debt securities	20,839	24,692
	118,197	**129,474**

From the position of interest income excludes interest income on interest on arrears, which are included within other income.

5. Interest and similar expenses

	2018	2017
a) Analysis by sectoral division		
Retail clients	18,775	26,290
Companies	1,919	4,172
Banks	10,510	7,446
Other companies	388	4,005
Non-residents	1,883	1,949
	33,475	**43,862**

b) Analysis by product

	2018	2017
Deposits	27,557	36,494
Borrowings	5,918	7,368
	33,475	**43,862**

6. Fee and commission income and expense

	2018	2017
Fee and commission income		
Commission income from corporate clients	16,290	14,716
Commission income from retail clients and crafts	5,649	5,266
Commission income from banks	7,378	6,839
Commission income from non-residents	838	628
	30,155	**27,449**
Fee and commission expense		
Commission for domestic payments	(5,261)	(5,389)
Other fees and commissions	(2,258)	(2,850)
	(7,519)	**(8,239)**

7. Net profit from financing activities

	2018	2017
a)		
Net gains from dealing in foreign currencies	8,158	7,850
(Loss)/gain from financial assets at fair value through profit or loss	(906)	37
Gain on financial assets measured at fair value through other comprehensive income	7,544	-
Gain from available-for-sale financial assets	-	7,168
	14,796	**15,055**
b)		
Calculated foreign exchange gains	**878**	**735**

8. Other income

	2018	2017
Lease income	1,543	1,278
Other operating income	2,842	4,237
Interest income on interest on arrears	9,427	5,647
	13,812	**11,162**

Other operating income predominantly refers to income from surrender of insurance policies, income from collected written off receivables, income from previous years, and income from sales of tangible acquired assets. Other income includes interest income on tangible income, which is excluded from the interest income position.

9. Operating expenses

	2018	2017
Staff costs (Note 8.1)	26,284	25,254
Material and services	31,960	32,305
Depreciation and amortization (Note 17 and 18)	8,482	7,076
Administration and marketing expenses	1,179	1,478
Insurance premiums	5,591	5,586
Taxes and contributions	434	1,314
Other expenses	3,426	2,119
	77,358	**75,133**

In the Cost of material and services position, the largest items refer to the maintenance costs, asset safeguarding and insurance costs, business facilities and cash machine lease costs, and telecommunications and other services costs.

Staff expenses

	2018	2017
Net salaries	14,901	14,404
Taxes and contributions from salaries	6,339	6,120
Contributions on salaries	3,674	3,572
Other employee costs	1,370	1,158
	26,284	**25,254**

On 31 December 2018 the Bank had 189 employees (on 31 December 2017, 193).

10. Impairment losses and provisions

Movements in impairment of expected credit losses in accordance with IFRS 9

	Note	2018	2017
Loans and receivables to customers	15	(72,091)	(37,908)
Placements to financial institutions	13	(4,201)	(14,617)
Debt securities at amortized cost	16	(3,512)	(11,914)
Other assets	21	(1)	(25)
Expected losses for contingent liabilities		(12,506)	(7,071)
Other provisions		(581)	(220)
		(92,892)	**(71,755)**
Less: amounts collected and reversed			
Loans and receivables to customers	15	51,796	19,087
Placements to financial institutions	13	4,917	15,553
Debt securities at amortized cost	16	210	1,935
Expected losses for contingent liabilities	21	4,305	2,967
Other provisions		9,021	6,730
		459	2
		66,403	**46,274**
Total impairment losses and provisions costs		**(26,489)**	**(25,481)**

A detailed breakdown of expected impairment movements in expected credit losses in accordance with IFRS 9 can be found in the reference notes above.

11. Corporate income tax

Income tax is determined by applying the rate of 18% to taxable profits.

Reconciliation of income tax:

	2018	2017
Current corporate income tax	(6,070)	(4,748)
	(6,070)	**(4,748)**

Tax returns remain open and subject to tax audit at least over a three-year period. The Management Board believes that the Bank has made adequate provisions for tax liabilities in the accompanying financial statements. However, the risk remains that the relevant authorities could take a different view with regard to the interpretation of the applicable provisions.

Deferred tax assets exclusively refer to the balance of deferred fees for the use of loans during the term of the loan, the stated losses on equity for financial assets that are measured at fair value through other comprehensive income, and the amount of impairment of property in fixed assets. In 2018, deferred tax assets in the amount of HRK 2,078 thousand in income was recognized (2017: HRK 1,656 thousand).

	Business premises	Financial asset measured at fair value	Deferred income
Balance at 31 December 2017	-	-	**(1,656)**
Shown through profit and loss	(5,194)	4,867	(95)
Balance at 31 December 2018	**(5,194)**	**4,867**	**(1,751)**

Reconciliation of current tax:

	2018	2017
Accounting profit/(loss) before tax	**32,538**	**25,512**
Effect of non-taxable income	1,413	1,430
Effect of non-deductible expenses	(227)	(567)
Taxable profit	26,468	26,375
Income tax base for the year	26,468	26,375
Tax at a rate of 18%	6,070	4,748
Current corporate income tax	**(6,070)**	**(4,748)**
Effective tax rate	**18.66%**	**18.61%**

11. Corporate income tax (continued)

Non-deductible expenses mostly relate to the entertainment costs, costs of personal transportation, write-offs of receivables, non-deductible costs of property valuation and other non-deductible expenses.

12. Cash and balances with the Croatian National Bank

	31/12/2018	31/12/2017
Cash in cashier	72,639	54,628
Total cash	**72,639**	**54,628**
Giro account with the Croatian National Bank	194,409	201,026
Obligatory reserve in HRK	174,031	176,586
Allowance for impairment losses	**(134)**	**(3,776)**
Total assets with the Croatian National Bank	**368,306**	**373,836**
Total cash and balances with the Croatian National Bank	**440,945**	**428,464**

The CNB determines the requirement for banks to calculate an obligatory reserve, which is required to be deposited with the CNB and held in the form of other liquid receivables.

The legal reserve requirement ratio in 2018 amounted to 12%, the same as in 2017.

On 31 December 2018, the required rate of maintenance of the HRK obligatory reserve with the CNB amounted to 70% (on 31 December 2017, 70%), while the remaining 30% (on 31 December 2017, 30%) had to be held in the form of other liquid receivables. This includes the part of the foreign currency obligatory reserve required to be held in HRK.

All funds with the Croatian National Bank are considered fully recoverable and are classified in Stage 1.

13. Placements with other banks

	31/12/2018	31/12/2017
Current accounts with other banks	151,018	90,300
Loans and time deposits with other banks	3,387	3,490
Total placements with other banks	**154,405**	**93,790**
Allowance for impairment losses	(87)	(940)
Total placements with other banks, net	**154,318**	**92,850**

Of the total amount of loans and time deposits with other banks, HRK 3,378 thousand relates to Erste Bank's guarantee liabilities with original maturity over 3 months and are not included in cash equivalents.

All placements with other banks are considered to be fully recoverable placements and are classified in Stage 1.

Geographical analysis:

	31/12/2018	31/12/2017
Germany	22,208	36,503
Italy	27,719	19,418
Croatia	16,632	7,645
Austria	16,632	16,441
United States of America	4,555	1,406
Spain	51,616	11,437
	154,318	**92,850**

All foreign placements are kept with banks with credit ratings from A+ to BBB+.

14. Financial assets at fair value through profit or loss

	31/12/2018	31/12/2017
Equity securities		
Shares in investment funds	35,366	12,315
Shares	5,781	-
Business shares	168	-
Total financial assets at fair value through profit or loss	**41,315**	**12,315**

In its portfolio of at fair value through profit or loss, the Bank values shares in an open investment fund with a public offering. The price/value of the share is established in the Investment Fund Management Company, and the shares are not listed in the stock exchange; however, the information of the value of shares are publicly accessible on their internet pages. Share value on the last day of the month is submitted on a monthly basis.

15. Financial assets at amortized cost

Loans and receivables to customers

Analysis of lending portfolio by sector affiliation

	31/12/2018	31/12/2017
Retail clients	601,500	566,373
Companies	1,303,588	1,180,673
Other companies	33,708	67,246
Financial institutions	133,842	155,766
Gross loans	**2,072,638**	**1,970,058**
Less impairment allowance	(192,236)	(193,882)
Total loans to customers	**1,880,402**	**1,776,176**

Loans and receivables to customers are treated as financial assets measured at amortized cost.
Loans are secured by special insurance on real estate of adequate value, deposits, guarantees, securities, insurance policies and other types of insurance.

15. Financial assets at amortized cost (continued)

a) Movements in impairment of loans to customers:

	Specific provisions	Impairment allowance on a collective assessment basis	Total
Balance at 31 December 2016	**182,170**	**16,590**	**198,760**
New impairment allowances (Note 10)	24,818	9,958	34,776
Amounts collected (Note 10)	(8,100)	(11,078)	(19,178)
Write-off	(19,946)	-	(19,946)
Foreign exchange differences	(530)	-	(530)
Balance at 31 December 2017	**178,412**	**15,470**	**193,882**
Impairment according to IFRS 9	22,585	(15,470)	7,115
Balance at 31 January 2018	**200,997**	**0**	**200,997**
New impairment allowances (Note 10)	91,882		91,882
Amounts collected (Note 10)	(79,499)		(79,482)
Write-offs of fully irrecoverable loans	(19,622)		(19,639)
Foreign exchange differences	(1,522)		(1,522)
Balance at 31 December 2018	**192,236**		**192,236**

The Bank as of 1 January 2018 applies the calculation of expected credit losses in accordance with IFRS 9.

In 2018, the Bank performed the final write-off of the fully irrecoverable placements the options for whose collection of receivables have all been exhausted.

The allowances for these placements were completely charged to the costs of the provision in the previous years, and the effect of write-offs conducted in the current year remained neutral.

16. Financial assets at amortized cost

Debt securities

	31/12/2018	31/12/2017
Bills of exchange	34,997	40,532
Allowance for impairment losses	(14,277)	(11,358)
Total held-to-maturity financial assets	**20,720**	**29,174**

From debt securities held at amortized cost, the Bank has only company bills of exchange.
One client accounts for most of this claim (HRK 32.7 million), and is partially secured by a real property right. By this claim, the Bank made an impairment for expected loan losses of HRK 14.2 million, and it was also classified Stage 3, since the beginning of IFRS 9.

17. Financial assets measured at fair value through other comprehensive income

Analysis by the product	31/12/2018	31/12/2017
Treasury bills of the Ministry of Finance	77,885	78,810
Bonds	695,083	783,052
Commercial bills	4,858	4,864
	777,826	**866,726**
Listed on the stock exchange	680,816	759,070
Not listed on the stock exchange	97,010	107,656

Analysis by sectoral affiliation

	31/12/2018	31/12/2017
Commercial bills of other companies	4,858	4,864
Bonds and treasury bills of the Republic of Croatia	674,273	694,995
State corporate bonds	35,698	35,230
Other corporate bonds	18,415	24,224
Bank bonds	19,079	28,935
Foreign government bonds	25,503	78,488
	777,826	**866,726**
Listed on the stock exchange	680,816	759,070

17. Financial assets measured at fair value through other comprehensive income (continued)

Unrealized gains/losses on financial assets at fair value through other comprehensive income

	2018	2017
Balance at 1 January	**25,041**	**11,336**
Financial assets at fair value	9,541	20,873
Accumulated profit from the sale of the financial assets transferred to other comprehensive income	(7,544)	(7,168)
Balance at 31 December	**27,038**	**25,041**

Unrealized profit/loss from the value of financial assets that are valued through other comprehensive income arises from accumulated gains and losses and adjustments of those assets at fair value within other comprehensive income and are reduced by the amount of realized gain or loss on sale or impairment of the financial asset through other comprehensive income.

Total expected losses of financial assets at fair value through other comprehensive income amount to HRK 556 thousand, of which HRK 484 thousand is in Stage 1 and HRK 72 thousand in Stage 2.

18. Intangible assets

	External software and other rights	Internally developed software S3	Other intangible assets	Intangible assets under construction	Total intangible assets Cost
Cost					
Balance at 31 December 2016	**12,092**	**13,983**	**8,550**	**9,352**	**43,977**
Increases	-	-	119	2,077	2,196
Transfer from investments in progress	883	4,180	-	(5,063)	-
Write-offs/disposals	-	-	-		-
Balance at 31 December 2017	**12,975**	**18,163**	**8,669**	**6,366**	**46,173**
Increases	-	-	483	1,725	2,208
Transfer from investments in progress	127	1,438	-	(1,565)	0
Write-offs/disposals	(842)	-	(20)	-	(862)
Balance at 31 December 2018	**12,260**	**19,601**	**9,132**	**6,526**	**47,519**
Depreciation and amortization					
Balance at 31 December 2016	**6,536**	**4,078**	**7,591**	-	**18,205**
Annual cost	3,960	1,398	518		5,876
Disposal/expenses	(2,679)		(259)	-	(2,938)
Balance at 31 December 2017	**7,817**	**5,476**	**7,850**	-	**21,143**
Annual cost	1,206	1,852	1,852	-	3,279
Disposal/expenses	(840)	-	(19)	-	(859)
Balance at 31 December 2018	**8,183**	**5,476**	**8,052**	-	**23,563**
Net carrying amount					
At 31 December 2017	5,158	12,687	819	6,366	25,030
At 31 December 2018	**4,077**	**12,273**	**1,080**	**6,526**	**23,956**

19. Tangible assets

	Land	Buildings	IT and other equipment	Furniture, vehicles and similar assets	Other tangible assets	Tangible assets under construction	Total
Balance at 31 December 2016	**15,130**	**81,553**	**10,442**	**7,858**	**6,530**	**13,089**	**134,602**
Increase in ongoing investments	-	-	-	-	-	1,084	1,084
Transfer from ongoing investments	-	4,794	725	77	100	(5,696)	-
Decrease/sales	-	-	-	-	-	-	-
Write-offs/disposals	-	-	-	(7)	-	-	(7)
Balance at 31 December 2017	**15,130**	**86,347**	**11,167**	**7,928**	**6,630**	**8,477**	**135,677**
Increase in ongoing investments	-	-	-	-	653	2,247	2,900
Transfer from ongoing investments	-	-	233	84	606	-	923
Decrease/sales	-	(75)	-	-	-	-	(75)
Write-offs/disposals	-	-	(1,057)	(1,350)	(1,112)	-	(3,519)
Balance at 31 December 2018	**15,130**	**86,272**	**10,343**	**6,662**	**6,775**	**10,724**	**135,906**
Depreciation and amortization							
Balance at 31 December 2016	-	**50,261**	**3,501**	**5,588**	**5,298**	**6,965**	**71,613**
Annual cost		3,522	1,727	1,122	1,747		8,118
Disposal/sales	-	(1,841)	(863)	(568)	(874)	-	(4,146)
Balance at 31 December 2017	-	**51,942**	**4,364**	**6,142**	**6,171**	**6,965**	**75,585**
Annual cost	-	1,532	1,033	569	899	-	4,033
Disposal/sales	-	-	(967)	(1,274)	(1,112)	-	(3,353)
Balance at 31 December 2018	-	**53,474**	**4,430**	**5,437**	**5,959**	**6,965**	**76,265**
Net carrying amount at 31 December 2017	**15,130**	**34,405**	**6,803**	**1,786**	**459**	**1,512**	**60,092**
31 December 2018	**15,130**	**32,798**	**5,913**	**1,225**	**816**	**3,759**	**59,641**

As of 31 December 2018, there is no pledge over the buildings and depreciation is calculated at a rate of 2.50-3.03%.

20. Investment property

Investment property is stated at purchase value, including transaction fees. After the initial recognition, investment property is carried at purchase value less the accumulated depreciation and impairment losses. Investment property is depreciated by using the straight-line method in the period from 30 to 40 years (in 2016, 33 to 40 years). Investment property is de-recognized during disposal. Gains and losses from investment property disposal are recognized in the profit and loss account for the period.

	31/12/2018	31/12/2017
Investment property	5,110	7,871
Repossessed investment property	16,341	11,110
Total investment property	**21,451**	**18,981**

Investment property amounts to HRK 21,451 thousand (in 2017, HRK 18,981 thousand) and are separately stated in the Bank's balance sheet and comprise the Bank's property investment with the intent to earn rentals. Amortization rates on assets in the portfolio Real estate investment ranges from 2.50 to 3.03%. The income made from business premises rentals amounts to HRK 1,543 thousand (in 2017 HRK 1,257 thousand). Lease contracts defined that the price of the lease entails operational costs, except for one contract in which the lessee pays for those expenses which amounted to HRK 62 thousand in 2018, and HRK 45 thousand in 2017.

Investment property movement

	Buildings	Repossessed assets	Total
Balance at 31 December 2016	**9,869**	**11,292**	**21,161**
Impairment	-	(182)	(182)
Balance at 31 December 2017	**9,869**	**11,110**	**20,979**
Increases	-	6,766	6,766
Transfer from ongoing investments	(2,453)	-	(2,453)
Balance at 31 December 2018	**7,416**	**17,876**	**25,292**
Depreciation and amortization			
Balance at 31 December 2016	**1,839**	-	**1,839**
Annual cost	159	-	159
Balance at 31 December 2017	**1,998**	-	**1,998**
Annual cost	308	1,535	1,843
Balance at 31 December 2018	**2,306**	**1,535**	**3,841**
Net carrying amount			
At 31 December 2017	**7,871**	**11,110**	**18,981**
At 31 December 2018	**5,110**	**16,341**	**21,451**

21. Other assets

	31/12/2018	31/12/2017
Non-financial assets		
Deferred tax assets	7,124	1,674
Repossessed assets	6,875	5,831
Planned future costs	7,910	8,385
Total non-financial assets	**21,909**	**15,890**
Financial assets		
Current tax assets	4,054	2,289
Other receivables transitional items	202	352
Total financial assets	**4,256**	**2,641**
Total other assets before impairment	**26,165**	**18,506**
Less impairment allowance:	(1)	(25)
Total other assets	**26,164**	**18,506**

The aforementioned funds of other financial assets are due within a period of one year, which is related to prepayments of income tax and final payment, and the transient items refer to the funds in the calculation. As a result of the reclassification of 2017, the change in the position of other assets was transferred to loans and receivables at amortized cost by introducing IFRS 9 and other regulatory requirements in 2018.

22. Deposits from banks and customers

	31/12/2018	31/12/2017
A vista deposits		
Banks and financial institutions	73,256	56,643
Retail clients	278,616	238,175
Companies	173,151	136,998
Other companies	14,500	4,250
Total a vista deposits	**539,523**	**436,067**
Term deposits		
Banks and financial institutions	63,775	55,591
Retail clients	1,615,462	1,704,312
Companies	145,738	123,362
Other companies	22,065	23,396
Total term deposits	**1,847,040**	**1,906,661**
Total amounts due to customers	**2,386,563**	**2,342,729**

23. Borrowings

	31/12/2018	31/12/2017
Long-term loans	18,400	31,616
Repo loans	572,213	568,235
Total borrowings	**590,613**	**599,851**

	31/12/2018	31/12/2017
Denominated in HRK	375,872	393,977
Denominated in foreign currency	214,741	205,874
Total borrowings	**590,613**	**599,851**

23. Borrowings (continued)

Borrowings comprise in the following table:

	31/12/2018	31/12/2017
Croatian National Bank	357,474	359,561
Croatian Bank For Reconstruction And Development (HBOR)	18,399	31,616
Credit institutions	214,740	205,874
Other financial institutions	-	2,800
	590,613	**599,851**

Borrowings from the Croatian Bank for Reconstruction and Development (HBOR) relate to borrowings placed by HBOR through the Bank in accordance with its financing programs. The relationship between the Bank and HBOR is the subject of a separate agreement. The interest rate on HRK borrowings from HBOR ranged from 0% to 3%, while for the end user of these borrowings the interest rate ranging from 1% to 4% in 2018 (in 2017, from 1% to 6%). Other borrowings from financial institutions were set at an interest rate of 0.01% to 1.20% (2017: from 0.01% to 1.50%).

On 31 December 2018, the bank has loans secured by financial assets received from the CNB in the amount of HRK 355 million, with a fixed interest rate of 1.20 a loan amounting to HRK 170 million matures on 11 June 2022, and a loan of HRK 185 million matures on 12 June 2023.

The Bank pledged government bonds for the relevant loans, and most of them are bonds of the Ministry of Finance of the Republic of Croatia denominated in HRK and foreign currency. Other liabilities refer to received short-term repo loans which mature in January 2019, with fixed interest rates which range from 0.01% to 0.20%.

24. Other liabilities

	31/12/2018	31/12/2017
Trade payables	4,753	4,604
Liabilities for credit card operations	4,397	2,609
Liabilities for salaries	2,111	2,144
Liabilities for taxes	11,077	4,748
Other liabilities	6,143	3,743
Total liabilities	**28,521**	**17,848**

Other stated short-term liabilities are set in the short-term, not longer than one month.

25. Subordinated instruments

	31/12/2018	31/12/2017
Subordinated bonds	84,076	84,089
	84,076	**84,089**

Subordinated instruments are issued with a fixed interest rate of 6% and a maturity date of 31 July 2022. Interest on subordinated bonds is paid on a semi-annual basis.

26. Equity

As at 31 December 2018, the Company's share capital amounts to HRK 193,775,300 (in 2017, HRK 193,775,300) and is divided among 1,937,753 ordinary shares (KBZ-R-A) with a nominal value of HRK 100 per share.

The following shareholders owned more than a 5% share in the Bank as at 31 December 2018 and 31 December 2017:

Shareholders	**Holding in share capital (%)**	
	31/12/2018	**31/12/2017**
Euroherc osiguranje d.d.	18.83	18.83
Jadransko osiguranje d.d.	19.98	19.98
Agram životno osiguranje d.d.	18.72	18.72
Euroleasing d.o.o.	8.86	8.86
Euroagram Tis d.o.o.	8.67	7.78
Euro Daus d.d.	7.30	7.30
Others	17.64	18.53
Total share capital	**100.00**	**100.00**

Share premium

In 2018, there were no changes in the share premium.

Dividends

Based on the decision of the General Assembly, the net profit for 2017 amounting to HRK 20,765 thousand was transferred to retained earnings amounting to HRK 10,038 thousand and the legal reserves amounting to HRK 1,038 thousand. Furthermore, pursuant to the decision of the General Assembly, a dividend was paid to shareholders in the amount of HRK 9,689 thousand.

26. Equity (continued)

Regulatory capital

In accordance with legal requirements arising from Directive EU 575/2013, regulatory capital was calculated as at 31 December 2018 and 31 December 2017 as follows:

	31/12/2018	31/12/2017
	HRK`000	HRK`000
Regulatory capital		
Regular basic capital	244,316	244,316
Legal and statutory reserves and retained earnings less		
for the current year	55,536	46,237
Recognized profit or loss	-	-
Deductions: Intangible assets (-)	(23,955)	(25,030)
Unrealized loss from impairment of available-for-sale financial assets	27,038	(6,165)
Adjustments for prudential filters	(778)	-
Total share capital	**302,157**	**259,358**
Supplementary capital		
Subordinated instruments	58,738	75,129
Gross supplementary capital	**58,738**	**75,129**
Deductions	-	-
Total deductions from supplementary capital	-	-
Total supplementary capital (gross supplementary capital less deductions)	**58,738**	**75,129**
Gross regulatory / guarantee capital	**360,895**	**334,487**
Weighted risk assets		
Credit risk weighted exposure	1,962,147	1,753,184
Other weighted assets	248,553	194,645
Total weighted risk assets	**2,210,700**	**1,947,830**
Capital adequacy ratio	**16.32%**	**17.17%**

27. Retained earnings and legal reserves

Retained earnings entail accumulated profits from prior years, less the legal reserves which amount to 5%.
During 2018, under the effect of first-time adoption of IFRS 9, the Bank increased retained earnings for the amount of calculated expected credit losses and reduced retained earnings for unrealized losses in the previous year's equity holding in the investment fund and equity securities whose fair value from 01 January 2018 must be measured and evaluated through the profit and loss account.
In accordance with the local legislation, 5% of the net profit of the Bank is required to be transferred to a non-distributable legal reserve to equal 5% of the share capital of the Bank. The legal reserve, in the amount of up to 5% of the issued share capital, can be used for covering losses from the current and prior years.
On 27 June 2018, the General Assembly decided to allocate the profit realized in 2017 to retained earnings in the amount of HRK 10,038 thousand, legal reserves in the amount of HRK 1,038 thousand, and pay the dividends to shareholders in the amount of HRK 9,689 thousand.

28. Earnings per share

For the purposes of calculating earnings per share, earnings are calculated as the profit (after tax) for the year attributable to equity holders of ordinary shares after deducting amounts relating to preference dividends. For the reconciliation of profit after tax which is distributed to ordinary shareholders please see below:

	2018	2017
Profit for the current year in HRK	26,467,502	20,764,716
The weighted average number of ordinary shares in issue	1,937,753	1,937,753
Earnings per ordinary share in HRK	**13.66**	**10.72**

29. Other provisions and impairment

There are several outstanding legal cases against the Bank. The Bank records provisions in accordance with the decision of the CNB on the provisions for legal disputes outstanding against the Bank in the total amount of HRK 81 thousand as at 31 December 2018 (at 31/12/2017, HRK 229 thousand). Unresolved disputes still pending are not expected to lead to significant losses. On the last day of the year the Bank records reservations for the unused vacations of employees that have been utilized by the end of January of the current year.
Other provisions relate to impairment of expected losses on the Bank's contingent liabilities.

	31/12/2018	31/12/2017
Provisions for legal disputes against the Bank	81	229
Provisions for unused vacations of employees	269	169
Provisions for contingent liabilities	3,257	1,692
Total	**3,607**	**2,090**

Movement in provisions for contingent liabilities

	2018	2017
Balance at 1 January	**2,090**	**1,951**
New provisions (Note 9)	12,596	6,869
Impairment (Note 9)	(11,079)	(6,730)
Balance at 31 December	**3,607**	**2,090**

30. Off-balance sheet contingent liabilities

The total amount of guarantees issued, letters of credit and unused framework loans was as follows:

	31.12.2018.	31.12.2017.
Guarantees issued	165,723	108,723
Letters of credit	-	3,621
Unutilized framework loans	160,863	91,901
Total contingent liabilities	**326,586**	**204,245**

30. Off-balance sheet contingent liabilities (continued)

Movement of off-balance sheet contingent liabilities by Stages during 2018

	Guarantees	Unused loans	Total
Stage 1	143,212	127,392	270,603
Stage 2	19,544	32,916	52,460
Stage 3	2,967	556	3,523
Total off-balance sheet contingent liabilities			**326,586**

Expected loan losses for potential liabilities	Guarantees issued	Unused loans
Stage 1	(475)	(652)
Stage 2	(137)	(1,733)
Stage 3	(87)	(14)
Total	**(699)**	**(2,397)**

31. Custody operations

The Bank manages funds for and on behalf of legal entities and citizens with respect to custodian activities. The related income and expense are charged to the customer, and the Bank does not bear any liabilities.
Net assets and liabilities from operations in the name and on behalf of third parties are as follows:

	31/12/2018	31/12/2017
Assets		
Retail clients	11,437	16,259
Companies	45,783	9,279
Non-residents	436,437	461,567
Financial institutions	18,691	15,082
Total assets	**512,348**	**502,187**
Sources		
Retail clients	11,437	16,259
Companies	45,783	9,279
Non-residents	436,437	461,567
Financial institutions	18,691	15,082
Total sources	**512,348**	**502,187**

32. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with less than 90 days maturity:

	31/12/2018	31/12/2017
Giro account at Croatian National Bank (Note 12)	194,409	201,027
Cash in cashier (Note 12)	72,639	54,628
Total placements with other banks (Note 13)	151,018	90,300
Total cash and cash equivalents	**418,066**	**345,955**

The Bank has significant reserves of primary and secondary liquidity.

33. Reporting per segments

Pursuant to the IFRS 8 requirements, the Bank set the business segments and reports them in line with the internal reporting rules of the Bank's Management Board.

Since the Bank does not distribute general and administrative costs per segments, the segment profitability has not been stated. Furthermore, the Bank does not apply internal transfer prices when determining the successfulness of an individual business segment.

Business segments

The Bank monitors its business operation by the types of services it provides through its main three business segments:

- **Commercial banking** - entails loan-guarantees and deposit operations, card operations, and other transactions with clients who are legal entities
- **Retail banking** - entails loan and deposit operations with individuals, payment transaction services, card operations and distribution channels
- **Treasury** - entails liquidity and foreign exchange risk management operations, transactions with securities and other financial instruments, operations concerning financial institutions' term deposits, and custody of securities

33. Reporting per segments (continued)

Information on individual business segments for the year ended as at 31 December 2018 are given below:

	Commercial banking	Retail banking	Treasury	Other	Total
Net interest income	61,307	9,225	13,352	-	83,884
Net income from fees and commissions	21,321	5,505	(4,190)	-	22,636
Trading and investment income	-	-	14,797	-	14,797
Other income	(1,377)	11,948	(92)	4,590	15,068
Operating income	**81,251**	**26,678**	**23,867**	**4,590**	**136,385**
General and administrative expenses	-	-	-	(68,876)	(68,876)
Depreciation and amortization	-	-	-	(8,482)	(8,482)
Impairment losses of loans to customers and other assets	15,304	6,892	686	-	(22,882)
Other provisions	3,607	-	-	-	(3,607)
Operating expenses	**(18,911)**	**(6,892)**	**(686)**	**(77,358)**	**(103,847)**
Profit before taxation	-	-	-	-	**32,538**
Corporate income tax	-	-	-	-	(6,070)
Annual income	-	-	-	-	**26,468**
Segment asset	1,222,460	550,555	1,542,511	-	3,315,526
Unallocated assets	-	-	-	131,212	131,212
Total assets	**1,222,460**	**550,555**	**1,542,511**	**131,212**	**3,446,738**
Segment liabilities	230,337	1,885,810	884,366	92,868	3,093,380
Unallocated equity and provisions	-	-	-	353,358	353,358
Total equity and liabilities and provisions	**230,337**	**1,885,810**	**884,366**	**446,226**	**3,446,738**

33. Reporting per segments (continued)

Information on individual business segments for the year ended as at 31 December 2017 are given below:

	Commercial banking	Retail banking	Treasury	Other	Total
Net interest income	62,454	5,891	17,267	-	85,612
Net income from fees and commissions	9,287	4,106	5,817	-	19,210
Trading and investment income	-	-	15,054	-	15,054
Other income	278	387	735	4,850	6,250
Operating income	**72,019**	**10,384**	**38,873**	**4,850**	**126,126**
General and administrative expenses	-	-	-	(68,057)	(68,057)
Depreciation and amortization	-	-	-	(7,076)	(7,076)
Impairment losses of loans to customers and other assets	(27,548)	(819)	-	3,108	(25,259)
Provisions for liabilities and costs	-	-	-	(222)	(222)
Operating expenses	**(27,548)**	**(819)**	**-**	**(72,247)**	**(100,614)**
Profit before taxation	**-**	**-**	**-**	**-**	**25,512**
Corporate income tax	-	-	-	(4,747)	(4,747)
Annual income	**-**	**-**	**-**	**-**	**20,765**
Segment asset	1,237,843	538,333	1,467,367	139,651	3,383,194
Total assets	**1,237,843**	**538,333**	**1,467,367**	**139,651**	**3,383,194**
Segment liabilities	308,174	1,942,488	712,085	84,089	3,046,836
Unallocated equity and provisions	-	-	-	336,358	336,358
Total equity and liabilities and provisions	**308,174**	**1,942,488**	**712,085**	**420,447**	**3,383,194**

34. Risk management

This note provides details of the Bank's exposure to risk and describes the methods used by management to control risk. The most significant types of financial risk to which the Bank is exposed are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate risk and debt and equity quoted securities price risk.

The Bank has established an integrated system of risk management by introducing a set of policies and procedures and establishing the limits of risk levels acceptable to the Bank. The methodology and models for managing operational risk have been developed.

a) Credit risk

The Bank takes on exposure to credit risk which is the risk upon that the counterparty will be unable to pay amounts in full when due.

The Bank structures the levels of the credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

In order to manage the level of credit risk, the Bank regularly assesses borrowers' creditworthiness and, in order to reduce credit risk, obtains collateral instruments.

It specifically monitors credit risk exposure in relation to the limits established in relation to the Bank's recognized capital.

By analyzing the creditworthiness of borrowers, the Bank identifies potential risk clients in a timely manner and structured and targeted management of the business relationship with the clients in order to maximize the performance of the receivables.

In accordance with the legal provisions governing the internal control system, when approving loans the Bank has established decision-making levels governed by the principle that when the loan approval decision is not made by the Bank's Management Board and the amount of client exposure exceeds the internally specified amounts of client exposure, at least two persons should participate, whereby the person with the sales function makes a decision which is approved by the person in charge of the risk control function.

Also, prior to making a decision in case when the client's exposure exceeds certain internally established exposure amounts, the draft decision of the sales function is subject to a review by the risk control function.

In addition the Bank monitors and analyses the structure and quality of its loan portfolio through different indicators pointing to the improvement or deterioration in asset quality of the Bank, thus enabling the Bank a better credit risk management as well as timely actions in order to reduce credit risk. Also, the Bank monitors and analyses the degree of concentration of loans by sector and the largest client exposures using the HHI index methodology.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Lending obligations represent recall obligations. Irrevocable liabilities exist on the basis of unused portions of the loan or approved overdrafts, since they arise on the basis of the terms set out in the loan agreements.

34. Risk management (continued)

a) Credit risk (continued)

Guarantees and standby letters of credit represent irrevocable assurance that the Bank will make payments in the event that customer cannot meet its obligations to third parties and carry the same credit risks as loans were given. Documentary and commercial letters of credit are written undertakings on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions. Letters of credit are secured by collateral in the form of goods to which they relate, in which regard they represent a significantly lower risk of immediate lending.

The Bank manages credit risk in accordance with the adopted policies and procedures and with the regulatory requirements of the Croatian National Bank.

When determining whether the risk of non-fulfillment of financial liability obligations has increased significantly with respect to initial recognition, the Bank takes into account both quantitative and qualitative information and analyzes. Criteria have been defined for determining a significant increase in credit risk for the purpose of proper allocation of income exposures in Stage 1 or Stage 2.

Credit risk has increased considerably from the initial recognition when one of the prescribed criteria has been met.

According to the regulations of the Croatian National Bank, placements are classified into risk groups A and risk groups B and C.

Placements that are not in the status of non-fulfillment of liabilities are allocated to risk group A.

Such placements are arranged by the Bank into risk subgroups:

- A-1 if after the initial recognition the credit risk of a particular borrower's exposure did not increase considerably (Stage 1),
- A-2 if after the initial recognition credit risk of a particular borrower's exposure increased considerably (Stage 2)

Risks Group B and C (Stage 3) allocate placements that are in the status of non-fulfillment of obligations in accordance with the Decision on Classification of Exposure to Risk Groups and the Method of Determining Credit Losses.

Significant efforts in carrying out timely analysis of each individual relationship have been made in the monitoring of the credit quality in order to determine the possible "significant deterioration" from the date of initial recognition and the consequent need for classification in Stage 2 and the conditions for the return to Stage 1 of Stage 2.

Criteria for assessing significant increases in credit risk are defined at the appropriate segmentation level and differ depending on the exposure category at the time of occurrence. Therefore, credit risk, as the key and most significant risk in the Bank's portfolio, is marked as a high risk.

b) Liquidity risk

The Bank is exposed to daily calls which it settles through available cash resources, which include overnight deposits, current account funds, maturing deposits and loan drawdowns.

34. Risk management (continued)

b) Liquidity risk (continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates. Liquidity requirements to support guarantee payments and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement.

The Bank carries out its liquidity risk management through a gap analysis in which the maturity of assets and liabilities are divided into several time categories and differences are observed in certain time categories in order to timely harmonize its assets and liabilities. Furthermore, the Bank monitors and analyses the movement of the liquidity coverage ratio in terms of legislation and established internal limits. In the event that the liquidity coverage ratio falls below the internally prescribed limits, the Risk Control Department shall inform the Assets and Liabilities Commission as well as the Bank's Management Board in order to take measures.

The total outstanding contractual amount of commitments to extend credit at the balance sheet date does not necessarily represent future cash flows, since many of these commitments will expire or be terminated without being funded.

Liquidity risk is presented in the maturity analysis of assets and liabilities as at 31 December 2018 and 31 December 2017.

c) Interest rate risk

The Bank is exposed to various risks associated with the effect of changes in market interest rates on its financial position and cash flows. The interest rate gap table summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

The Bank carries out the control and analysis of interest rate risk exposure via a standard interest rate shock, a methodology prescribed by by-laws and according to which the interest rate risk in the banking book is viewed as a change in the value of banking book in relation to its regulatory capital and the influence of the interest rate risk in the banking book on the net interest income. In addition to legal limits, the Bank prescribed internal limits that are monitored by the Risk Control Department and in case they are exceeded, it notifies the Assets and Liabilities Commission as well as the Management Board of the Bank.

34. Risk management (continued)

d) Foreign exchange risk

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank sets limits on the level of exposure by currency and in total for both overnight and intra-day positions.

In addition to monitoring currency risk and open foreign currency position on a daily basis, in accordance with the by-laws, the Bank monitors and analyses the impact of the currency risk on the basis of stress tests under certain conditions. Monitoring with the use of the VAR indicators methodology is in preparation.

Foreign currency balance sheet and foreign exchange risk table summarizes the Bank's exposure to foreign currency exchange rate risk at 31 December 2018 and 31 December 2017. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by domestic currency and foreign currency.

e) Market risk

The majority of available-for-sale instruments are subject to market risk, the risk that future changes in market conditions may impair the value of the instrument. The instruments are recognized at fair value, and all changes in market conditions directly affect net trading income. The Bank manages its use of trading instruments in response to changing market conditions.

The limits are defined following the needs and strategy of the Bank and in accordance with the senior management risk policy provisions.

The exposure to market risk is formally managed in accordance with the risk limits approved by the senior management and revised at least annually. The exposure figures and limit utilization are delivered to the Treasury Division on a daily basis. In addition, limit control is performed by the Risk Control Department as a second level of control, which in the case of exceeding certain limits of market risk notifies the Management Board.

f) Equity price risk

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments and other derivative instruments.

The primary exposure to equity prices arises from the Bank's holding of equity instruments available for sale. The Bank does not actively trade in equity securities.

34. Risk management (continued)

a) Credit risk

Total credit risk exposure - balance sheet and off-balance-sheet

This overview shows the Bank's maximum exposure to credit risk, not taking into account the collateral. Considering the balance and off-balance sheet, the exposure stated below was based on the gross carrying amount of individual placement and current value of the estimated cash flows.

As at 31 December 2018	Gross placements	Impairment allowance	Net placements
A. Balance sheet exposure			
Cash and balances with Croatian National Bank (Note 12)	368,440	133	368,306
Placements with other banks (Note 13)	154,405	87	154,318
Debt securities at amortized cost (Note 16)	34,997	14,277	20,720
Financial assets at fair value through other comprehensive income (Note 17)	778,382	556	777,826
Loans to customers (Note 15)	**2,081,558**	**201,156**	**1,880,402**
- Stage 1 and Stage 2 (fully recoverable)	1,576,715	20,499	1,556,216
- Stage 3 (partially recoverable and fully irrecoverable)	504,843	180,657	324,186
Total balance sheet exposure	**3,417,782**	**216,210**	**3,201,573**
B. Off-balance sheet exposure			
Customers	**326,586**	**3,257**	**323,329**
- Stage 1 and Stage 2 (fully recoverable)	323,064	3,097	319,967
- Stage 3 (partially recoverable and fully irrecoverable)	3,523	160	3,363
Total off-balance-sheet exposure	**326,586**	**3,257**	**323,329**
TOTAL EXPOSURE (A+B)	**3,744,369**	**219,467**	**3,524,902**

Risk management (continued)

a) Credit risk (continued)

Total credit risk exposure - balance sheet and off-balance-sheet (continued)

At 31 December 2017	Gross placements	Individually based impairment allowance	Collectively based impairment allowance	Net placements
A. Balance sheet exposure				
Cash and balances with Croatian National Bank (Note 12)	377,613	-	3,776	373,837
Placements with other banks (Note 13)	93,796	-	940	92,856
Available-for-sale financial assets (Note 17)	911,516	-	-	911,516
Held-to-maturity financial assets (Note 15)	12,315	-	-	12,315
Loans to customers (Note 15)	40,532	11,284	74	29,174
- fully recoverable	1,957,146	165,561	15,408	1,776,176
- partially recoverable	1,547,012	-	15,408	1,531,604
- fully irrecoverable	319,123	74,550	-	244,572
Other financial assets (Note 15)	91,011	91,011	-	-
Total balance sheet exposure	**3,409,700**	**180,746**	**20,381**	**3,208,573**
B. Off-balance sheet exposure				
Customers	204,244	56	2,035	202,153
- fully recoverable	203,519	-	2,035	201,484
- partially recoverable	677	8	-	669
- fully irrecoverable	48	48	-	-
Total off-balance-sheet exposure	**204,244**	**56**	**2,035**	**202,153**
TOTAL EXPOSURE (A+B)	**3,613,944**	**180,802**	**22,417**	**3,410,726**

34. Risk management (continued)

The transition of the expected total credit losses during 2018 is presented in the following table:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January 2018	**4,235**	**8,814**	**162,954**	**-**	**176,002**
Transfers:					
From Stage 1 to Stage 2	(564)	2,318	-	-	1,753
From Stage 1 to Stage 3	(55)	-	1,726	-	1,671
From Stage 2 to Stage 1	1,308	(3,284)	-	-	(1,976)
From Stage 2 to Stage 3	-	(3,796)	9,659	-	5,863
From Stage 3 to Stage 1	4	-	(147)	-	(143)
From Stage 3 to Stage 2	-	69	(134)	-	(64)
Changes in PD/LGD/EAD	(614)	1,952	-	-	1,339
Placements in the status of non-fulfillment of contractual obligations	-	-	-	1,048	1,048
Created financial assets	3,042	10,681	10,920	-	24,643
Unrecovered amount during the year	-	-	9,331	-	9,331
Balance at 31 December 2018	**7,356**	**16,754**	**195,357**	**1,048**	**219,467**

Changes in the principal of partially recoverable and completely unenforceable loans

	2017.	
	Partly recoverable loans	**Fully irrecoverable loans**
Balance at 1 January	**262,804**	**81,750**
Transfer from fully recoverable loans	113,364	637
Transfer from fully irrecoverable loans	232	-
Transfer from partially recoverable loans	-	29,684
Transfer to fully recoverable loans	(1,019)	(71)
Transfer to fully irrecoverable loans	(29,684)	-
Transfer to partially recoverable loans	-	(232)
Payment	(26,685)	(2,581)
Write-offs	-	(18,079)
Other Increases	2,843	599
Other reductions	(2,731)	(697)
Balance at 31 December	**319,123**	**91,011**

34. Risk management (continued)

a) Credit risk (continued)

Uncollected past due receivables

Uncollected past due receivables include gross receivables based on the maturity of both due and not due principal, on an individual basis, including due but uncollected interest and other income related to the principle. Other past due receivables include uncollected interest not past due and receivables written off whose collection is still in progress. The total amount of individual placement is allocated to the maturity class of the oldest uncollected receivable, relating to either principal or the interest. The financial statements do not include the impairment of loans and other receivables.

As at 31 December 2018	Past due up to 30 days	Past due from 31 to 90 days	Past due from 91 to 180 days	Past due from 181 to 365 days	Past due from 1 to 2 years	Past due from 2 to 3 years	Past due over 3 years
Financial assets at amortized cost							
a) Loans to customers	872,957	18,964	38,420	35,459	14,544	73,220	115,418
b) Receivables based on income and other receivables	5,032	295	910	460	379	830	8,554
c) Debt securities at amortized cost	-	-	-	-	32,706	-	-
Total uncollected past due receivables	**877,990**	**19,259**	**39,330**	**35,920**	**47,628**	**74,050**	**123,972**

At 31 December 2017	Past due up to 30 days	Past due from 31 to 90 days	Past due from 91 to 180 days	Past due from 181 to 365 days	Past due from 1 to 2 years	Past due from 2 to 3 years	Past due over 3 years
Loans to customers	560,323	49,782	16,849	3,447	76,423	64,571	137,584
Held-to-maturity financial assets	-	-	-	33,129	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-
Other past due receivables	4,237	745	332	192	824	402	16,774
Total uncollected past due receivables	**564,560**	**50,527**	**17,180**	**36,768**	**77,247**	**64,973**	**154,357**

34. Risk management (continued)

a) Credit risk (continued)

Placements secured by collateral

As at 31 December 2018	Deposit	Housing mortgages	Commercial mortgages	Other instruments	No collateral
A. Balance sheet exposure					
Cash and balances with Croatian National Bank	-	-	-	-	368,306
Placements with other banks	-	-	-	-	154,318
Loans to and receivables from customers	197,755	385,915	764,359	532,372	-
Debt securities at amortized cost	-	-	20,720	-	-
Total balance sheet exposure	**197,755**	**385,915**	**785,079**	**532,372**	**522,624**
B. Off-balance sheet exposure					
Guarantees	11	337	97	164,799	-
Letters of credit	-	-	-	-	-
Unused lines of credit	-	-	-	158,085	-
Total off-balance-sheet exposure	**11**	**337**	**97**	**164,799**	-
Total exposure (A+B)	**197,766**	**386,252**	**785,177**	**855,256**	**522,624**

At 31 December 2017	Deposit	Housing mortgages	Commercial mortgages	Other instruments	No collateral
A. Balance sheet exposure					
Cash and balances with Croatian National Bank	-	-	-	-	377,613
Placements with other banks	-	-	-	-	93,796
Loans to and receivables from customers	401,053	415,089	739,613	401,392	-
Held-to-maturity financial assets	-	-	-	40,532	-
Other assets	-	-	-	16,783	-
Total balance sheet exposure	**401,053**	**415,089**	**739,613**	**458,707**	**471,408**
B. Off-balance sheet exposure					
Guarantees	31,369	17,835	46,635	108,335	-
Letters of credit	-	70	-	-	-
Unused lines of credit	-	-	-	-	-
Total off-balance-sheet exposure	**31,369**	**17,906**	**46,635**	**108,334**	-
Total exposure (A+B)	**432,422**	**432,994**	**786,248**	**567,041**	**471,408**

34. Risk management (continued)

Provisions ratio in loans to customers

	At 31/12/2018		At 31/12/2017	
	Loans to customers (%)	Allowances ratio in loans (%)	Loans to customers (%)	Allowances ratio in loans (%)
Stage 1 and 2 (fully recoverable)	75.75	1.3	78.98	1.00
Stage 3 (partially recoverable)	19.75	21.2	16.36	23.36
Stage 3 (fully irrecoverable)	4.50	100.00	4.66	100.00
Total	**100.00**		**100.00**	

b) Liquidity risk

The amount of the total assets and liabilities was analyzed according to the most conservative assumption of the remaining maturity from the balance sheet date to the contractual maturity, and we show undiscounted cash flows while the Bank manages the liquidity risk based on the expected undiscounted cash inflows.

As at 31 2018	0-30 days	1-3 months	3-12 months	1 - 2 years	2 - 3 years	Over 3 years	Total
Assets							
Cash and balances with Croatian National Bank	320,467	13,333	53,346	21,291	8,624	23,886	440,945
Placements with other banks	154,318	-	-	-	-	-	154,318
Loans to ane receivables from customers	365,527	58,667	225,638	301,313	199,302	1,093,711	2,244,158
Debt securities at amortized cost	18,446	-	2,274	-	-	-	20,720
Financial assets at fair value through other comprehensive income	-	77,853	18,275	23,161	139,148	519,389	777,826
Total assets	**858,757**	**149,853**	**299,532**	**345,765**	**347,074**	**1,636,986**	**3,637,967**
Liabilities							
Deposits from customers	742,090	186,910	747,232	303,152	126,440	328,174	2,433,999
Borrowings	181,742	45,248	181,040	72,254	29,268	81,061	590,613
Subordinated instruments	-	-	-	-	-	101,694	101,694
Total liabilities	**946,349**	**238,162**	**928,272**	**375,406**	**155,708**	**510,929**	**3,154,827**
Maturity gap	**(87,592)**	**(88,309)**	**(628,740)**	**(29,641)**	**191,366**	**1,126,056**	**483,140**

34. Risk management (continued)

b) Liquidity risk (continued)

At 31 December 2017	0-30 days	1-3 months	3-12 months	1 - 2 years	2 - 3 years	Over 3 years	Total
Assets							
Cash and balances with the Croatian National Bank	267,310	19,360	89,364	22,848	24,705	4,879	428,465
Placements with other banks	89,395	3,461	-	-	-	-	92,856
Loans to customers	226,905	62,539	288,942	253,136	422,441	846,824	2,100,788
Held-to-maturity financial assets	21,845	1,959	5,370	-	-	-	29,174
Available-for-sale financial assets	-	-	18,292	92,407	28,693	772,124	911,516
Total assets	**605,455**	**87,319**	**401,968**	**368,391**	**475,839**	**1,623,827**	**3,562,800**
Liabilities							
Deposits from customers	605,499	212,641	980,323	266,334	275,989	58,130	2,398,916
Borrowings	208,739	-	5,575	593	189,397	195,547	599,851
Subordinated instruments	-	-	-	-	-	106,627	106,627
Total liabilities	**814,238**	**212,641**	**985,898**	**266,927**	**465,386**	**360,304**	**3,105,394**
Maturity gap	**(208,784)**	**(125,322)**	**(583,930)**	**101,464**	**10,453**	**1,263,524**	**457,406**

34. Risk management (continued)

c) Interest rate risk

The following table is the Management Board's estimate of the interest rate risk for the Bank at 31 December 2018 and 31 December 2017. The table provides some indication of the sensitivity of the Bank's earnings to movements in interest rates. Earnings will also be affected by the currency of the assets and liabilities.

As at 31 December 2018	0-30 days	1-3 months	3-12 months	1-3 years	Over 3 years	Interest-free	Total
Assets							
Cash and balances with Croatian National Bank	368,306	-	-	-	-	72,639	440,945
Placements with other banks	154,318	-	-	-	-	-	154,318
Loans to and receivables from customers	1,846,067	13,174	21,161	-	-	-	1,880,402
Debt securities at amortized cost	777,826	-	-	-	-	-	777,826
Financial assets at fair value through other comprehensive income	-	-	-	-	-	41,315	41,315
Non-trading financial assets that are measured at fair value through profit or loss	20,720	-	-	-	-	-	20,720
Of which assets at a fixed interest rate	*1,607,927*						*1,607,927*
Total assets	**3,167,237**	**13,174**	**21,161**	**-**	**-**	**113,954**	**3,315,526**
Liabilities							
Deposits from banks	-	-	-	-	-	-	-
Deposits from customers	2,386,563	-	-	-	-	-	2,386,563
Borrowings	590,613	-	-	-	-	-	590,613
Subordinated instruments	-	-	-	-	84,076	-	84,076
Of which liabilities at the fixed interest rate	*1,928,894*				*82,000*		*2,010,894*
Total liabilities	**2,977,176**	**-**	**-**	**-**	**84,076**	**-**	**3,061,252**

34. Risk management (continued)

c) Interest rate risk (continued)

As at 31 December 2017	0-30 days	1-3 months	3-12 months	1-3 years	Over 3 years	Interest free	Total
Assets							
Cash and balances with Croatian National Bank	373,837	-	-	-	-	54,628	428,465
Placements with other banks	92,856	-	-	-	-	-	92,856
Financial assets at fair value through profit or loss	-	-	-	-	-	12,315	12,315
Loans to customers	1,776,176	-	-	-	-	-	1,776,176
Available-for-sale financial assets	854,411	-	-	-	-	57,105	911,516
Held-to-maturity financial assets	29,174	-	-	-	-	-	29,174
Of which assets at the fixed interest rate	*1,647,835*						*1,647,835*
Total assets	**3,126,454**	**-**	**-**	**-**	**-**	**124,048**	**3,250,502**
Liabilities							
Deposits from banks	-	-	-	-	-	-	-
Deposits from customers	2,342,729	-	-	-	-	-	2,342,729
Borrowings	599,851	-	-	-	-	-	599,851
Subordinated bonds	-	-	-	-	84,089	-	84,089
Of which liabilities at the fixed interest rate	*1,821,332*				*82,000*		*1,903,332*
Total liabilities	**2,942,580**	**-**	**-**	**-**	**84,089**	**-**	**3,026,669**

The concentration of assets as well as multiple coverage of current liabilities suggests resistance to possible shocks from the environment as well as the possibility of recalibration of the portfolio maturity during sudden yield curve changes.

34. Risk management (continued)

c) Interest rate risk (continued)

The table below shows the sensitivity of interest-bearing assets and liabilities on changes in interest rates. For the calculation of the interest rate sensitivity on the income statement, the Bank used the assumption of an interest rate increase by 1% except for cash and balances at the Croatian National Bank and other assets. If the interest rates would have decreased by the same percentage, the result would have been interest income in the same amount.

	Assumed interest rate growth	Effect on the income statement for 2018	Effect on the income statement for 2017
Assets			
Cash and balances with Croatian National Bank	%	-	-
Deposits given	1.00%	1,544	929
Loans and receivables	1.00%	20,531	17,862
Other assets	1.00%	9,672	9,490
Liabilities			
Liabilities arising from deposits	1.00%	23,587	23,427
Borrowings	1.00%	5,881	5,999
Other liabilities	-%		
Impact on net interest income		**2,279**	**(1,145)**

34. Risk management (continued)

d) Foreign exchange risk

As at 31 December 2018, the Bank had the following foreign exchange position:

	EUR	USD	Other foreign currencies	Total foreign currencies	HRK	Total
Assets						
Cash and balances with Croatian National Bank	42,118	2,657	1,038	45,813	395,132	440,945
Placements with other banks	123,950	5,194	6,460	135,604	18,714	154,318
Non-trading financial assets that are measured at fair value through profit or loss	27,391	-	-	27,391	13,924	41,315
Financial assets at fair value through other comprehensive income	243,463	73,256	-	316,719	461,107	777,826
Loans to and receivables from customers	1,229,252	15,725	-	1,244,977	635,425	1,880,402
Debt securities at amortized cost	18,446	-	-	18,446	2,274	20,720
Total assets	**1,684,620**	**96,832**	**7,498**	**1,788,950**	**1,526,576**	**3,315,526**
Liabilities						
Deposits from customers	1,431,170	-	19,752	1,450,922	935,641	2,386,563
Borrowings	232,845	-	-	232,845	357,768	590,613
Subordinated instruments	-	-	-	-	84,076	84,076
Total liabilities	**1,664,015**	**-**	**19,752**	**1,683,767**	**1,377,485**	**3,061,252**
Net foreign exchange position	**20,605**	**96,832**	**(12,254)**	**105,183**	**149,091**	**254,274**
Contingent liabilities and commitments	52,860	-	-	52,860	273,726	326,586

34. Risk management (continued)

d) Foreign exchange risk (continued)

As at 31 December 2017, the Bank had the following foreign exchange position:

	EUR	USD	Other foreign currencies	Total foreign currencies	HRK	Total
Assets						
Cash and balances with the Croatian National Bank	96,524	1,142	1,454	99,120	329,345	428,465
Placements with other banks	66,354	4,692	21,810	92,856	-	92,856
Assets at fair value through P&L	-	-	-	-	12,315	12,315
Loans to customers	1,188,701	590	-	1,189,291	586,885	1,776,176
Held-to-maturity investments	21,845	-	-	21,845	7,329	29,174
Available-for-sale investments	336,951	73,046	-	409,997	501,519	911,516
Total assets	**1,710,375**	**79,470**	**23,264**	**1,813,109**	**1,437,393**	**3,250,502**
Liabilities						
Deposits from customers	1,664,302	79,123	22,496	1,765,921	576,808	2,342,729
Borrowings	230,897	-	-	230,897	368,954	599,851
Subordinated instruments	-	-	-	-	84,089	84,089
Total liabilities	**1,895,199**	**79,123**	**22,496**	**1,996,818**	**1,029,851**	**3,026,669**
Net foreign exchange position	**(184,824)**	**347**	**768**	**(183,709)**	**407,542**	**223,833**
Contingent liabilities and commitments	12,688	-	-	-	191,557	204,245

34. Risk management (continued)

d) Foreign exchange risk (continued)

The table below presents the sensitivity of the Bank's net assets and profit or loss to fluctuations in the CNB's middle exchange rate. If the same assumed percentage would have been applied to the decrease in the middle exchange rate of the CNB, the impact on profit or loss by individual currency on a net basis would have been equal and opposite, that is, the total impact on all currencies would have been charged to 2017. The result of the exchange rate changes is reflected in the income statement as foreign exchange gains or losses.

As at 31 December 2018	Assumed increase in CNB's middle exchange rate	Effect on the income statement	Effect on the income statement	Effect on the income statement
		Assets	Liabilities	Net
EUR	0.15%	2,529	3,554	(1,025)
USD	0.82%	772	1,674	(902)
Other foreign currencies		182	365	(183)

Currency as at 31 December 2017	Assumed increase in CNB's middle exchange rate	Effect on the income statement	Effect on the income statement	Effect on the income statement
		Assets	Liabilities	Net
EUR	0.17%	2,904	4,019	(1,115)
USD	0.97%	769	1,626	(857)
Other foreign currencies		227	549	(321)

35. Fair values of financial assets and liabilities

The fair value is the price which would be achieved through the sale of an asset item or paid for the transfer of a liability in a regular transaction among market participants on the measurement date. This price is sometimes mentioned as the exit price.

Financial assets at fair value through profit or loss and available-for-sale financial assets are measured at fair value at the end of every reporting period. The Bank categorizes fair values by levels in line with the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Input which can be indirectly or directly monitored are the data collected through the use of market data, such as publicly available information on current events or transactions which reflect the assumptions which the market participants would use for certain assets and liabilities valuation.

Input which cannot be monitored is data for which there is no data available in the market, i.e. data gathered through the use of best available information the market participant would use for certain assets and liabilities valuation. The fair value of assets and liabilities is entirely measured in one out of three levels based on the lowest entry level relevant for certain assets or liabilities being evaluated.

The following table provides information on the way for determining the fair value, i.e. financial assets valuation methods measured at fair value.

Financial assets at fair value through profit or loss

Financial assets	31/12/2018	31/12/2017	Fair value hierarchy	Valuation method and input
Equity securities	13,951	12,315	Level 1	Prices available on the active market on the last trading day of the month in which the valuation is carried out
Equity securities	27,364	-	Level 3	Equity securities are not quoted on the market and their fair value can not be reliably determined and valued at the cost of acquisition or at a fixed price by the fund-managed company

35. Fair values of financial assets and liabilities (continued)

Financial assets at fair value through other comprehensive income

Financial assets	31/12/2018	31/12/2017	Fair value hierarchy	Valuation method and input
Debt securities (bonds)	695,083	776,099	Level 1	Prices available on the active market
Debt securities (treasury bills and commercial papers)	82,743	83,674	Level 2	At amortized cost, by applying the real yield method
Equity securities	-	10,154	Level 1	Prices available on the active market
Equity securities	-	34,636	Level 3	Equity securities are not listed on the market and their fair value cannot be determined with certainty, and are valued at cost or price established by the Fund Management Company.

The Bank reclassified a part of the financial assets from Level 1 to Level 2 ((treasury bills and commercial papers), as well as from Level 1 to Level 3 (shares, business shares and investment fund shares), due to more transparent representation of valuation methods and used input, in line with the standard.

Loans

The fair value of loans is calculated based on discounted expected future principal and interest cash flows. Loan repayments are assumed to occur at contractual repayment dates, where applicable. For loans that do not have fixed repayment dates repayments are estimated based on experience from previous periods when interest rates were at levels similar to current levels, adjusted for any differences in interest rate expectation. Expected future cash flows are estimated considering credit risk and any indication of impairment. Expected future cash flows for homogeneous categories of loans, such as residential mortgage loans, are estimated on a portfolio basis and discounted at current rates offered for similar loans to new borrowers with similar credit profiles. The estimated fair values of loans reflect changes in credit status since the loans were originated and changes in interest rates in the case of fixed rate loans. As the Bank has a very limited portfolio of loans with fixed rates and longer-term maturity, the fair value of loans is not significantly different from their carrying value.

35. Fair value of financial assets and liabilities (continued)

Deposits from banks and customers

For a vista deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the balance sheet date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The length of the relationship with depositors is not taken into account in estimating the fair value. As most of the Bank's deposits are given at a variable rate, there is no significant difference between the fair value of these deposits and their carrying amount.

Borrowings

As most of the Bank's long-term borrowings carry a variable interest rate, there is no significant difference between their carrying and fair value.

36. Related party transactions

Related parties are parties able to control the other party or parties which significantly affect the other party when making financial or business decisions.

Transactions and outstanding balances among related parties within a group are published in the subject's financial statement.

Pursuant to the definition of IAS 24 and IFRS 10, a group consists of a parent company and subsidiary.

Since a parent company does not exist, the Company may not publish the name of the parent company or the ultimate entity with control over the Company, i.e. there are no transactions which could be considered intra-group transactions.

Transactions with related parties are reported based on the Resolution of the Croatian National Bank of 21 April 2015. The Bank carried out all measures prescribed by the regulator within the prescribed deadlines.

The table below shows transactions with related parties and the Bank's Management Board:

	Management Board		Affiliates	
Type of transaction	**2018**	**2017**	**2018**	**2017**
Given loans				
Status of loans given at 1 January	**407**	**754**	**245,443**	**217,056**
Increases	481	433	497,505	82,354
Loan repayments	(623)	(780)	(524,652)	(53,967)
Status of loans given at 31 December	**265**	**407**	**218,296**	**245,443**
Interest income	11	17	8,523	8,028
Deposits and loans received				
Status of deposits and loans received at 1 January	**2**	**54**	**101,987**	**178,564**
New deposits received	189	119	278,151	177,927
Deposits returned	(139)	(171)	(263,448)	(254,504)
Status of deposits and loans received at 31 December	**52**	**2**	**116,690**	**101,987**
Interest expenses	1	1	3,710	3,115
Fee and other income	4	8	10,449	11,515
Fee and other expenses	1	1	14,257	14,734
Paid salaries cost	(787)	(760)	-	-
Total income	**15**	**25**	**18,972**	**19,543**
Total expenses	**2**	**2**	**17,967**	**17,849**
Paid dividends				
Fees and other receivables	**5**	**5**	**1,540**	**1,611**
Interest and fees receivables	4	1	834	850
Other receivables	1	4	706	761
Liabilities	**-**	**-**	**7,610**	**5,793**
Interest liabilities	-	-	1,403	1,147
Trade payables	-	-	2,774	2,497
Liabilities for credit card operations	-	-	3,433	2,149
Off-balance sheet contingent items	**59**	**52**	**10,495**	**4,842**
Guarantees issued	-	-	8,081	2,838
Lines of credit	59	52	2,414	2,004

In the period from 1 January to 31 December 2018, remunerations to the Supervisory Board were paid in the amount of HRK 317 thousand (in 2017, HRK 316 thousand).

37. Commitments for operating lease of vehicles and equipment

As at 31 December 2018, the Bank has 20 operating lease agreements for vehicles (in 2017, 3 lease agreements). Annual commitments under operating leases are as follows:

	31/12/2018	31/12/2017
Within 1 year	457	51
From 2 to 5 years	1,262	91
	1,719	**142**

All lease agreements are in fact operating leases for official vehicles, for which customers - employees of the bank account for wages in kind.

38. Commitments for business premises lease

As at 31 December 2018, the Bank 19 lease agreements for business premises (on 31 December 2017, 19 lease agreements). Contracted annual lease liabilities for business premises are as follows:

	31/12/2018	31/12/2017
Within 1 year	7,660	7,756
From 2 to 5 years	30,640	31,024
From 5 to 10 years	38,300	38,780
	76,600	**77,560**

39. Auditor's fees

Auditors of the Bank's annual financial statements provided services in the amount of HRK 213 thousand in 2018 (2017 amounted to HRK 213 thousand). These services included revision of the annual financial statements, audits for the needs of the CNB and HANFA.

40. Events after the balance sheet day

After the balance sheet date, there were no material changes the Bank should report in this section.

41. Approval of financial statements

These financial statements were approved by the Management Board on 30 April 2019.

Signed on behalf of the Management Board:

President of the Management Board

Boris Zadro

Agram Banka
1
AGRAM BANKA d.d.

Member of the Management Board

Nataša Jakić Felić

Izvještaj o financijskom položaju (Bilanca)
stanje na dan 31.12.2018.

Obrazac BAN-BIL

Obveznik: _____; AGRAM BANKA D.D.

Naziv pozicije	AOP oznaka	Rbr. bilješke	Prethodna godina (neto)	Tekuća godina (neto)
1	2	3	4	5
Imovina				
1. Novčana sredstva, novčana potraživanja od središnjih banaka i ostali depoziti po viđenju (AOP 002 do 004)	001		521.322.778	595.263.145
1.1. Novac u blagajni	002		54.628.397	72.638.835
1.2. Novčana potraživanja od središnjih banaka	003		373.836.383	368.306.352
1.3. Ostali depoziti po viđenju	004		92.857.998	154.317.958
2. Financijska imovina koja se drži radi trgovanja (AOP 006 do 009)	005		0	0
2.1. Izvedenice	006		0	0
2.2. Vlasnički instrumenti	007		0	0
2.3. Dužnički vrijednosni papiri	008		0	0
2.4. Krediti i predujmovi	009		0	0
3. Financijska imovina kojom se ne trguje koja se obvezno mjeri po fer vrijednosti kroz dobit ili gubitak (AOP 011 do 013)	010		12.314.709	41.314.715
3.1. Vlasnički instrumenti	011		12.314.709	41.314.715
3.2. Dužnički vrijednosni papiri	012		0	0
3.3. Krediti i predujmovi	013		0	0
4. Financijska imovina po fer vrijednosti kroz dobit ili gubitak(AOP 015 + 016)	014		0	0
4.2. Dužnički vrijednosni papiri	015		0	0
4.3. Krediti i predujmovi	016		0	0
5. Financijska imovina po fer vrijednosti kroz ostalu sveobuhvatnu dobit (AOP 018 do 020)	017		911.515.898	777.826.215
5.1. Vlasnički instrumenti	018		44.789.934	0
5.1. Dužnički vrijednosni papiri	019		866.725.964	777.826.215
5.2. Krediti i predujmovi	020		0	0
6. Financijska imovina po amortiziranom trošku (AOP 022+023)	021		1.811.426.708	1.901.122.136
6.1. Dužnički vrijednosni papiri	022		29.173.754	20.720.115
6.2. Krediti i predujmovi	023		1.782.252.954	1.880.402.021
7. Izvedenice – računovodstvo zaštite	024		0	0
8. Promjene fer vrijednosti zaštićenih stavki u zaštiti portfelja od kamatnog rizika	025		0	0
9. Ulaganja u društva kćeri, zajedničke pothvate i pridružena društva	026		0	0
10. Materijalna imovina	027		79.166.781	81.092.457
11. Nematerijalna imovina	028		25.030.486	23.955.651
12. Porezna imovina	029		7.879.971	11.177.235
13. Ostala imovina	030		8.705.090	8.111.305
14. Dugotrajna imovina i grupe za otuđenje klasificirane kao namijenjene za prodaju	031		5.830.996	6.875.297
15. UKUPNA IMOVINA (AOP 001 + 005 + 010 + 014 + 017 + 021 + 024 do 031)	032		3.383.193.417	3.446.738.156
Obveze				
16. Financijske obveze koje se drže radi trgovanja (AOP 034 do 038)	033		0	0
16.1. Izvedenice	034		0	0
16.2. Kratke pozicije	035		0	0
16.3. Depoziti	036		0	0
16.4. Izdani dužnički vrijednosni papiri	037		0	0
16.5. Ostale financijske obveze	038		0	0
17. Financijske obveze po fer vrijednosti kroz dobit ili gubitak (AOP 040 do 042)	039		0	0
17.1. Depoziti	040		0	0
17.2. Izdani dužnički vrijednosni papiri	041		0	0
17.3. Ostale financijske obveze	042		0	0
18. Financijske obveze mjerene po amortiziranom trošku (AOP 044 do 046)	043		3.026.690.431	3.061.274.064
18.1. Depoziti	044		2.942.579.080	2.977.176.192
18.2. Izdani dužnički vrijednosni papiri	045		84.089.315	84.075.836
18.3. Ostale financijske obveze	046		22.036	22.036
19. Izvedenice – računovodstvo zaštite	047		0	0
20. Promjene fer vrijednosti zaštićenih stavki kod zaštite portfelja od kamatnog rizika	048		0	0
21. Rezervacije	049		2.318.580	3.607.151
22. Porezne obveze	050		4.841.392	11.116.545
23. Temeljni kapital koji se vraća na zahtjev	051		0	0
24. Ostale obveze	052		12.985.141	17.382.790
25. Obveze uključene u grupe za otuđenje klasificirane kao namijenjene za prodaju	053		0	0
26. UKUPNE OBVEZE (AOP 033 + 039 + 043 + 047 do 053)	054		3.046.835.544	3.093.380.550
Kapital				
27. Temeljni kapital	055		193.775.300	193.775.300
28. Premija na dionice	056		50.540.542	50.540.542
29. Izdani vlasnički instrumenti osim kapitala	057		0	0
30. Ostali vlasnički instrumenti	058		0	0
31. Akumulirana ostala sveobuhvatna dobit	059		25.040.925	27.038.398
32. Zadržana dobit	060		31.786.567	40.047.688
33. Revalorizacijske rezerve	061		0	0
34. Ostale rezerve	062		14.449.823	15.488.059
35. Trezorske dionice	063		0	0
36. Dobit ili gubitak koji pripadaju vlasnicima matičnog društva	064		20.764.716	26.467.619
37. Dividende tijekom poslovne godine	065		0	0
38. Manjinski udjeli (nekontrolirajući udjeli)	066		0	0
39. UKUPNO KAPITAL(AOP 055 do 066)	067		336.357.873	353.357.606
40. UKUPNO OBVEZE I KAPITAL (AOP 054+067)	068		3.383.193.417	3.446.738.156

Račun dobiti i gubitka
za razdoblje 01.01.2018. do 31.12.2018.

Obrazac BAN-RDG

Obveznik: _____; AGRAM BANKA D.D.

Naziv pozicije	AOP oznaka	Rbr. bilješke	Prethodna godina	Tekuća godina
1	2	3	4	5
1. Kamatni prihodi	069		129.277.946	127.624.071
2. Kamatni rashodi	070		49.448.131	33.475.276
3. Rashodi od temeljnoga kapitala koji se vraća na zahtjev	071		0	0
4. Prihodi od dividende	072		3.300	165.000
5. Prihodi od naknada i provizija	073		27.449.430	30.154.668
6. Rashodi od naknada i provizija	074		8.239.055	7.519.166
7. Dobici ili gubici po prestanku priznavanja financijske imovine i financijskih obveza koje nisu mjerene po fer vrijednosti kroz dobit ili gubitak, neto	075		7.167.824	7.544.364
8. Dobici ili gubici po financijskoj imovini i financijskim obvezama koje se drže radi trgovanja, neto	076		7.848.988	8.153.438
9. Dobici ili gubici po financijskoj imovini kojom se ne trguje koja se mjeri po fer vrijednosti kroz dobit ili gubitak, neto	077		0	0
10. Dobici ili gubici po financijskoj imovini i financijskim obvezama po fer vrijednosti kroz dobit ili gubitak, neto	078		30.036	-905.580
11. Dobici ili gubici od računovodstva zaštite, neto	079		0	0
12. Tečajne razlike (dobit ili gubitak), neto	080		930.812	877.778
13. Dobici ili gubici po prestanku priznavanja nefinancijske imovine, neto	081		0	0
14. Ostali prihodi iz poslovanja	082		5.453.547	4.221.600
15. Ostali rashodi iz poslovanja	083		2.324.277	8.015.358
16. UKUPNI PRIHODI IZ POSLOVANJA, NETO (AOP 069 - 070 - 071 + 072 + 073 - 074 + 075 do 082 - 083)	084		118.150.420	128.825.539
17. Administrativni rashodi	085		60.264.688	60.857.103
18. Amortizacija	086		7.261.829	8.482.464
19. Dobici ili gubici zbog promjena, neto	087		0	0
20. Rezervacije ili ukidanje rezervacija	088		-3.425.253	3.613.055
21. Umanjenje vrijednosti ili ukidanje umanjenja vrijednosti financijske imovine koja nije mjerena po fer vrijednosti kroz dobit ili gubitak	089		28.350.645	23.300.972
22. Umanjenje vrijednosti ili ukidanje umanjenja vrijednosti ulaganja u društva kćeri, zajedničke pothvate i pridružena društva	090		0	0
23. Umanjenje vrijednosti ili ukidanje umanjenja vrijednosti nefinancijske imovine	091		186.145	34.000
24. Negativan goodwill priznat u dobiti ili gubitku	092		0	0
25. Udjel dobiti ili gubitka od ulaganja u društva kćeri, zajedničke pothvate i pridružena društva obračunatih metodom udjela	093		0	0
26. Dobit ili gubitak od dugotrajne imovine i grupe za otuđenje klasificirane kao namijenjene za prodaju koje nisu kvalificirane kao poslovanje koje se neće nastaviti	094		0	0
27. DOBIT ILI GUBITAK PRIJE OPOREZIVANJA IZ POSLOVANJA KOJE ĆE SE NASTAVITI (AOP 084 - 085 - 086 + 087 - 088 do 091+ 092 do 094)	095		25.512.366	32.537.945
28. Porezni rashodi ili prihodi povezani s dobiti ili gubitkom iz poslovanja koje će se nastaviti	096		4.747.650	6.070.327
29. DOBIT ILI GUBITAK NAKON OPOREZIVANJA IZ POSLOVANJA KOJE ĆE SE NASTAVITI (AOP 095 - 096)	097		20.764.716	26.467.618
30. Dobit ili gubitak nakon oporezivanja iz poslovanja koje se neće nastaviti (AOP 099 - 100)	098		0	0
30.1. Dobit ili gubitak prije oporezivanja iz poslovanja koje se neće nastaviti	099		0	0
30.2. Porezni rashodi ili prihodi povezani s poslovanjem koje se neće nastaviti	100		0	0
31. DOBIT ILI GUBITAK TEKUĆE GODINE (AOP 097 + 098; 102 + 103)	101		20.764.716	26.467.618
32. Pripada manjinskom udjelu (nekontrolirajući udjeli)	102		0	
33. Pripada vlasnicima matičnog društva	103		0	

IZVJEŠTAJ O OSTALOJ SVEOBUHVATNOJ DOBITI				
1. Dobit ili gubitak tekuće godine (AOP 101)	**104**		20.764.716	26.467.619
2. Ostala sveobuhvatna dobit (AOP 106 + 118)	**105**		13.704.888	1.997.977
2.1. Stavke koje neće biti reklasificirane u dobit ili gubitak (AOP 107 do 113 + 116 + 117)	**106**		0	0
2.1.1. Materijalna imovina	**107**		0	0
2.1.2. Nematerijalna imovina	**108**		0	0
2.1.3. Aktuarski dobici ili gubici na mirovinskim planovima pod pokroviteljstvom poslodavca	**109**		0	0
2.1.4. Dugotrajna imovina i grupe za otuđenje namijenjene za prodaju	**110**		0	0
2.1.5. Udjel ostalih priznatih prihoda i rashoda od subjekata koji se obračunava metodom udjela	**111**		0	0
2.1.6. Promjene fer vrijednosti vlasničkih instrumenata mjerenih po fer vrijednosti kroz ostalu sveobuhvatnu dobit	**112**		0	0
2.1.7. Dobici ili gubici od računovodastva zaštite vlasničkih instrumenata mjerenih po fer vrijednosti kroz ostalu sveobuhvatnu dobit, neto	**113**		0	0
2.1.8. Promjene fer vrijednosti vlasničkih instrumenata mjerenih po fer vrijednosti kroz ostalu sveobuhvatnu dobit (zaštićena stavka)	**114**		0	0
2.1.9. Promjene fer vrijednosti vlasničkih instrumenata mjerenih po fer vrijednosti kroz ostalu sveobuhvatnu dobit (instrument zaštite)	**115**		0	0
2.1.10. Promjene fer vrijednosti financijskih obveza mjerenih po fer vrijednosti kroz dobit ili gubitak koje se pripisuju promjenama u kreditnom riziku	**116**		0	0
2.1.11. Porez na dobit koji se odnosi na stavke koje neće biti reklasificirane	**117**		0	0
2.2. Stavke koje je moguće reklasificirati u dobit ili gubitak (AOP 119 do 126)	**118**		13.704.888	1.997.977
2.2.1 Zaštita neto ulaganja u inozemno poslovanje (efektivni udjel)	**119**		0	0
2.2.2. Preračunavanje stranih valuta	**120**		0	0
2.2.3. Zaštite novčanih tokova (efektivni udjel)	**121**		0	0
2.2.4. Instrumenti zaštite od rizika (elementi koji nisu određeni)	**122**		0	0
2.2.5. Dužnički instrumenti po fer vrijednosti kroz ostalu sveobuhvatnu dobit	**123**		13.704.888	1.997.977
2.2.6. Dugotrajna imovina i grupe za otuđenje namijenjene za prodaju	**124**		0	0
2.2.7. Udjel ostalih priznatih prihoda i rashoda od ulaganja u društva kćeri, zajedničke pothvate i pridružena društva	**125**		0	0
2.2.8. Porez na dobit koji se odnosi na stavke koje je moguće reklasificirati u dobit ili gubitak	**126**		0	0
3. Ukupna sveobuhvatna dobit tekuće godine (AOP 104 + 105 i AOP 128 + 129)	**127**		34.469.604	28.465.596
4. Pripada manjinskom udjelu (nekontrolirajući udjel)	**128**		0	0
5. Pripada vlasnicima matičnog društva	**129**		0	0

IZVJEŠTAJ O NOVČANIM TOKOVIMA - Indirektna metoda

u razdoblju 01.01.2018. do 31.12.2018.

Obrazac BAN-NTI

Obveznik: _____; AGRAM BANKA D.D.

Naziv pozicije	AOP oznaka	Rbr. bilješke	Prethodna godina	Tekuća godina
1	2	3	4	5
Poslovne aktivnosti i usklađenja				
1. Dobit / gubitak prije oporezivanja	001		25.512.366	32.537.946
2. Umanjenja vrijednosti i rezerviranja	002		25.111.537	26.488.801
3. Amortizacija	003		7.261.829	8.482.464
4. Neto nerealizirana dobit/gubitak od financijske imovine i obveza po fer vrijednosti kroz RDG	004		37.349	-905.580
5. Dobit/gubitak od prodaje materijalne imovine	005		282.171	370.261
6. Ostale nenovčane stavke	006		-26.971.322	-41.999.199
Promjene u imovini i obvezama iz poslovnih aktivnosti				
7. Sredstva kod HNB-a	007		29.442.919	87.236.078
8. Depoziti kod financijskih institucija i krediti financijskim institucijama	008		-98.417	-742.257
9. Krediti i predujmovi ostalim komitentima	009		25.495.069	-98.149.067
10. Vrijednosni papiri i drugi financijski instrumenti po fer vrijednosti kroz ostalu sveobuhvatnu dobit	010		-70.558.696	133.689.683
11. Vrijednosni papiri i drugi financijski instrumenti koji se drže radi trgovanja	011		0	
12. Vrijednosni papiri i drugi financijski instrumenti kojima se aktivno ne trguje, a vrednuju se prema fer vrijednosti kroz RDG	012		-37.349	-29.000.006
13. Vrijednosni papiri i drugi financijski instrumenti koji se obvezno vode po fer vrijednosti kroz račun dobiti i gubitka	013		0	0
14. Vrijednosni papiri i drugi financijski instrumenti koji se vode po amortiziranom trošku	014		91.626.126	8.453.639
15. Ostala imovina iz poslovnih aktivnosti	015		5.403.566	490.461
Povećanje/smanjenje poslovnih obveza				
16.Depoziti od financijskih institucija	016		0	24.792.797
17. Transakcijski računi ostalih komitenata	017		-51.880.231	61.021.997
18. Štedni depoziti ostalih komitenata	018		0	25.821.463
19. Oročeni depoziti ostalih komitenata	019		-245.854.967	-68.321.000
20. Izvedene financijske obveze i ostale obveze kojima se trguje	020		0	0
21. Ostale obveze	021		-3.265.496	29.139.723
22. Neplaćene kamate iz poslovnih aktivnosti	022		0	365.699
23. Primljene dividende iz poslovnih aktivnosti	023		3.300	0
24. Plaćene kamate iz poslovnih aktivnosti	024		0	-9.690.454
25. Plaćeni porez na dobit	025		-5.657.257	-4.238.241
A) Neto novčani tokovi iz poslovnih aktivnosti (AOP 001 do 025)	026		-194.147.503	185.845.208
Ulagačke aktivnosti				
1. Primici od prodaje / plaćanja za kupnju/ materijalne i nematerijalne imovine	027		-4.129.160	-9.703.566
2. Primici od prodaje / plaćanja za kupnju/ ulaganja u društva kćeri, zajedničke pothvate i pridružena društva	028		0	0
3. Primici od naplate / plaćanja za kupnju/ vrijednosnih papira i drugih financijskih instrumenata iz ulagačkih aktivnosti	029		0	0
4. Primljene dividende iz ulagačkih aktivnosti	030		0	165.000
5. Ostali primici / plaćanja/ iz ulagačkih aktivnosti	031		0	0
B) Neto novčani tokovi iz ulagačkih aktivnosti (AOP 027 do 031)	032		-4.129.160	-9.538.566
Financijske aktivnosti				
1. Neto povećanje / smanjenje/ primljenih kredita iz financijskih aktivnosti	033		114.710.447	-7.061.453
2. Neto povećanje / smanjenje/ izdanih dužničkih vrijednosnih papira	034		0	0
3. Neto povećanje/smanjenje instrumenata dopunskoga kapitala	035		0	0
4. Povećanje dioničkoga kapitala	036		0	0
5. Isplaćena dividenda	037		-6.007.035	-9.688.765
6. Ostali primici / plaćanja iz financijskih aktivnosti	038		0	0
C) Neto novčani tokovi iz financijskih aktivnosti (AOP 033 do 038)	039		108.703.412	-16.750.218
D) Neto povećanje / smanjenje novca i novčanih ekvivalenata (AOP 026+032+039)	040		-89.573.251	159.556.424
Novac i novčani ekvivalenti na početku godine	041		346.273.549	257.631.110
Učinak promjene tečaja stranih valuta na novac i novčane ekvivalente	042		930.812	877.765
Novac i novčani ekvivalenti na kraju godine (AOP 040+041+042)	043		257.631.110	418.065.299

PROMJENE KAPITALA

za razdoblje od 01.01.2018. do 31.12.2018.

Obrazac BAN-PK

Obrazac BAN-PK

Obveznik: _____; AGRAM BANKA D.D.

Opis pozicije	AOP oznaka	Rbr. bilješke	Raspodjeljivo imateljima kapitala matice											Manjinski udjel		Ukupno
			Kapital	Premija na dionice	Izdani vlasnički instrumenti osim kapitala	Ostali vlasnički udjeli	Akumulirane ostale sveobuhvatne dobiti	Zadržane dobiti	Revalorizacijske rezerve	Ostale rezerve	Trezorske dionice	Dobit / gubitak koji pripada vlasnicima matičnog društva	Dividende tijekom poslovne godine	Akumulirane ostale sveobuhvatne dobiti	Ostale stavke	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17 (4 do 16)
1. Početno stanje (prije prepravljanja)	01		193.775.300	50.540.542	0	0	25.040.925	31.786.567	0	14.449.823	0	20.764.716	0	0	0	336.357.873
2. Učinak ispravaka pogrešaka	02															0
3. Učinci promjena računovodstvenih politika	03															0
4. Početno stanje (tekuće razdoblje) (AOP 01 do 03)	04		193.775.300	50.540.542	0	0	25.040.925	31.786.567	0	14.449.823	0	20.764.716	0	0	0	336.357.873
5. Izdavanje redovnih dionica	05															0
6. Izdavanje povlaštenih dionica	06															0
7. Izdavanje ostalih vlasničkih instrumenata	07															0
8. Izvršavanje ili istek ostalih izdanih vlasničkih instrumenata	08															0
9. Pretvaranje dugovanja u vlasničke instrumente	09															0
10. Redukcija kapitala	10															0
11. Dividende	11							-9.688.765								-9.688.765
12. Kupnja trezorskih dionica	12															0
13. Prodaja ili poništenje trezorskih dionica	13															0
14. Reklasifikacija financijskih instrumenata iz vlasničkih instrumenata u obveze	14															0
15. Reklasifikacija financijskih instrumenata iz obveza u vlasničke instrumente	15															0
16. Prijenosi između komponenata vlasničkih instrumenata	16							19.726.480		1.038.236		-20.764.716				0
17. Povećanje ili smanjenje vlasničkih instrumenata kao posljedica poslovnih kombinacija	17															0
18. Plaćanja temeljena na dionicama	18															0
19. Ostalo povećanje ili smanjenje vlasničkih instrumenata	19							-1.776.594								-1.776.594
20. Ukupna sveobuhvatna dobit tekuće godine	20						1.997.473					26.467.619				28.465.092
21. Završna (tekuće razdoblje) (AOP 04 do 20)	21		193.775.300	50.540.542	0	0	27.038.398	40.047.688	0	15.488.059	0	26.467.619	0	0	0	353.357.606

Pursuant to Article 164 of the Credit Institutions Act, the Bank is required to disclose the following data:

The registered activity of the Bank is defined in Article 4 of the Bank's current by-law:

- receiving deposits or other repayable funds from the public and approving loans from those amounts, on its account,
- receiving deposits or other repayable funds,
- approving credits and loans, including consumer credits and loans, and mortgage credits and loans, if it is allowed pursuant to the special act, and financing commercial operations, excluding export financing based on discounted repayment and forfeiting,
- factoring,
- leasing,
- issuing guarantees,
- trading for its own or client's purposes:
    - money market instruments,
    - transferable securities,
    - transactions in foreign currencies, including foreign exchange operations,
    - financial futures and options,
    - foreign exchange and interest instruments,
- payment services in line with the relevant laws,
- services connected to credit operations, such as collecting data, analysis and providing information on the creditworthiness of legal entities and natural persons, which perform their activities independently,
- issuing other payment instruments and their management if the provision of such services is not considered the provision of payment services in line with the relevant law,
- rental of safes,
- mediation in arranging commercial transactions in the money market,
- custody of financial instruments and custody-related services in line with the Capital Market Act,
- investment and ancillary services and activities stipulated in the Capital Market Act, in particular:
    - reception and transmission of orders in relation to one or more financial instruments,
    - safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management,
    - granting credits or loans to an investor to allow him/her/it to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction,
- insurance policies sales operations in line with insurance regulations.

The Bank performs its operations through a business network of branch offices and local offices:

- Branch office Zagreb, Ulica grada Vukovara 74
- Branch office Zagreb, Koledinečka 1
- Branch office Zagreb, Marijana Čavića 1.
- Branch office Jastrebarsko, Šetalište braće Kazića 2
- Branch office Velika Gorica, Slavka Kolara 17 A
- Branch office Karlovac, Prilaz Većeslava Holjevca 2A
- Branch office Kutina, Školska ulica 11
- Branch office Sisak, Frane Lovrića 17A
- Branch office Zaprešić, Mihovila Krušlina 14
- Branch office Varaždin, Zagrebačka 63
- Branch office Split, Varaždinska 54
- Branch office Split, Matice Hrvatske 1
- Branch office Split, Domovinskog rata 60
- Branch office Sinj, Splitska 1
- Branch office Makarska, Obala kralja Tomislava 15A
- Branch office Zadar, Obala kneza Branimira 5
- Branch office Rijeka, Riva 8
- Branch office Poreč, Ulica Alda Negria 3
- Branch office Osijek, Vukovarska cesta 31
- Branch office Osijek, Hrvatske Republike 12
- Branch office Slavonski Brod, Petra Svačića 1A
- Branch office Vinkovci, Ulica bana Jelačića 3
- Branch office Dubrovnik, Dr. Ante Starčevića 20
- Branch office Opuzen, Tisno bb

The total income of Agram Banka d.d. in 2018 amount to HRK 178,741 thousand.

The number of full-time employees amounts to 176.

The gross income for the business year 2018 amounts to HRK 32,538 thousand, the current liabilities for the income tax amount to HRK 6,070 thousand, and the effect of deferred tax amount to HRK 2,078 thousand.

Agram Banka d.d. has no subsidiaries in EU member states or in third countries, i.e. its activity is performed solely in the territory of the Republic of Croatia.

Reconciliation of financial statements and supplementary statements for the Croatian National Bank
on 31 December 2018

IZVJEŠTAJ O FINANCIJSKOM POLOŽAJU NA DAN 31.12.2018. GODINE

Godišnji financijski izvještaj	u tis kn	GFI BAN	u tis kn	Razlika	Obrazloženje
IMOVINA		**IMOVINA**			
Gotovina	72.639	Novac u blagajni	72.639	-	
Depoziti kod HNB-a	368.306	Novčana potraživanja od središnjih banaka	368.306	-	
Depoziti kod bankarskih institucija	154.318	Ostali depoziti po viđenju	154.318	-	
Imovina kojom se ne trguje, a koja se obavezno mjeri po fer vrijednosti kroz račun dobiti i gubitka	41.315	Imovina kojom se ne trguje, a koja se obavezno mjeri po fer vrijednosti kroz račun dobiti i gubitka	41.315	-	
Financijska imovina po fer vrijednosti kroz ostalu sveobuhvatnu dobit	777.826	Financijska imovina po fer vrijednosti kroz ostalu sveobuhvatnu dobit	777.826	-	
Zajmovi i potraživanja klijenata	1.880.402	Krediti i predujmovi klijentima po amortiziranom trošku	1.880.402	-	
Dužnički vrijednosni papiri po amortiziranom trošku	20.720	Dužnički vrijednosni papiri po amortiziranom trošku	20.720	-	
Materijalna imovina	59.641	Materijalna imovina	81.092	-	U GFI BANu pozicia materijalne imovine uključuje i Ulaganja u nekretnine, dok je u godišnjem izvješću
Ulaganja u nekretnine	21.451	Nematerijalna imovina	23.956	-	
Nematerijalna imovina	23.956	Porezna imovina	11.177	-	
		Ostala imovina	8.112		U GFI BANu su zasebno prikazane pozicije porezne, ostale i dugotrajne imovine namijenjene za prodaju, dok u godišnjem izvješću je to prikazano u jednoj poziciji ostale imovine
Ostala imovina	26.164	Dugotrajna imovina i grupe za otuđenje klasificirane kao namijenjene za prodaju	6.875		
UKUPNO IMOVINA	**3.446.738**	**UKUPNO IMOVINA**	**3.446.738**	-	
OBVEZE					
		Financijske obveze mjerene po amortiziranom trošku		-	U GFI BANu pod poozicijom Depoziti uključeni su sva deponirana sredstva kao i primljeni krediti, dok u godišnjem izvještaju te pozicije su prikazane odvojeno
Depoziti klijenata	2.386.563	Depoziti	2.977.176		
Uzeti zajmovi	590.613				
Izdani podređeni instrumenti	84.076	Izdani dužnički vrijednosni papiri	84.076	-	
Rezerviranja	3.607	Rezervacije	3.607	-	
		Ostale financijske obveze	22		U GFI BANu su zasebno prikazane pozicije porezne obveze, ostale financijske i ostale obveze,dok u godišnjem izvješću je to prikazano u jednoj poziciji
		Porezne obveze	11.116	-	
Ostale obveze	28.521	Ostale obveze	17.383		
UKUPNO OBVEZE	**3.093.380**	**UKUPNO OBVEZE**	**3.093.380**	-	
DIONIČKA GLAVNICA					
Dionički kapital	193.775	Temeljni kapital	193.775	-	
Kapitalna dobit	50.541	Premija na dionice	50.541	-	
Nerealizirani dobitak od financijske imovine mjerene kroz ostalu sveobuhvatnu dobit	27.038	Akumulirana ostala sveobuhvatna dobit	27.038	-	
Zadržana dobit	40.048	Zadržana dobit	40.048	-	
Zakonske pričuve	15.488	Ostale rezerve	15.488	-	
Dobit/(gubitak) tekuće godine	26.468	Dobit ili gubitak koji pripadaju vlasnicima	26.468	-	
UKUPNO DIONIČKA GLAVNICA	**353.358**	**UKUPNO KAPITAL**	**353.358**	-	
UKUPNO OBVEZE I DIONIČKA GLAVNICA	**3.446.738**	**UKUPNO OBVEZE I KAPITAL**	**3.446.738**	-	

RAČUN DOBITI I GUBITKA ZA RAZDOBLJE OD 01.01.2018. - 31.12.2018. GODINE

Godišnji financijski izvještaj	u tisućama kuna	GFI - BAN	u tisućama kuna	Razlika	Obrazloženje
Kamatni prihodi	118.197	Kamatni prihodi	127.624		U godišnjem izvješću prihodi od zateznih kamata prikazuju se unutar pozicije Ostali prihodi, dok u GFI BANu su zatezne kamate prikazane unutar pozicije Kamatnih prihoda
Kamatni rashodi	(33.475)	Kamatni rashodi	(33.475)	(9.427)	
Neto prihodi od kamata					
		Prihodi od dividendi	165	(165)	U godišnjem izvješću pozicija je unutar ostalih prihoda
Prihodi od naknada i provizija	30.155	Prihodi od provizija i naknada	30.155		
Rashodi od naknada i provizija	(7.519)	Troškovi provizija i naknada	(7.519)	-	
Neto prihodi od naknada i provizija					
Neto dobit od trgovanja stranim valutama	8.153	Dobit/gubitak od financijske imovine koje se drže radi trgovanja	8.153	-	
Dobitak po prestanku priznavanja financijske imovine koje nisu mjerene po fer vrijednosti kroz rdg	7544	Dobit / gubitak po prestanku priznavanja financijske imovine/obveza koje nisu mjerene po fer vrijednosti kroz rdg, neto	7.544	-	
Dobici/(gubici) od financijske imovine kojom se ne trguje, a koja se obavezno mjeri kroz rdg	-906	Dobici/(gubici) od financijske imovine po fer vrijednosti kroz rdg	(906)	-	
Dobitak ili gubitak od obračunatih tečajnih razlika	878	Tečajne razlike (dobit ili gubitak), neto	878	-	
Ostali prihodi	13.358	Ostali prihodi iz poslovanja	4.222	9.136	U godišnjem izvješću prikazane zatezne kamate i prihodi od dividendi unutar Ostalih prihoda
Neto prihodi iz redovitog poslovanja	**136.385**				
		Ostali rashodi iz poslovanja	(8.015)		
Troškovi poslovanja	(77.358)				
Troškovi umanjenja vrijednosti i rezerviranja	(26.489)	Adiminstrativni rashodi	(60.858)	(3)	
		Amortizacija	(8.482)		
		Rezervacije ili ukidanje rezervacija	(3.613)		
		Umanjenje vrijednosti ili ukidanje umanjenja vrijednosti financijske imovine koja nije mjerena po fer vrijednosti kroz rdg	(23.301)	459	
		Umanjenje vrijednosti nefinancijske imovine	(34)		
Dobit prije oporezivanja	**32.538**	**Dobit prije oporezivanja**	**32.538**		
Porez na dobit	(6.070)		(6.070)	-	
Neto dobit za godinu	**26.468**		**26.468**		
IZVJEŠTAJ O OSTALOJ SVEOBUHVATNOJ DOBITI					
Stavke koje je moguće reklasificirati u dobit ili gubitak					
Financijska imovina mjerena po fer vrijednosti kroz ostalu sveobuhvatnu dobit	1997		1997	-	
Ukupna sveobuhvatna dobit tekuće godine	**28.465**		**28.465**		

Napomena: Za potrebe ove usporedbe neto rashodi/troškovi u GFI - BAN-u prikazani su sa negativnim predznakom.

Reconciliation of financial statements and supplementary statements for the Croatian National Bank
on 31 December 2018

IZVJEŠTAJ O NOVČANOM TIJEKU za razdoblje od 01.01.2018. - 31.12.2018. godine	Godišnje financijsko izvješće	GFI BAN	Razlika	Obrazloženje
POSLOVNE AKTIVNOSTI				**UKUPNO STAVKE KOJE NE UTJEČU NA NOVAC**
Novčani tijek iz poslovnih aktivnosti prije promjena poslovne imovine	**(39.849)**	**24.974**		
Dobit / gubitak prije oporezivanja	32.538	32.538	-	
Amortizacija	8.482	8.482	-	
Umanjenja vrijednosti i rezerviranja za gubitke		26.489	-	
Otpuštanje rezervacija	26.489			Razlike se odnose na različitu metodologiju u prikazu stavaka unutar pozicija poslovnih aktivnosti i usklađenja za stavke koje su navedene u GFI BANu, a u godišnjem izvješću su unutar ostalih pozicija povećanja/smanjenja poslovne imovine
Neto nerealizirana dobt/gubtak od financijske imovine po fer vrijednosti kroz rdg		(906)	906	
Dobit / gubitak od prodaje materijalne imovine		370	370	
Neto prihodi od kamata	(84.722)			
Neto prihodi od naknada i provizija	(22.636)			
Ostale nenovčane stavke	-	(41.999)	41.999	
Neto novčani tijek korišten u poslovnim aktivnostima	**219.278**	**101.978**	**(117.300)**	
Smanjenje/ (povećanje) potraživanja od HNB-a	100.804			
(Povećanje)/smanjenje potraživanja od drugih banaka	(61.462)			Razlike se odnose na različitu metodologiju u prikazu stavaka GFI BANa koji ne prikazuje razlike u novcu i novčanim ekvivalentima, nego se isti prikazuju unutar poslovnih aktivnosti prije poslovnih promjena
Sredstva kod HNB-a		87.236	(47.151)	
Depoziti kod bankarskih institucija i krediti financijskim institucijama		(743)		
(Povećanje)/smanjenje zajmova i predujmova klijentima	(104.226)			U GFI BANu nisu bile iskazane kamate unutar zajmova i potraživanja u prethodnom razdoblju, dok u Godišnjem izvješću su prikazane uz stavku Zajmova i potraživanja i u prethodnom razdoblju
Krediti i predujmovi ostalim komitentima		(98.149)	(6.077)	
Povećanje / (smanjenje) depozita klijenata	43.834			U GFI BANu ova pozicija se iskazuje unutar Povećanje/smanjenje poslovnih obveza i razdvaja se po vrstama računa
Smanjenje/ (povećanje) dužničkih vrijednosnih papira	133.690	133.690	-	
Povećanje vlasničkih vrijednosnih papira	(29.000)	(29.000)	-	
Smanjenje mjenica	8.454	8.454	-	
Plaćene kamate	(9.690)			
Naplaćene kamate	120.295			
Primljena dividenda	165		126.738	U GFI BANu ova pozicija se iskazuje unutar Povećanje/smanjenje poslovnih obveza
Plaćene naknade i provizije	(7.519)			
Naplaćene naknade i provizije	23.487			
Ostala imovina		490		U GFI BANu se plaćeni porez na dobit oduzima u ukupnoj promijeni pozicije Ostale imovine, te se plaćeni porez na dobit iskazuje unutar ostalih obveza
Smanjenje ostale imovine	2.425		1.935	
Povećanje/(smanjenje) ostalih obveza	2.259			U GFI BANu ova pozicija se iskazuje unutar Povećanje/smanjenje poslovnih obveza
Isplaćeni predujmovi poreza na dobit	(4.238)		(1.979)	U GFI BANu pozicija prikazana unutar poslovnih obveza
Povećanje/smanjenje poslovnih obveza	**-**	**58.893**	**(58.893)**	
Depoziti od financijskih institucija		24.793		
Transakcijski računi ostalih komitenata		61.022		
Štedni depoziti		25.821		
Oročeni depoziti		(68.321)		U GFI BANu je posebna pozicija Povećanje/smanjenje poslovnihobveza, dok je u godišnjem izvješću sve navedeno pod Poslovnim aktivnostima
Ostale obveze		29.140		
Neplaćene kamate		366		
Plaćene kamate		(9.690)		
Plaćeni porez na dobit		(4.238)		
Neto novčani tijek iz investicijskih / ulagačkih aktivnosti	**(945)**	**(9.538)**		
Izdaci za materijalnu i nematerijalnu imovinu i ulaganja u nekretnine	(945)	(9.703)	8.758	U GFI BANu je stavka umanjena za amortizaciju i dobiti od prodaje imovine prikazana unutar poslovnih usklađenja prije poslovnih aktivnosti
Primljene dividende		165	(165)	U godšnjem izvješću primljene dividende su iskazane unutar pozicija poslovnih aktivnosti
FINANCIJSKE AKTIVNOSTI				
Neto novčani tijek iz financijskih aktivnosti	**(18.927)**	**(16.750)**		
Neto povećanje / smanjenje/ primljenih kredita	(9.238)	(7.061)	(2.177)	U GFI BANu stavka nije uključivala obračunate kamate u prethodnom razdoblju koje su bile prikazane unutar ostalih obveza, dok u godišnjem izvješću one su bile prikazane i u prethodnom razdoblju
Isplaćena dividenda	(9.689)	(9.689)		
Neto povećanje / smanjenje gotovine i ekvivalenata gotovine	**159.557**	**159.557**		
Učinci promjene tečaja stranih valuta na gotovinu i ekvivalente gotovine	878	878		
Gotovina i ekvivalenti gotovine na početku godine	**257.631**	**257.631**		
Gotovina i ekvivalenti gotovine na kraju godine	**418.066**	**418.066**		

IZVJEŠTAJ O PROMJENAMA KAPITALA 01.01.2018. - 31.12.2018. U HRK

Opis pozicije	AOP oznaka	Raspodjeljivo imateljima kapitala matice											Manjinski udjel			Ukupno
		Kapital	Premija na dionice	Izdani vlasnički instrumenti osim kapitala	Ostali vlasnički udjeli	Akumulirane ostale sveobuhvatne dobiti	Zadržane dobiti	Revalorizacijske rezerve	Ostale rezerve	Trezorske dionice	Dobit / gubitak koji pripada vlasnicima matičnog društva	Dividende tijekom poslovne godine	Akumulirane ostale sveobuhvatne dobiti	Ostale stavke	
1. Početno stanje (prije prepravljanja)	1	193.775.300	50.540.542	0	0	25.040.925	31.786.567	0	14.449.823	0	20.764.716	0	0	0	336.357.873
2. Učinak ispravaka pogrešaka	2														0
3. Učinci promjena računovodstvenih politika	3														0
4. Početno stanje (tekuće razdoblje) (AOP 01 do 03)	4	193.775.300	50.540.542	0	0	25.040.925	31.786.567	0	14.449.823	0	20.764.716	0	0	0	336.357.873
5. Izdavanje redovnih dionica	5														0
6. Izdavanje povlaštenih dionica	6														0
7. Izdavanje ostalih vlasničkih instrumenata	7														0
8. Izvršavanje ili istek ostalih izdanih vlasničkih instrumenata	8														0
9. Pretvaranje dugovanja u vlasničke instrumente	9														0
10. Redukcija kapitala	10														0
11. Dividende	11						-9.688.765								-9.688.765
12. Kupnja trezorskih dionica	12														0
13. Prodaja ili poništenje trezorskih dionica	13														0
14. Reklasifikacija financijskih instrumenata iz vlasničkih instrumenata u obveze	14														0
15. Reklasifikacija financijskih instrumenata iz obveza u vlasničke instrumente	15														0
16. Prijenosi između komponenata vlasničkih instrumenata	16						19.726.480		1.038.236		-20.764.716				0
17. Povećanje ili smanjenje vlasničkih instrumenata kao posljedica poslovnih kombinacija	17														0
18. Plaćanja temeljena na dionicama	18														0
19. Ostalo povećanje ili smanjenje vlasničkih instrumenata	19						-1.776.594								-1.776.594
20. Ukupna sveobuhvatna dobit tekuće godine	20					1.997.473					26.467.619				28.465.092
21. Završna (tekuće razdoblje) (AOP 04 do 20)	21	193.775.300	50.540.542	0	0	27.038.398	40.047.688	0	15.488.059	0	26.467.619	0	0	0	353.357.606

U GFI BANu nema posebno iskazanih pozicija za prikaz efekta primjene MSFI 9, nego je stavka netirana unutar reda "Ostala povećanja/smanjenja vlasničkih instrumenata, dok u Godišnjem izvješću ta pozicija je posebno evidentirana, kao i ostale promjene vlasničkih instrumenata