Annual Report 2020

Raiffeisen BANK

Annual Report 2020

Introduction

2020 Business developments

RBI at a glance

Financial Statements

Contacts

Survey of key data

RBA Group – Monetary values in HRK millions

HRK millions	2020	Change	2019	2018
Income statement				
Net interest income	871	(3.01%)	898	873
Net commission income	394	(17.92%)	480	463
Trading profit and other income	937	42.84%	656	468
Administrative expenses	(1,729)	19.65%	(1,445)	(1,233)
Impairment losses	(155)	496.15%	(26)	(221)
Profit before tax	181	(58.29%)	434	328
Profit after tax	127	(69.83%)	421	283
Consolidated profit	127	(69.83%)	421	283
Balance Sheet				
Placements with and loans to other banks	212	(61.73%)	554	1,532
Loans and advances to customers	20,238	1.87%	19,867	17,463
Deposits from banks	267	(77.20%)	1,171	589
Deposits from customers	29,139	9.71%	26,561	26,233
Borrowings	2,834	42.06%	1,995	1,914
Equity	5,006	1.32%	4,941	4,506
Balance-sheet total	40,127	8.91%	36,844	35,165
Regulatory own funds				
Own funds	4,877	10.79%	4,402	4,121
Total capital requirement	1,652	(5.87%)	1,755	1,707
Core capital ratio	22.38%	3.81 PP	18.57%	17.24%
Total capital ratio	23.62%	3.56 pp	20.06%	19.32%
Performance				
Return on equity (ROE) before tax	3.66%	(5.97 pp)	9.63%	7.00%
Cost/income ratio	78.52%	7.48pp	71.04%	68.35%
Earnings per share(HRK)	35	(69.83%)	116	78
Return on assets (ROA) before tax	0.47%	(0.74 pp)	1.21%	0.95%
Provisioning ratio /average loans froma and advances to customers	1.04%	0.88pp	0.16%	1.17%
Resources				
Employees as at reporting date	1,937	(4.06%)	2,019	2,121
Banking outlets on reporting date	63	-	63	66

Introduction

Letter from the Chief Executive Officer

On behalf of the Management Board of Raiffeisenbank Austria d.d., I am pleased to present the key figures from the 2020 Annual Report as audited by KPMG, the international firm of auditors.

Last year, Raiffeisenbank Austria generated profit after tax of HRK 132 million, while the profit at the local Group level was HRK 127 million. The results were realised in economic conditions adversely affected by the COVID-19 epidemic and the reduced population mobility that ensued. The bank and members of the local Group implemented the public health measures and the measures for maintaining financial capacity of customers directly or indirectly affected by the public health measures in due time. In the first wave of the epidemic, we raised the hygiene standards promptly so as to provide maximum protection for the health of clients and our employees. After the measures restricting freedom of movement were imposed, we organized a technology-communications framework and enabled remote work for all employees who are not in direct contact with clients. Activities in the business network were organized in separate shifts with the regular daily break for premises disinfection. Within the framework of the *new normal*, we expected also the second wave of the epidemic, wherein adjustments in the working process were less obvious to our clients.

In addition to the epidemic, last year we survived also two earthquakes – a very strong one in Zagreb in March and a devastating one in Petrinja at the end of the year. After both earthquakes, as a preventive measure, we closed the business premises which were suspected damaged, and organized access to our clients at alternative locations. We opened the premises only after detailed inspection and complete repair of the damage.

Measures restricting freedom of movement and operations of catering services that restrain the epidemic spreading had an adverse impact on the creditworthiness of a significant portion of clients. In line with the regulator's recommendations, we offered and granted moratoria for loan repayment, as well as new liquidity loans to the affected customers, and we allowed loan restructuring to the most vulnerable ones.

Implementation of the public health measures negatively impacted the bank's revenues and expenditures. Demand for loans decreased and propensity to saving rose amid heightened uncertainty. Significant lowering of revenues occurred in service fees. The general drop in volume of residents' transactions resulted from the negative trends in the economy. The most severe fall happened in non-residents in connection to sales plummeting in financial services to tourists.

Operating expenses for the previous year were realized under the pressure of one-off impacts from adjusting business and working processes to changed conditions of working, living and using services. Investments in the digital service offer and realization of financial products and services became critical for business performance in the difficult operating conditions. Enhancing the operating business model in the period prior to the epidemic made the adjustment to the growing customers' interest to use digital channels for accessing financial services easier.
Risk provisions reflect the best value assessment of financial assets. As regards clients affected by the measures for prevention of the epidemic spread, creditworthiness assessment was prolonged to the following year in keeping with

the regulator’s recommendations. However, the general tendency to reduce operating activities was reflected in risk classification for customers who were not significantly impacted by the measures, so, consequently, risk provisions rose.
During the year, the bank increased the availability of products and services through modern distribution channels but maintaining a high security level. Adjustment to the customers’ needs was implemented in compliance with the highest RBI Group standards. Synergistic effects were enabled by transmission of experiences, knowledge and skills within the Group according to the principle of best practice.

New technologies accelerate changes, and innovations in the offer are necessary for preserving the market position. The bank has enhanced the operating model and conducted continuous employee education for the purpose of acquisition of new skills which are required to improve customer satisfaction. Human resources management has developed through an employee advancement and awards system.

Raiffeisenbank Austria retained the position of one of the leading credit institutions in the Croatian market. Together with the local Group, it provides quality access to financial products and services to clients. The sales network includes 63 branches and alternative electronic distribution channels. The branches are enhanced from being places for transaction execution into places for interactive customer communication.

In the corporate segment, the offer has been complemented with credit lines of domestic and international development banks for entrepreneur support during the implementation period of the epidemic prevention and control measures. A tailored offer adjusted to their needs was developed for small- and middle-size entrepreneurs. Retail demand for loans was modified due to the change in the customers’ preferences in the period of uncertainty related to implementation and duration of anti-epidemic measures. The demand for housing loans has been fuelled by the government subsidy program for young families.

The local Group conducted the process of sales integration to the effect of cost optimization. The demand for investment funds’ offer decreased in the initial lockdown period. Public interest in making savings by way of voluntary pension funds increased. As regards savings and deposit products, the attractiveness of the offer was adversely affected by the tendency to lower interest rates in the money markets.

Adjustment of business operations to market conditions and customer requirements is essential for achieving the strategic goals and business plan. Optimal use of resources enhances the service quality and business performance. By engaging the efforts of all employees in the local Group, we continue to develop a comprehensive offer of financial services. I thank the management and all the staff for their dedication to achieving the mentioned goals. Finally, I would like to express my gratitude to all our clients and business partners, hoping to continue our successful co-operation.

Liana Keserić,
President of the Management Board

Report of the Supervisory Board

Ladies and Gentlemen,

The year 2020 was a challenging one for the business operations of Raiffeisenbank Austria d.d. Zagreb. Unforeseeable and sudden changes in the conditions of work and operating determined the activities in the organization of the operating process and customer access to products and services from the offer of the bank and of the connected Group of subsidiary financial institutions. Adaptation of the operating model was accelerated so as to continue the business activities alongside the restrictions of population mobility, the operations of catering business clients, and the change in the customer preference with regard to digital channels for communication and use of financial services. The digitalization process developed new types of financial services and innovative channels for sales and customer communication. The Supervisory Board members focused, alongside the traditional monitoring of business performance compared to plans, also on the implementation of work organization measures in the conditions of the epidemic, adaptation of the operating model, and the processes and results realized in risk management.

In 2020, members of the Supervisory Board held 4 ordinary and 20 extraordinary meetings. The overall attendance rate for Supervisory Board meetings in the financial year 2020 was around 85 percent.

The Supervisory Board monitored business performance and risk development at Raiffeisenbank Austria d.d. Zagreb on a regular and comprehensive basis. Regular discussions were with the Management Board about capital adequacy and liquidity and the direction of the bank's operations and risk strategies. Furthermore, the Supervisory Board addressed developments in the area of corporate governance in detail and monitored the further implementation of appropriate policies. While performing supervisory and advisory activities, the Supervisory Board maintained direct contacts with competent members of the Management Board, the auditor and heads of internal control functions. The Supervisory Board also maintained continuous exchange of information and views on current issues with the representatives of regulators supervising the business of credit institutions

Furthermore, the Management Board regularly delivered detailed financial reports on the relevant issues within particular business areas to the Supervisory Board. Between the meetings, the Supervisory Board made contacts with the president of the Management Board and the members of the Management Board. The Management Board stood at disposal, where necessary, for bilateral or multilateral talks with the Supervisory Board members, and also with experts participating on the issues discussed by the Supervisory Board, where applicable.

The cooperation of the Supervisory Board with the Management was based on mutual trust and it took place in an efficient and constructive atmosphere. Discussions were open and critical, and the Supervisory Board passed its decisions after considering all options. If additional information was required to analyse individual issues in more depth, the Supervisory Board received them without delay and in a satisfactory manner.

In the year 2020, the Supervisory Board discussed the following specific and/or important issues:
- business operations in the conditions of restricted free movement due to the COVID-19 epidemic (lockdown),
- implementation of moratoria on loan repayment for customers threatened by epidemic restriction measures,
- business adjustment to the *new normal* through accelerated process digitalization,
- plan for fulfilment of capital and MREL requirements,
- business strategy in the financial markets and investment banking,
- sales process in connection to Raiffeisen Pension Insurance Company d.d.
- regulator's findings in connection to the company Raiffeisen Leasing d.d. on unilateral change in interest rates,
- customer charges against the bank due to the loans with the currency clause in the Swiss Franc, and
- on the 2021 business focus.

The Supervisory Board executed its duties in an adequate manner as defined under the local regulations and the bank's Articles of Incorporation.

Considering what can truly be described as an unprecedented year due to the challenges arising from the COVID-19 pandemic, I would like to take this opportunity to sincerely thank the Management Board and all employees of Raiffeisenbank Austria d.d. Zagreb on their unwavering efforts, as well as our customers on their continuous trust during these exceptional times.

On behalf of the Supervisory Board,

Andreas Gschwenter,
Chairman of the Supervisory Board

Macroeconomic environment

Economic review

Last year was marked by the pandemic of a new COVID-19 virus, which spread from Asia to the entire world. Responses of public health institutions to the pandemic ranged from the measures of isolating the affected and potentially infected persons, disinfecting of public premises and issuing recommendations to the public to raise the personal hygiene level and reduce physical contact, to complete lockdowns of entire states, regions or districts. The propensity of states to pass measures of complete lockdown was more prominent at the beginning of the infection spread, when the knowledge on the cause of it was meagre, and the tools for assessing the potential threat to the population health undeveloped. In the first wave of the epidemic, in the spring of 2020, the measures of complete lockdown were implemented in most of the EU. At the peak of the first wave, movement of the population was halted completely, and household consumption was reduced to fulfilling the existential needs for goods and services which do not include physical contact.

Restrictions of the offer side resulted in, until then, unrecorded extent of reduction in economic activity, which was the bigger, the extent of an individual economy's dependence on service offer was greater. Therefore, the summer improvement in the epidemiological situation was used to ease the measures and open the services offering while abiding by the protection measures, which allowed Croatia to decrease the ratio of fall in the economy. In the shortened tourism season, somewhat over 50% of overnight stays and tourism revenues were realized compared to the year before, and recovery was recorded in other business activities as well. Worsening of the epidemiological situation at the end of the summer stopped the initiated recovery. Real fall in the economy in the third quarter placed Croatia at the bottom of the European scale again and reminded us of the fragile economic structure. As expected, the fall was headed by export of services and personal consumption, whereas annual reduction in investments slowed down significantly, impacted by the flywheel in the construction sector. Alongside the technology sector and agriculture, this sector contributed to the gross added value increase.

Optimism for a fast recovery of the economy after the pandemic ends was stirred up by talks on the adoption of a financial recovery aid package on the European Union level – the New Generation EU i.e. the Recovery and Resilience Facility. The purpose of the new instrument is to enhance repair of the immediate economic and social damage brought about by the pandemic and to make it more resilient to the future crises. This Facility places nearly EUR 9.6 billion at Croatia's disposal, of which around EUR 6 billion in grants, with an additional possibility to use favourable loans in the amount of EUR 3.6 billion. The condition for using the funds from the European Recovery and Resilience Facility is to create and deliver the National Recovery and Resilience Plan 2021-2023.

All EU countries, which also includes Croatia, are obligated to send their Recovery and Resilience Plan for adoption to the European Commission until the end of April 2021. According to the proposal of the EU regulation, it was anticipated that the first assets in the sum of 10 percent of the financial contribution for every EU state be disbursed after adoption, or approval of such Recovery and Resilience Plan. As regards Croatia, this would mean around EUR 600 million in the second half of 2021. Funds from the Recovery and Resilience Facility can be used after the European Commission approves the respective Recovery and Resilience Plan. The Recovery and Resilience Facility is focused strongly on implementation of reforms and on financing investments that enable them, that is, the primary user is the public sector. Naturally, entrepreneurs can apply to tenders for implementing the investments. Out of the total amount of grants, 70 percent must be approved to the member states in the period from the beginning of the year 2021 until the end of the year 2022. The remaining 30 per cent will be approved until the end of the year 2023. It is important to point out that this Facility does not include the component of national co-funding in the EU projects (15 percent of the usual share of national co-funding in the EU projects). Therefore, in the years that come Croatia will face the possibility to withdraw/ use funds that can play a pivotal role in implementing the reforms and investment projects that will contribute to its economic recovery and growth.

The end of the year was marked by the second wave of the epidemic, which, because of the threat to the healthcare system sustainability, resulted in repeated imposing of restrictive epidemiological measures.
The lockdown impacted the service sector the most, not only because of the distancing recommendations and epidemiological measures but also due to the closing of the catering services and of other service establishments performing activities indoors. Construction has demonstrated resilience to the non-economic shocks caused by the epidemic. Demand was stimulated by the one-off impact of the spring earthquake in Zagreb, and the needs for earthquake repairs increased further at the year-end after the devastating earthquake in Petrinja.
After the spring lockdown, in the second part of the year, industrial production returned to the level reached before the epidemic. Purchasing power was retained by salary growth (mostly in the public sector) and by government

support to employees of the crisis-hit businesses, which significantly mitigated the blow to the labour market The Croatian economy is highly dependent on service exports so unfavourable movements on the side of offer were led by a fall in business activities related to catering services, accommodation and transportation. In this, the blow of the crisis on consumptions was very much eased by aid measures preserving employment. In the new year, demand will be strengthened by the fifth round of changes in taxation, which will result in tax relief and an increase in the disposable income for consumption. In addition, the beginning of public vaccination throughout Europe and the expected fall in the number of infections boosts optimism that the pandemic could be brought under control and thus permit travel as well as increase tourism-related services sale. Continued construction activities and the need to reconstruct the earthquake affected regions, alongside the high amounts provided from the EU funds, will allow growth in investments. Finally, recovery of the exports market will stimulate a rise in goods exports.

The optimism at the beginning of the year 2021 should be taken into account with a high dose of caution because the time horizon of the potential curbing of the pandemic is difficult to foresee. Croatia recorded an economic decline deeper than the EU average and therefore, reaching the

intensified the expansiveness of the monetary policy measures. Base interest rates were kept on record low levels. Interest rate on deposits with the ECB was -0.5 percent and base interest rates was retained at 0.0 percent. The monetary policy relaxation was implemented through the financial asset purchase programme in the secondary markets and refinancing operations. The high liquidity in the financial markets increased the offer of capital and decreased the investor's aversion to risks, which supported the reduction in market interest rates for loans.

Changes in the foreign financial markets are transferred to the domestic capital markets. A low level of base interest rates in the Euro area allows financing of the public debt at historically low prices of capital. Impacted by the fall in interest rates on the financial markets, the cost of financing was reduced also in the budget of the Republic of Croatia. Despite the realized decrease in the economic activity, the rating agencies S&P and Fitch retained the credit rating of the Republic of Croatia at the investment level with stable outlook and Moody's raised the credit rating to the level first below the investment grade. In the conditions of a stable exchange rate and of a moderate to low inflation, the monetary policy remained very much expansive, supporting the high liquidity in the monetary system and favourable financing conditions.

Gross domestic product, real growth rates, in%

Sources: CBS, Raiffeisen Research

2019 level will require at least two years of realizing the optimistic forecasts. Returning the fiscal indicators within the Maastricht criteria is also subject to the recovery, and which criteria are, alongside fulfilling the commitments undertaken by joining the ERM2, a precondition for accepting the Euro as the single means of payment. Meanwhile, monetary policy will remain dedicated to maintaining a stable exchange rate of the Kuna against the Euro.

The highly euroised domestic financial system significantly depends on the movements in the Euro area. During the prior year, the European Central Bank (hereinafter: ECB)

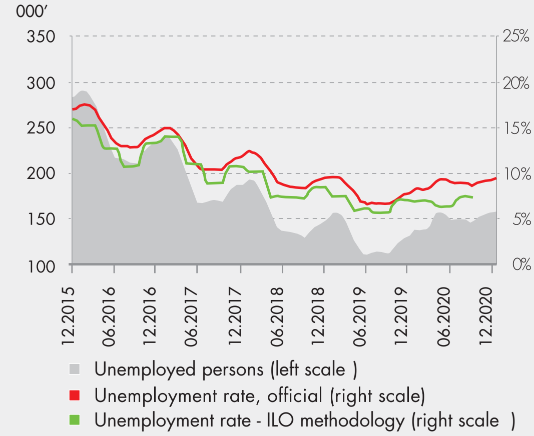
Macroeconomic Indicators

The realized fall in real GDP of 8.4 percent was the consequence of the non-economic shock caused by the COVID-19 virus pandemic, which lead to a partial and, in the initial period, to a full lockdown, both in the domestic and in the foreign markets. Dependence on services exports further intensified the drop in entrepreneurs' business activities and revenues compared to the EU average. The Government provided support to

Consumer Price Index (inflation rate), annual changes, in%

Sources: CBS, Raiffeisen Research

Registered unemployed persons, unemployment rate



Sources: CBS, Raiffeisen Research

businesses through job retention schemes so as to reduce transfer of the negative movements onto employment, disposable income and personal consumption. Therefore, last year saw an increase in government spending, whereas all other GDP components realized a significant decrease.

Annual growth in consumer prices slowed down even more as a consequence of the COVID-19 pandemic that began in March 2020. Stimuli on the side of offer came from reduction in energy prices, which reflected a strong fall in crude oil prices in the world commodity markets throughout the year. Consequently, inflationary pressures on goods and services, the price of which is affected by energy considerably, slackened. On the side of demand, the pandemic restricted travel and the epidemiological measures restricted demand for services. Therefore, there was an absence of pressures on rise in service prices. Additionally, a high dose of uncertainty postponed some of consumption of durable goods, so the consumption structure changed due to increased demand for the consumer basket products that represent meeting the basic living expenses.
In the year 2020, tendencies from the previous years switched in the labour market. Lockdown lowered the demand for workforce. There was no stronger seasonal employment over the summer period in the domestic market, and the drop in the economy in global terms reduced the demand for workforce in the foreign markets which attracted a significant number of economic emigrants in the prior years and thus accelerated the fall in the number of unemployed in the domestic market. The structural mismatch between supply and demand further intensified through the growth realized in the construction sector which fulfilled more and more of its needs for labour in the foreign markets. Scarcity of supply regarding adequately educated employees exerted more pressure on reduction in taxes and contributions that burden income from employment. In 2021 a new round of tax reliefs on income and profit realized by small- and micro-sized entrepreneurs will be implemented.

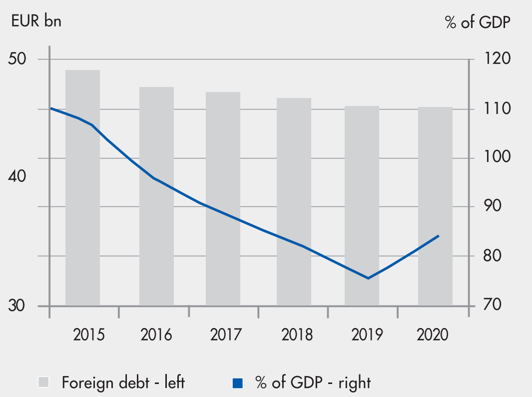
Plummeting of business activities related to tourism shifted the balance in the balance of payments current account into the negative. Despite a relatively favourable epidemiological situation at mid-tourist season and a gradual recovery of tourism activity following the sharp drop in pre-season, income from tourist consumption of foreign guests were halved compared to 2019. Unfavourable trends were mitigated by lowered deficit in the sub-account of goods. The fall realized in personal and investment consumption brought about stronger contraction of imports than exports of goods. Furthermore, the fall in the economy resulted in lower profit of foreign-owned companies, which, alongside the temporary restriction of dividend distributions, reduced the negative balance from investment income in the financial sector. On the other hand, rise in net income from transactions with the EU budget compared year-on-year came from increased use of assets from the EU funds, and to a lesser extent from a lower payment into the EU budget. All in all, after six years of surpluses in the balance of payments current account, 2020 realized deficit due to contraction of the domestic economy and adverse international trends.

High liquidity of the financial system resulted in sufficient supply of loans for potential private sector borrowers. Despite increased risks, pressure from excess liquidity kept the prices of financing at historical lows. Pressures on the growth of demand remained subdued amid the high level of uncertainty, so foreign deleveraging of the private sector continued, equally of financial institutions and of businesses. A positive impact on foreign borrowing came from the government, which financed the rise in public debt by additional borrowing in the foreign financial markets, alongside tapping the domestic markets. Although the total amount of foreign debt changed insignificantly in 2020, due to the extreme plummeting of economic activity, the relative ratio of foreign debt to GDP, as the indicator of unbalanced balance sheet, rose to 83 percent.

Fiscal and monetary movements

After achieving a positive balance of general consolidated government over the three-year period prior to the pandemic, the successful process of fiscal consolidation was interrupted in the year 2020. Structural deficit in the budget occurred so, along with the drop in the economy, the ratio of public debt to GDP rose to 87.0 percent. The revenues side of the budget recorded a significant decrease in indirect tax revenues (VAT) which reflect movements in consumption. Revenues from social contributions depend on movements in unemployment and salaries, and implementation of job retention schemes slowed down their fall. Total revenues from direct taxation depend on inflows from profit taxation. The decrease was affected by the drop in business activities and further impact came from implementing the measure of tax debt forgiveness and restructuring for the businesses affected by the infection spread prevention measures.

Gross external debt



Sources: CNB, Raiffeisen Research

The structure of the expenditure side of the budget showed increased expenses for financing the economy relief measures. The biggest portion of the realized growth referred to job retention schemes, which were used by employers for over 600 thousand employees at the peak in April. Government borrowing costs declared as expenditures for interests were reduced, under the impact of the general drop of market interest rates and the activities of debt refinancing. Expenses for the public sector investments increased due to stronger investment activity of the government by using assets from the EU funds. Regular expenses for social-welfare benefits rose slightly because of pension income adjustment. Increases in public service employee costs referred to additional expenses for the health care sector which has faced increase in work expenses in the conditions of the epidemic.

At the beginning of the first wave of the epidemic, the CNB enhanced expansiveness of the monetary policy, ensuring favourable financing conditions in the domestic financial market. The average daily surplus of kuna liquidity moved in the range from 10 to 15 percent of GDP. In the second quarter, through five auctions, the CNB bought back government bonds of total market value in the amount of 18 billion kuna to the effect of financial market stabilization. Through five transactions of foreign currency purchase in the foreign currency market, in March the CNB created liquidity of HRK 17 billion. Furthermore, the CNB bought net 1.7 billion euro from the Ministry of Finance, thus creating HRK 12.7 billion. The largest portion was realized in June (1.5 billion euro). Therefore, financial markets were ample in liquidity, and after a short-lived increase at the beginning of the epidemic, interest rates returned to the levels at around the historical lows. During the second half of the year there was no need for additional buying of government bonds or for additional creation of central bank money.

Monetary policy remained committed to maintaining stability of the exchange rate of the kuna against the euro. Absence of inflationary expectations allowed implementation of the monetary policy for raising liquidity in the system. In the initial period of lockdown and of rising uncertainty, processes in the financial markets and in the economy pushed the EUR/HRK exchange rate towards higher values. Co-ordinated intervention of the central bank eased the tensions in the financial markets. Increased foreign currency inflow and demand for kuna in the second part of the year, due to repositioning of market participants, created pressure towards appreciation of the domestic currency. Strengthening of the kuna remained present up until mid-December when the central bank, for the sixth time in the year, intervened in the foreign currency market demonstrating consistency in the policy of exchange rate stability. As opposed to the previous interventions which aimed at preventing depreciation of the kuna against the euro, in December, for the first time since August 2019, the CNB intervened buying foreign currency (EUR 130 million) to the effect of preventing appreciation of the domestic currency against the euro.

The year 2020 finished with the average EUR/HRK exchange rate at the level of 7.537 or at 1.6 percent higher level compared to the end of 2019. A similar change was recorded also for the average exchange rate at the annual level, and it clearly reflects the increased uncertainty, missed out – missing tourist season and foreign currency inflows due to the COVID-19 pandemic.

Summary of macroeconomic indicators for the period from 2016 to 2020

	2020	2019	2018	2017	2016
GDP & Production					
Gross Domestic Product, % (constant prices)	–8.4	2.9	2.8	3.4	3.5
GDP at current prices (EUR millions)	49,265	53,969	51,365	49,991	46,638
GDP per capita at current prices (EUR)	12,175	13,270	12,537	11,782	11,094
Retail trade, % real annual changes	–6.4	3.6	3.9	4.4	4.4
Industrial production, % annual changes	–3.1	0.5	–1.0	1.4	5.3
Prices, Employment and Budget					
Consumer Prices, %, end of period	–0.7	1.4	0.8	1.2	0.2
%, average	0.1	0.8	1.5	1.1	–1.1
Producer Prices, %, end of period	–1.2	1.5	0.5	2.1	–0.1
%, average	–2.0	0.8	2.3	2.1	–4.1
Unemployment rate (official rate, avg) *	9.0	7.8	9.9	12.4	14.8
Unemployment rate (ILO, avg)	7.3	7.1	8.4	11.2	13.1
Average net wage, in HRK *	6,763	6,457	6,241	5,984	5,685
General Government Balance, % of GDP [1]	–7.9	–0.5	0.0	0.9	–0.9
Public Debt, HRK bn [1]	322.7	288.1	282.8	284.3	282.8
Public Debt, % of GDP [1]	86.9	72.1	74.1	77.8	80.5
Balance of Payment and External Debt					
Goods and Services Exports, EUR million	20,200	27,533	26,590	25,143	22,785
% change	–28.2	5.5	5.8	10.4	6.1
Goods and Services Imports, EUR million	23,500	28,366	26,038	24,070	21,462
% change	–16.5	7.0	8.2	12.2	5.0
Current Account Balance, % of GDP	–1.0	1.5	2.6	3.7	2.6
Official International Reserves, EUR million, eop	18,943	18,560	17,438	15,706	13,514
Official International Reserves, in terms of months of imports of goods and services, eop	9.6	7.9	8.0	7.8	7.5
Foreign Direct Investment, EUR million, [2]	1,384	725	1,110	1,747	1,716
Tourism - night stays, % change	–55.2	1.8	4.0	10.5	9.1
External debt, EUR billion	41.0	43.0	38.8	40.2	41.7
External debt, as % of GDP	84.2	79.8	75.6	82.2	89.3
External debt, as % export of goods and services	203.0	156.2	146.1	160.1	182.9
Monetary and Financial Data					
Exchange rate, eop, USD / HRK	6.23	6.65	6.47	6.27	6.99
avg, USD / HRK	6.67	6.62	6.28	6.62	6.80
Exchange rate, eop, EUR / HRK	7.54	7.44	7.42	7.44	7.56
avg, EUR / HRK	7.53	7.41	7.41	7.46	7.53
Money (M1), HRK billion, eop	160.5	137.2	120.0	99.4	83.5
% change	17.0	14.3	20.7	19.1	18.1
Broadest money (M4), HRK billion, eop	364.5	333.3	324.0	307.2	300.9
% change	9.3	2.9	5.5	2.1	4.7
Credits, HRK billion	238.5	229.5	223.2	218.9	221.5
% change	3.9	2.8	2.0	–1.2	–3.7
Treasury bills rate 12m, %, avg	0.06	0.1	0.1	0.8	1.4

1 according to the ESA 2010 methodology

2 including round-tripping

eop - end of period; p avg - period average

2020 Business developments

Officers of the Bank

The Bank's operations are controlled by the Supervisory Board and the Management Board. The officers of the Bank at 31 December 2020 were:

Members of the Supervisory Board

Andreas Gschwenter (Chairman)
Peter Jacenko (Deputy Chairman)
Lovorka Penavić (Member)
Hrvoje Markovinović (Member)
Sabine Zucker (Member)
Harald Kreuzmair (Member)
Gabor Kovacs (Member)

Members of the Management Board

Liana Keserić
(President of the Management Board)

Zoran Košćak
(Member)

Višnja Božinović
(Member)

Georg Feldscher
(Member)

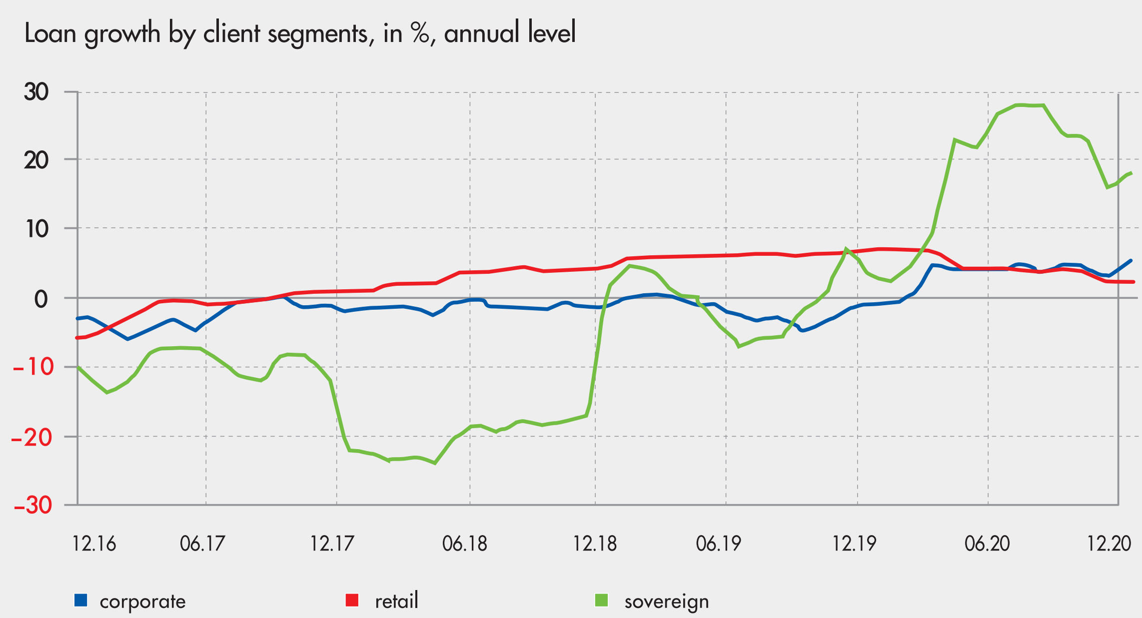
Chief executives:

Emilija Sertić	Financial Institutions, Funding and Custody
Robert Mamić	Markets
Nikola Karin	Corporate Products (until 29.02.2020) Medium and Large Corporate Products
Dubravko Lukač	Non-Retail Credit Risk Management
Sanja Vučković	Retail Credit Risk Management
Matilda Aljinović	Sales and Distribution Channels
Boris Vuksan	Finance
Enkelejd Zotaj (until 31.05.2020) Ivan Knezović (from 01.06.2020)	IT
Zoran Vučićević (until 18.08.2020) Dražen Marković ((acting head from 20.02.2020)	Legal
Irena Bašić Štefanić	Human Resources and Organisational Development
Petar Milić	Internal Audit
Ivica Jerkić	Central Operations
Jasminka Rojko	Large Corporate Clients and Structured Finance
Toni Jurčić (until 31.10.2020) Jasminka Rojko (from 01.11.2020)	Mid Market Network (until 29.02.2020) Mid Market Customers (from 01.03.2020)
Ivka Međugorac	Sales Management
Vlatka Majetić Kolbabek (from 01.02.2020)	PI and Micro Collection (01.02.2020)
Tomislav Mesić (from 01.03.2020)	Corporate Restructuring and Workout (01.02.2020)
Tanja Ožbolt Sterle	Risk Controlling
Jelena Gubo (from 01.03.2020)	Asset and Liability Management
Anita Cvanciger	Private and Premium Banking
Igor Car Iva Bakija	Mass Banking Executive and Participation Management
Tomislav Ilijaš	Process and Project Management
Goran Marinov	Procurement and General Services
Dalibor Kovačević	Security
Igor Mataić	Investment Banking
Ivan Sobin	Compliance
Zrinka Živković Matijević	Economic and Financial Research
Irena Kovačević	Business Intelligence
Emil Sapunar	Retail Strategic Projects and Business Controlling
Gordana Periškić	Marketing and CRM
Suzana Laušin Katanec (from 01.03.2020)	SME Network

Management Report

Market position

Raiffeisenbank Austria d.d. (the Bank) and a local Group of subsidiaries are registered for operation on the Croatian financial market. The Bank is a systemically important credit institution. By total assets, the Bank was ranked fifth in the market at the end of 2020 with an eight percent market share. Stambena štedionica (Building Society) is a credit institution which is subsidiary of the bank. In 2020, the process was initiated to merge the Building Society into the bank and it is planned to be completed in 2021. The bank also has a subordinate financial institution for leasing activities, investment and pension fund management companies and pension insurance company. Subordinate financial institutions are significant for the local market.



Sources: CNB, Raiffeisen Research

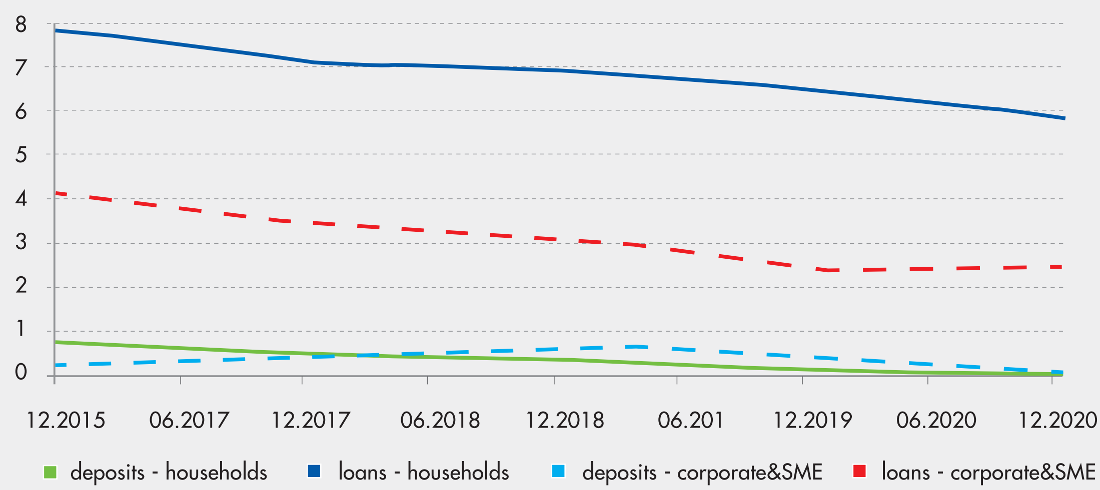
The non-economic shock because of the introduction of the COVID-19 pandemic spread prevention measures COVID-19 had a negative impact on debt bias. The increased level of uncertainty regarding the duration and types of measures restricting business operations made structural changes in the corporate demand for loans. Because of delayed investments, entrepreneurs reduced the demand for new loans and raised liquidity provisions. The demand of businesses to contract moratoria intensified, as did restructuring and extending the loan repayment period. After the tendency to boost liquidity rose at the beginning of the spring lockdown, new corporate borrowing to finance working capital requirements during the year was adjusted to the lowered operating levels.

Despite the loan supply at historically low interest rates, in the conditions of uncertain financial future, consumers postpone consumption and investments and businesses aim at raising the liquidity level. The second wave of the epidemic resulted in new restrictions in connection to population mobility and suspended operations of service activities. In the segment of private individuals, the demand for cash loans, which loans accelerated growth in total retail loans in the previous years, diminished. Retaining moderate growth in total retail loans resulted from the government subsidy measures in connection to housing loan repayments for younger age groups and from the increased borrowing for the purpose of housing rehabilitation after the damage from the March earthquake that hit the Zagreb area. The devastating earthquake in Petrinja at the end of the year will have a much lower impact on loan demand because the low economic basis in the region necessitates financing of the rehabilitation works mostly from public funds and donations.

As opposed to gross retail placements, which tended towards stagnation under the impact of the heightened uncertainty levels, and to corporate placements, which grew as a consequence of more active contracting of repayment moratoria, government borrowing increased due to additional financing needs in connection to support measures aimed at the economy hit by lockdowns. Government borrowing with banks did not cause the private sector to be pushed out from lending, nor did it impact the supply of interest rates for loans because of the increasing liquidity surplus in the system.

The supply of capital in the Croatian financial market increased in 2020 as a result of the growing excess liquidity in the system. The demand for loans was not sufficient to absorb market surpluses on the capital supply side. Consequently, excess supply over demand exerted pressure on the price of capital. Money market interest rates dropped to their historically low levels, as did interest rates offered by banks on customer deposits. Interest rates on loans also declined during the year, which alleviated the debtor's financial position during a sensitive period of increased uncertainty due to the resulting decline in business activity.

Interest rates in Croatian banking sector, new contracts in %



Sources: CNB, Raiffeisen Research

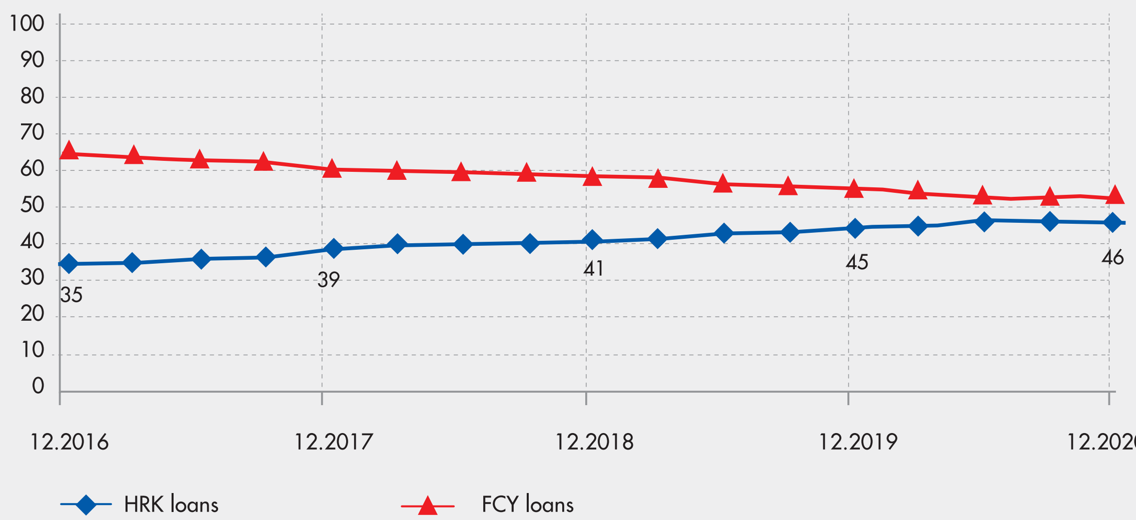
The results of the Bank and the Group depend on financial market conditions and changes in the real economy. The resulting decline of the economy increased the risk of placements, but high liquidity in the financial system reduced the impact of adverse developments from the real sector on the collection of debt from clients. In addition, clients in industries threatened by lockdown measures took advantage of the offered moratorium on loan repayments, thus avoiding or postponing possible default on repayment of due debt.
However, the lockdown of the economy halved the result of the banking system's operations compared to the previous year. The economic slowdown has lowered banks' revenues, and the adjustment of banks' business processes to remote operation was accompanied by increased communications costs. Despite the regulatory postponement of the reclassification of exposures to clients affected by the lockdown of the economy, declining corporate activity and falling consumer income increased the average risk of placements.

The fall in interest rates on deposits did not slow down the growth of bank deposits. Due to the high aversion to investing in higher-risk financial assets, clients continued to increase their deposits kept with banks. Double-digit growth in corporate deposits resulted from delaying investments and strengthening liquidity reserves in companies. The excess offer of deposits results in a drop in interest rates offered by banks on term deposits towards the level they offer for demand deposits. Due to the unattractive return on time deposits, clients often keep funds in demand deposit accounts at the expiry of time deposits. As a result, the share of time deposits in total customer deposits in banks fell to 31 percent of total deposits.

The steady growth of customer deposits enables generous financing of bank loans from primary sources. Therefore, the share of secondary sources has become negligible for the capital pricing in the domestic financial market. However, the structure of meeting MREL requirements may have an impact on the cost of funding bank placements as early as next year.

The long-term trend of increase in the share of kuna loans within the currency structure of loans stopped. Historically, the difference in the supply of interest rates for foreign currency loans compared to kuna loans, over a long period, motivated consumers to borrow in foreign currency. In the last five years this difference narrowed thus motivating clients to borrow in the domestic currency. Pressured by the growing liquidity surplus in the system, the differences in the supply of interest rates for kuna loans and for euro loans further diminished, but in 2020 still borrowing in the euro prevailed. We find the reasoning for this in the more and more likely introduction of the euro after Croatia enters the ERM2. As regards kuna loans with long-term repayment, introduction of the euro brings uncertainty in connection to the conversion of the kuna loan into the euro. Therefore, an increasing number of borrowers opt to borrow in the euro.

Currency structure of loans, in %

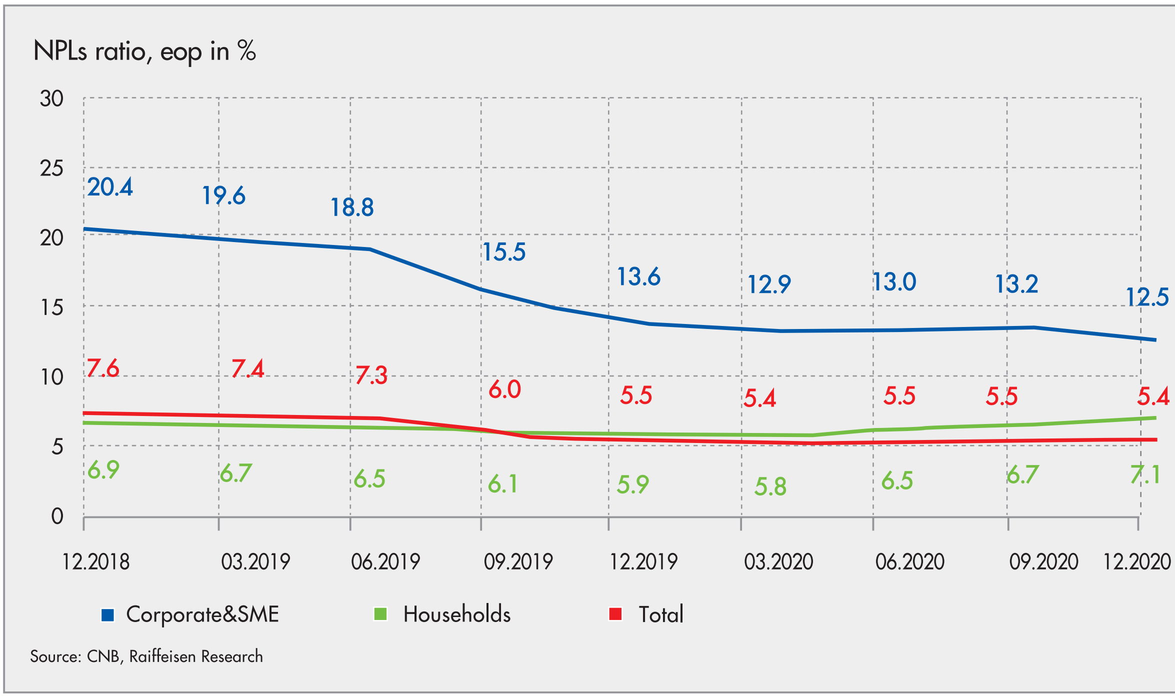


Sources: CNB, Raiffeisen Research

In the conditions of historically low interest rates for loans, the demand for loans with longer repayment term and with fixed interest rates rose. Clients thereby attempt to fix the financing cost at the low level also in the later years of loan repayment, when they expect the market interest rates to rise. Intensified use of long-term loans with fixed interest rates (in the initial repayment period or until maturity) results in widening of the gap in the maturity structure of the banks' balance sheet because of simultaneous lowering of the average maturity on the side of funding sources.

The long-term reduction trend concerning credit risks in the Croatian financial market stopped in March 2020, with the imposing of the first lockdown due to worsened epidemiological situation. Despite the measures of repayment moratoria and debt restructuring, and of postponement of borrower classification into risk classes to a term adjusted to the expected termination of the lockdown measures, receivables collection deteriorated because of the fall in business activities in a considerable part of the economy and because of the reduction in remuneration and disposable income for individual borrowers. At the end of 2020, the ratio of non-performing loans in the system was 5.4 percent with upward tendency.

In mass banking, demand for loans and propensity towards savings depend on the movements in real income and on the expected assets value of private individuals. Real weight of loan repayment decreased due to lowered interest rates for loans, and reduction in real personal income was eased by job retention schemes. On the other hand, housing loan subsidies for young people raised real estate prices. As 90% of the population own a flat in which they live, the rise in real estate prices increases the property value of private individuals. However, uncertainty in connection to the epidemic and the possible introduction of lockdown measures surpassed all other factors in creating loan demand. Therefore, the demand will remain supressed until stopping of the epidemic becomes certain, and movements in the economy are stabilized in a positive direction.



The banking system is significantly exposed to the country risk of the Republic of Croatia. Factors affecting a high country risk in banks' assets are not only direct or indirect government borrowings in the domestic financial market, but also the regulations by which the central bank maintains financial stability. Additional factors of country risk exposure include excess liquidity maintained by banks in the accounts with the CNB, investment in debt instruments of the Republic of Croatia, direct government borrowing from banks and other financial institutions, and government guarantees for loans taken by public or private companies. Due to the mandatory reserve requirement, banks maintain part of their liquid assets in their accounts with the Croatian National Bank. At the start of the pandemics the reserve requirement was reduced from 12 percent to 9 percent of bank liabilities. The CNB pays no interest on the reserve requirement accounts.

Negative movements in the real sector and intensification of uncertainty caused the bank’s lending policy to become stricter last year. In the second half-year relaxation began but was halted after the new wave of lockdown. Market conditions were not in favour of achieving the goals of the lending policy, because the fall in the economy increased the average risk in the corporate sector. The retail sector reduced the number of employed and increased the average salary. Lowering of interest rates for loans positively impacted creditworthiness but, due to the fall in the economy, the number of potential borrowers dropped. Credit portfolio quality is better for retail than for corporates. Unfavourable movements in the economy increase credit risks on the side of businesses but also on the side of private individuals because their income largely depends on economic trends.

Business activities of the Bank

Raiffeisenbank Austria d.d. Zagreb (hereinafter referred to as: the Bank) was incorporated in December 1994 as the first foreign-owned bank in Croatia, with the strategic objective of building a comprehensive financial services offering to clients. Since 1999, the Bank has built a sales network and, parallel to the opening of branches, it established subsidiaries which provide financial services in the areas regulated by special regulations (hereinafter: the Group). At year-end 2020 the Bank provided customer service through 63 branches and through digital sales channels. The development of digital sales channels accelerated in 2020 due to restricted mobility of private individuals during the lockdown period, and the number of users of direct bank services via the Internet and mobile applications reached 48 thousand business users and 249 thousand users in the retail segment.

The Bank operates in accordance with the rules of local regulators supervising the operations of credit institutions (Croatian National Bank) and financial institution services (Croatian Financial Services Supervisory Agency). Credit institutions are supervised according to the single supervisory criteria for the euro area with the leading role of the European Central Bank. All members of the local Group are registered in Croatia and operate in accordance with Croatian regulations.

Last year the bank incorporated the EBA Guidelines and the CNB's implementing guidance in the lending procedures. The guidance allows the banks to contract various measures with clients, in connection to the COVID-19 pandemic, for postponing repayment and without classifying them as restructured placements / default. The bank offered the clients the possibility to apply moratoria from the beginning of April until the end of September under the conditions aligned with the offer of other banks: 6-month moratorium for all segments except for tourism and 12-month moratorium for tourism and clients with pronounced income seasonality. Private individuals submitted 10,200 applications, micro-businesses 1,800, and legal entities 500 applications. Over 90% of the received moratorium applications were approved. At the beginning of April, RBA terminated foreclosure in the retail segment as a response to the Government measures. After changes to the Execution Act and passing of the Act on Intervention Measures in Execution and Bankruptcy Proceedings, default interests ceased to be applied. In the second wave of the epidemic, borrowers were offered, in compliance with the regulatory recommendation, to contract moratoria until the end of the first quarter of 2021.

Considering the spreading and the speed as well as the serious impact of the COVID-19 pandemic on the economy, RBA adjusted the criteria of its lending policy so as to take into consideration the deterioration of the financial standing of borrowers affected by COVID-19 and to prevent consumer exposure to increased risk. Additional adjustments in the lending policy criteria were implemented in keeping with the changes in the restriction of free movement and the general events in the market, with the aim of returning the underwriting criteria to the regular lending policy on the grounds of the results of monitoring the situation in the market and portfolio performance.

Over the previous years, the bank has adapted the business model successfully in the direction of business digitalization, strengthening of synergistic effects based on new technologies while simultaneously strengthening the focus on customer satisfaction. The strategic target is to be the leading bank in the market by satisfaction of legal entities and among the first three banks by satisfaction of private individuals. Along with digital transformation, optimization of business processes and complete orientation to enhance customer experience, in the changed conditions of operating and work due to reduced mobility, the highlight is also on the satisfaction and engagement of employees, data quality management and adjustment of the bank and Group to the requirements of adaptive and agile methodology.

At year-end the bank had 1,713 employees. The number of employed decreased due to change in the operating business model. Increased use of digital sales channels and self-service devices lowers the need for workforce in the jobs of lower complexity and raises the needs for specialists in use of advanced technology platforms. The employee structure adjustment process will continue also in the coming years. The number and structure of employees are defined under a long-term strategic plan and are in compliance with the regulatory requirements and business plans. The bank is managed by the Management Board, which was reduced from seven to four members in the year 2020.

Financial result of the Bank

Total assets at the end of 2020 amount to HRK 37,164 million for the Bank stand alone. Compared to the previous period, an increase of HRK 3,088 million was realized. Customer loans realized a increase of HRK 505 million, while placements to banks decreased by HRK 448 million. The increase in loans was financed primarily through a decrease in placements to banks, and the realized increase in bank deposits spilled into liquid forms of assets. The share of liquid assets and investments in financial assets without loans within total assets increased to 45 percent of total assets and the share of loans to customers decreased to 51 percent. Total loans to customers amounted to HRK 18,961 million at the end of the year having increased by 3 percent year-on-year.

Demand for non-purpose cash loans dropped sharply under lockdown conditions. The decline in demand for consumer lending in retail was replaced by an increase in demand for home loans. In addition to state subsidies for home loans for the younger population, the positive impact on demand for home loans came also from the restoration of the damage caused by the earthquake that struck Zagreb in March 2020. Lowering interest rates on loans has a positive effect on credit rating, so the number of potential home loan borrowers has gradually increased contributing to the demand growth.

In the retail segment the growing trend in kuna-denominated loans within total loans that persisted for years was halted. In previous years, structural changes in retail loans were stimulated by the growth of non-purpose consumer loans which are predominantly contracted as kuna loans. In 2020, home loans led the retail loan growth, and the structure of new home loans matches the structure of total retail loans. Retail loans indexed to the foreign exchange rate increased by 11 percent in the annual period, while kuna-denominated loans increased by 1 percent. At the end of the year, kuna-denominated loans accounted for 66 percent of total retail loans.

The demand for fixed-interest rate loans prevailed in retail segment. On the one hand, borrowers' awareness of interest rate risks has increased, and on the other hand the offer of interest rates on loans dropped to historically low levels. For loans with a repayment period of two to seven years, consumers tend to negotiate a fixed interest rate until maturity, since the difference over the variable interest rate is not significant based on interest rate risk protection. However, variable interest rate loans still prevail in home loans with longer maturities. Affordable interest rate hedging motivated clients to negotiate a temporary fixed interest rate in the initial repayment period for loans with longer maturities.

Bank financial highlights for the period from 2016 to 2020

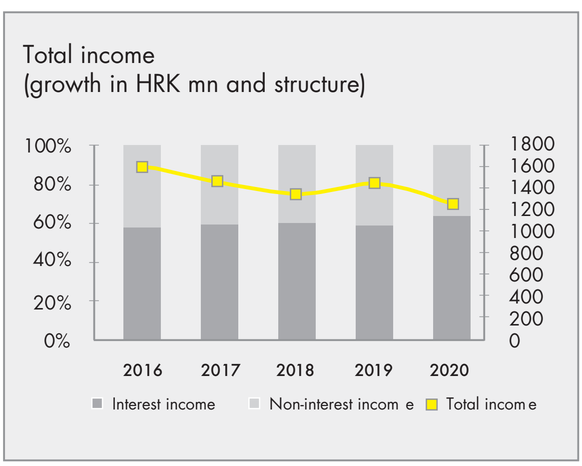
Bank HRK millions	2020	2019	2018	2017	2016
From the Balance sheet 31 December					
Total assets	37,164	34,076	32,629	31,379	31,416
Shareholders' equity	4,748	4,675	4,226	4,458	4,450
Customer accounts	28,328	25,628	25,380	23,020	23,285
Loans to customers	18,961	18,456	16,099	16,453	16,213
From Income statement for the year ended 31 December					
Operating income	1,276	1,430	1,353	1,439	1,557
Operating expenses	819	840	884	1,105	1,481
Profit before tax	173	436	239	475	585
Net profit for the year	132	438	219	396	460
Ratios	%	%	%	%	%
Return on average shareholders' funds	2.82	10.36	5.39	9.74	11.46
Return on average assets	0.37	1.31	0.68	1.26	1.47
Capital adequacy ratio (in accordance with the Croatian National Bank methodology)	23.77	20.76	20.60	22.48	22.17
	HRK	HRK	HRK	HRK	HRK
Earnings per share	36	121	60	109	127

Total customer deposits increased by HRK 2,700 million in the previous year. Deposits of companies and other non-credit institutions recorded a 16 percent increase, while 6 percent increase was recorded in retail segment. Private individual deposits amounted to HRK 15,361 million, accounting for 47 percent of total liabilities of the Bank at the end of the year. With the prevailing excess liquidity, the Bank reduced its yields on time deposits, seeking to motivate clients to invest in higher risk financial assets. Due to lower returns on alternative investment types and high risk aversion of private individuals, total retail deposits did not decline. On the contrary, they increased with the continuation of the maturity structure shift. The share of demand deposits reached 71 percent of total deposits in retail, and as much as 95 percent in corporates and other non-credit entities.
Tier 1 capital (T1) was HRK 4,748 million, having increased by 2 percent compared to the beginning of the

year. The major contribution to the increase in share capital comes from the retained previous-year profits. Due to increased risk of business under the economic lockdown conditions the regulator imposed a ban on dividend payment in credit institutions in 2020. At the end of the year, the Bank's capital adequacy ratio stood at 23.77 percent.

In 2020, the Bank made HRK 132 million in profit after tax. The significantly lower operating result compared to the previous year was caused by the COVID-19 pandemic crisis. Operating income fell 10.8 percent to HRK 1,276 million. Impairment of assets and an increase in provisions for litigation adversely affected the bank's operating performance and were 84 percent higher than the year before.

In the financial markets, high liquidity prevailed, resulting in decrease of the interest rates which the bank agreed on the side of placements but also on the side of liabilities. Net interest income was lower on annual level by 3 percent because of the fall in interest rates for loans and yields on debt securities, and because of the rise in the share of liquid assets for which the bank does not realize a positive interest margin. The realized net income from fees was lower by 25 percent. Income from fees and commissions mostly refer to gains from foreign currency trading and fees from payment transactions and card banking. Turnover in card business is, to a significant extent, dependent on realization in tourism season and on domestic consumption. In the conditions of lockdown, income from services dropped significantly and the cost of service infrastructure in the form of sales network and self-service devices is for the most part fixed. Net profit from trading in financial instruments and other income were lower by 18 percent on annual level.



Total operating expenses amounted to HRK 819 million, down 3 percent year-on-year. In the cost structure, staff costs were reduced, yet communication costs have increased as a result of the switch to working from home. Deposit insurance premiums are calculated based on the amount of insured deposits, and the amount of the premium depends on the Bank's risk profile. Liabilities for deposit insurance premiums increased 6 percent year-on-year, while the cost of establishing bank resolution fund increased by 64 percent.

Based on risk, the Bank's operating result was reduced by HRK 284 million. Provisions for litigation costs in the retail segment, for individual lawsuits brought against the bank by consumers who had taken CHF-indexed loans indexed in the period 2004-2008 from the Bank, had a significant impact on the provisioning cost. An additional HRK 105 million of reservations were formed for potential losses on litigation. Provisioning costs in other business segments relate to identified and unidentified loan losses. The decline of the economy during the lockdown, with uncertainty regarding its duration and intensity, adversely affects borrowers' creditworthiness. On the other hand, the increase in prices in the real estate market facilitates the compensation of losses from real estate property securing debt collection.

Business development of the Bank

The founder of the Bank is Raiffeisen Bank International (RBI), an Austrian banking group managing a network of banks and related financial institutions in the Central and Eastern Europe (CEE) region. Affiliation with a strong international banking group offering a broad-range financial service enables the transfer of experience gained from years of operations in the developed financial and emerging markets. Positive synergistic effects are also achieved by introducing more advanced operational support and setting high standards of quality in customer relationships, thus enhancing the service offer and encouraging employee innovation.

The general trend of digitalization and automatization in the financial services sector will lower operational risks, and the bank plans to adjust its business according to the changes in the financial services markets. Development of financial services offer has been stimulated by modernization of communication channels and services sales channels. These processes do not only increase the number and the functionality of such self-service devices but also reduce the need for staff performing routine sales and for staff in administration jobs. Automatization will, on the one hand, reduce the errors in data processing, and on the other, labour costs.

Along with the activities aimed at increasing operating income, business development is based on implementation of measures to improve productivity and safety standards, introduction of advanced technologies and business process management tools. The available professional, organizational and technological resources are focused on increasing the quality of service and achieving lower unit costs per transaction. Investments in technology and business process development enable an innovative offer and development of customised financial service.

The Bank's priority in developing business is to adapt to changes in the regulation of credit and other financial institutions. This is ensured by enhancing functionalities of the sales and support system. The focus is also on the requirements for developing business processes and support functionalities while adjusting the bank offer to changing market conditions. The improvements are also designed in order to streamline the Bank's business processes within the affiliated international financial group (RBI). In future operation the Bank expects a moderate increase in the demand for loans, with the entry of new competitors providing customer service. Therefore, development activities are geared towards increasing service quality and innovation, and this is where we expect the strongest competition in the coming period.

The strategic goal of business development of the Bank is the introduction of innovative sales channels for standard and new types of services sold on digital platforms. This way, the Bank and the local Group adapt to customer demands while continuously maintaining a high level of service quality and security of client transactions.

Events after the end of the financial year

At the meeting held on 3 February 2021, the Constitutional Court of the Republic of Croatia passed the decision whereby it rejects the appeals of banks in connection to the ruling of the Supreme Court of the Republic of Croatia and of the High Commercial Court in the collective dispute instituted by the Association Consumer (Potrošač) because of unfair contractual provisions in connection to the Swiss Franc. This exhausted all legal actions in the collective litigation before the Croatian courts. The ruling is declaratory.

On the basis of the request of the Supreme Court of the Republic of Croatia, before the European Court of Justice (ECJ) there are preliminary ruling proceedings to determine the compliance of loan conversions from CHF to EUR, which conversions were executed on the basis of the provisions of the Act on Consumer Lending (OG 102/2015), with the European legal framework.

On the basis of the ruling of the Constitutional Court of the Republic of Croatia or of the expected decision of the European Court of Justice, the bank cannot assess the impact on the individual litigations it faces or could face in the future

Research and development activities

In 2020, the Bank improved business processes and support, but did not participate in research and development activities. The Bank has maintained its position among leading financial institutions in the application of advanced customer access technologies.

Information on repurchase of own shares

The Bank did not repurchase its own shares in 2020.

During the year, the Bank started the process of merging the subsidiary company Raiffeisen stambena štedionica d.d., which will be completed in 2021.

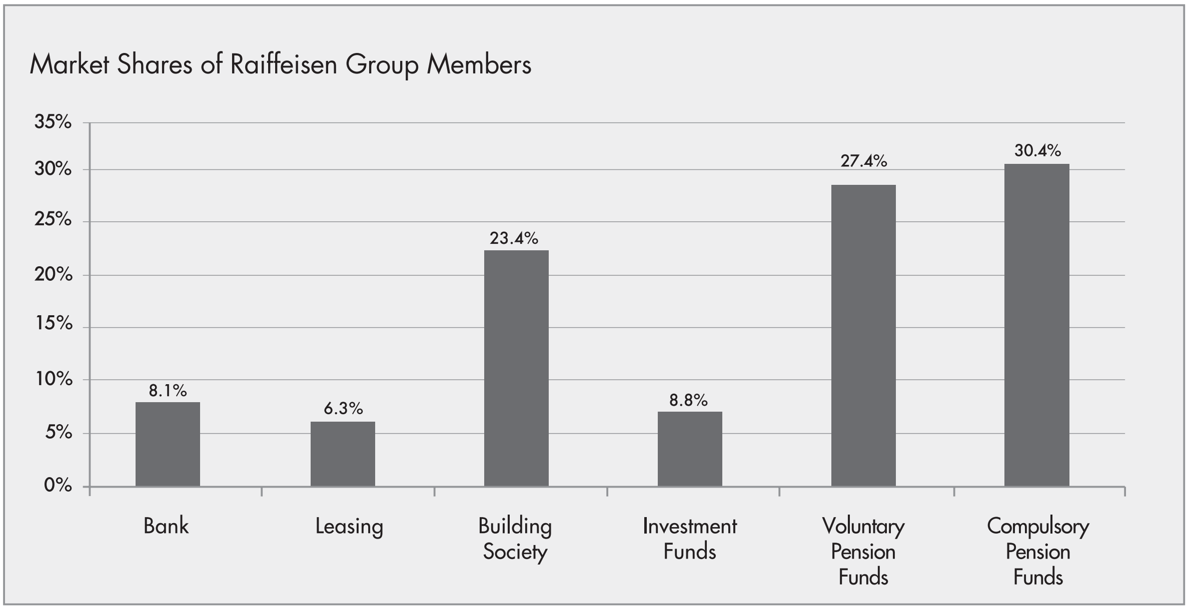
Bank subsidiaries

The Bank commenced operations on the Croatian financial market in December 1994, being established as a universal commercial bank. Since 1999, it has been developing its local Group of subsidiaries. The development of the Group is aimed at providing a comprehensive range of financial services to clients.

At 31 December 2020 the local Raiffeisen Group consisted of the following legal entities, which are wholly owned by the Bank:
- Raiffeisen stambena štedionica d.d.
- Raiffeisen mirovinsko društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondovima d.d.
- Raiffeisen mirovinsko osiguravajuće društvo d.d.
- Raiffeisen Invest d.o.o.
- Raiffeisen Leasing d.o.o.
- Raiffeisen Consulting d.o.o.

INTRODUCTION
2020 BUSINESS DEVELOPMENTS
RBI AT A GLANCE
FINANCIAL STATEMENTS
CONTACTS

The Group's total assets at 31 December 2020 amounted to HRK 40,127 million, having increased by 9 percent year on year. In the asset structure, loans to customers increased by HRK 371 million, while liquid assets and investments in financial assets other than loans decreased by HRK 3,026 million.



At 31 December 2020, assets under management in the three mandatory pension funds amounted to HRK 36,211 million, with an additional HRK 1,849 million worth of assets under management in one open-end and four closed-end voluntary pension funds. In the structure of assets managed by the pension company, 95 percent are assets of mandatory pension funds. The number of members in Raiffeisen pension funds at the end of the year was as follows: 603 thousand members in mandatory pension funds and 91 thousand members in voluntary pension funds. The 5 percent annual growth in the amount of assets managed by the pension company is based on the contributions made by fund members and the realized fund returns.

Assets in investment funds managed by Raiffeisen Invest declined 3 percent to HRK 1,752 million at 31 December 2020. At the beginning of the spring lockdown, the value of investments in bond funds was temporarily reduced, resulting in negative returns. In conditions of growing uncertainty, the propensity to invest in investment funds declined. After the summer opening, the value of bond investments returned to pre-lockdown levels, but in conditions of high uncertainty investor interest remained subdued. Share prices on the local market decreased as a result of the lockdowns in the last year, so investors were not motivated to increase investments in equity funds.

Building societies are credit institutions specializing in the provision of special purpose savings and housing loans. The products include long-term savings with government incentive and fixed-rate housing loans. Client interest in housing savings and loans depends on alternative market offer and payment of government incentives for housing savings. Government incentives are calculated on the basis of realized market interest rates. Due to the fall in interest rates, the amount of government incentives decrease as well. The government incentive was capped at 0.7 percent in 2020. In the housing loans market, there has been an increased interest in fixed-rate home loans offered by banks with the government subsidy. Due to the likely longer period with historically low market interest rates, the reduced attractiveness of building society savings and loans is expected to continue. As a result, the Bank initiated the procedure for the merger of this subsidiary into the Bank.

Raiffeisen group financial highlights for the period from 2016 to 2020

Group HRK millions	2020	2019	2018	2017	2016
From Balance sheet at 31 December					
Total assets	40,127	36,844	35,165	34,178	35,364
Shareholders' equity	5,006	4,941	4,506	4,685	4,890
Customer accounts	29,139	26,561	26,233	23,780	24,144
Loans to customers	20,238	19,867	17,463	17,745	18,504
From Income statement for the year ended 31 December					
Operating income	2,202	2,034	1,804	1,874	2,062
Operating expenses	1,729	1,445	1,233	1,212	1,877
Profit before tax	181	434	328	290	695
Net profit for the year	127	421	283	188	535
Ratios	%	%	%	%	%
Return on average shareholders' funds	2.57	9.34	6.04	3.84	12.17
Return on average assets	0.33	1.19	0.82	0.54	1.52
Capital adequacy ratio (in accordance with the Croatian National Bank methodology)	23.62	20.06	19.32	20.48	20.19
	HRK	HRK	HRK	HRK	HRK
Earnings per share	35	116	78	52	147

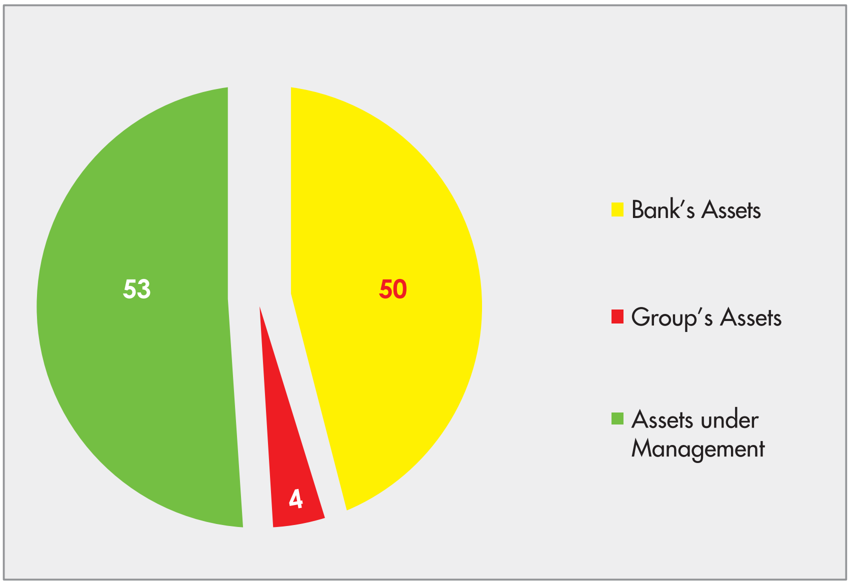
In 2020, the Group's total liabilities increased by HRK 3,218 million. The share of customer deposits in the Group's total liabilities is 83 percent and the secondary funding sources account for 10 percent of total liabilities. In addition to the bank, the major part of the secondary sources of funding relates to borrowings of Raiffeisen Leasing and a smaller portion to Raiffeisen Consulting loans. At 31 December 2020, borrowings amounted to HRK 2,834 million and bank deposits stood at HRK 267 million. Total customer deposits amounted to HRK 29,139 million. The share of private individual deposits in total liabilities was 47 percent. At 31 December 2020, the Group's equity amounted to HRK 5,006 million, with capital adequacy ratio of 23.62 percent.

The Group's profit after taxation in 2020 was HRK 127 million. Positive results were generated by pension fund management, pension insurance, consulting and investment fund management companies, and building society and leasing companies achieved a negative result.

The Group's net interest income amounted to HRK 871 million, down by 3 percent on the year before. At group level, the negative impact on net interest income was caused by a narrowing of the interest margin due to historically low interest rates and a growing surplus of liquidity in the system. Net fee and commission income amounted to HRK 394 million, down by 18 percent compared to the year before. The decrease was generated in the Bank and other members of the Group kept fee revenues at the previous year's levels. Fee income is the primary income of the Group members which manage the assets of the pension and investment funds. The largest net fee income of the non-banking members of the Group is generated from the management of mandatory pension funds. The level of the management fee for mandatory pension funds is determined by the regulator.

Other non-interest income amounted to HRK 937 million, up by 42 percent compared to previous period. Income from trading and valuation of financial assets also generated a gain of HRK 114 million, protection instruments recorded a loss of HRK 1 million. Other operating income gained HRK 824 million, and the largest portion in the amount of HRK 741 million relates to pension insurance income. Other income includes operating income from operating leases of HRK 46 million.

Group - assets and assets under management, in %



The total income of the local Group was HRK 2,202 million, having increased by HRK 168 million on the year before. The Group's operating expenses amounted to HRK 1,729 million, of which HRK 503 million relate to technical provisions for pension insurance, and an additional HRK 246 million to administrative expenses for the increase in reserves. Operating expenses increased by HRK 284 million on the year before. Operating expenses account for 78 percent of the Group's total income.

The Group had HRK 292 million of impairment losses, up by HRK 137 million on an annual basis. The contribution of other members of the local Group to the losses was not significant. The Group recorded a positive operating result of HRK 127 million. On annual basis the net result declined 70 percent.

Financial instruments and related risks

The Bank and the local Group invest in financial instruments, thus generating risk exposure. Risk management is within the scope of competence of the Bank's Management Board and is operationally implemented by organizational units for risk management and risk control. As at 31 December 2020, the Bank's assets were invested in various financial instruments, with loans to customers and debt securities accounting for a significant portion.
Major types of financial risks to which the Bank and the local Group are exposed include credit risk, liquidity risk, market risk and operational risks. Market risk includes exchange rate risk, interest rate risk and equity price risk.

At the Group level, a comprehensive risk management system is in place. It includes introduction and implementation of policies and procedures, setting limits for acceptable level of risk for the Group. Limits are defined by risk type in order to maintain the risk exposure within the risk appetite defined by the overall strategy, which is above the capital adequacy requirement. For the purpose of effective operational risk management, appropriate operational risk management methods and tools are applied at the Group level.

Credit risk

Credit risk is the risk that the counterparty to a transaction with the Group will default on its payment obligation or contingent liability commitment.

At the reporting date, the Bank's total credit risk exposure to all customer segments was HRK 34,186 million in assets and HRK 8,217 million in off-balance sheet items. At the Group level, credit risk exposure amounted to HRK 37,061 million in assets and HRK 8,490 million in off-balance sheet items.

Negative movements in the economy, caused by the measures for prevention of the COVID-19 virus epidemic spread, did not fully spill over into non-performing loans. The Regulator's Guidelines regulating banking operations for a more flexible approach to credit risks in the period of business activities decline, as well as support schemes from the Budget, allowed the banks to postpone creditworthiness assessments for borrowers affected by the anti-epidemic measures. Measures of agreeing loan repayment moratoria, debt restructuring, or prolonging repayment have not caused an increase in non-performing loans.

At 31 December 2020, the Bank's total non-performing loans amounted to HRK 1,210 million out of a total exposure of HRK 43,702 million. Loan loss provisions were formed in the amount of HRK 791 million covering 65 percent of non-performing loans. At the Group level, non-performing loans totalled HRK 1,310 million out of a total exposure of 46,895 million of total placements. Loan loss provisions were formed in the amount of HRK 826 million, covering 63 percent of non-performing loans.

Liquidity risk

Maturity transformation is a function that banks generally perform in the financial market. A consequence of the maturity transformation is a continuous reporting gap between inflows and outflows in a specific time period (liquidity gap). Liquidity gaps lead to exposure to liquidity risks. They arise in the form of a risk that the Bank will not be able to finance (refinance) its positions on acceptable terms at appropriate maturities and a risk that the Bank will not be able to effectively monetize its assets within an appropriate timeframe.

The Bank and the local Group have aligned their business activities with legal provisions governing liquidity risk and with group and internal regulations on liquidity reserve. At 31 December 2020, the liquidity risk exposure of the Bank and Group was in line with the strategy and within the defined limits.

Market risk

Market risk is the risk of a negative impact of changes in market parameters, such as interest rates or foreign exchange rates, on the Group's income or the valuation of its positions in financial instruments. Assessment of market risk exposure is based on changes in foreign exchange rates, interest rates, credit spreads, equity and commodity prices, and other market parameters.

Interest rate risk

The financial assets of the Bank and the local Group are generally interest bearing, as are most financial liabilities. Assets and liabilities mature, and the interest rates are reset, in different intervals or in different patterns. To a certain extent profit of the Bank and Group is sensitive to interest rate movements. Profit is also affected by the currency structure of assets, liabilities and capital and reserves. The Bank and the Group hold a significant share of interest bearing assets and liabilities denominated in foreign currencies. The assessment of interest rate risk exposure is measured from the perspective of earnings and economic value change perspective.

Exchange rate risk

Part of the assets of the Bank and the Group are denominated in foreign currencies, prevailingly in euros. Exposure to exchange rate risk is the risk of losses incurred in foreign currency open positions. In order to hedge against currency risk, the Bank and the Group use derivative financial instruments.
Exposure to exchange rate risk arises from transactions in loans denominated in foreign currencies, deposits denominated in foreign currencies, and from investment and market activities. This exposure is monitored on a daily basis, in accordance with internally determined limits set for individual currencies and in the total amount of the maximum open foreign currency position. The exposure of the Bank and Group to exchange rate risk at the reporting date is in line with the strategy and within the defined limits.

Equities price risk

Equity price risk is the risk that arises from equity price volatility, and it affects fair value of equity investments and other instruments the value of which derives from equity investments. Primary exposure to price risk arises from equity securities that are measured at fair value through profit or loss. The exposure of the Bank and Group to equity price risk at the reporting date is in line with the strategy and within defined limits.

Social responsibility

Sponsorships and donations

In accordance with its policy of sustainability and promoting socially responsible business, in 2020 the bank primarily turned to sponsoring projects of great significance to the community in which we live and work, which have a positive impact on the environment and support entrepreneurship of women and youth.
Thus, the bank sponsored:

- the Boranka project – funds are intended for organizing the Boranka voluntary reforestation campaign of fire affected areas in Dalmatia. The project aims at raising awareness of the importance of forest protection, fire prevention and consequences of global warming
- the 1,000 Sunčanih krovova project organized by the Zelena energetska zadruga - funds are intended for support in creating and promoting the digital platform Na sunčanoj strani, which will serve as the central communication

platform for all information and offers related to construction of sun power plants on the rooftops of households in Croatia. RBA is a partner in the project that invests in renewable energy sources and contributes to transformation and regeneration of cities. Within the scope of the same project, the bank sponsored also an award contest Na sunčanoj strani.
- the Nextbike sponsorship for the public bike system, whereby the bank supports use of public bicycles for the purpose of lowering emission of harmful gases, traffic jams, parking problems and stimulating healthy living habits and better health of the population.
- donations to children's homes (Bedekovčina Educational & Correctional Home, Maestral Children's Home, Vrbina Sisak Children's Home, Osijek Educational Children & Youth Home, Lipik Children and Youth Community Services Centre, donation to the Nova budućnost Association providing care for children without adequate parental care outside their own family) and an office equipment donation to Children's Hospital Srebrnjak
- donation to Palčići – Financial assets intended for procurement of advanced intensive care incubators which will be located in the Clinical Hospital Petrova.
- Projekt sreće Association – Financial assets intended for procurement of medicines, food and other supplies to children and families affected by the earthquake and COVID-19, and who are the beneficiaries of the Association. The Association provides also psychological help to the children and families
- Savršeni krug Association – Financial assets intended for support to young unemployed and socially vulnerable families amid the consequences of the COVID-19-caused crisis and the consequences of the earthquake that happened in Zagreb.
- Women in Adria – Financial assets intended for supporting realization of the Women in Adria program in the year 2020.
- AmCham Talents program – Financial assets intended for organizing the AmCham Talents program 2020,
- SHIFT Remote virtual conferences – Financial assets intended for organizing the SHIFT Remote virtual conference. SHIFT Remote is a series of online events that includes educational and inspirational talks intended for the IT industry and developers,
- Agreeing sponsorship of the 23rd scientific-expert conference Croatian Money Market,
- Shift DEV conference 2020 – Financial assets intended for organizing the Shift DEV conference 2020 that was held on 14 and 15 September 2020 in Split.

Welfare of employees

After the great earthquake in Zagreb the bank provided financial aid for all employees whose property was affected by the earthquake. All employees whose property was destroyed or significantly damaged in the earthquake had the right to one-off aid in accordance with the damage categorization performed for their respective real estate. In this way, employees received financial aid much earlier than they would have by applying to the city or the state.

In 2020 all employees were offered various forms of support and psychological help in the form of online training for stress management and individual counselling. Also, for all employees, the bank provides regular physical exams and additional health insurance, whereby it additionally invests in the health and welfare of its staff.

Considering a very difficult and challenging year, multi-purpose education and workshops were organized for the senior management specifically highlighting regulation of stress, burnout and prevention of such states. Internal blogs focusing on the mentioned issues (organization of remote work, awareness) are available to all employees.

Responsibilities of the Management

Pursuant to the Croatian Accounting Act, the Management Board of Raiffeisenbank Austria d.d. Zagreb (hereinafter the Bank) is required to ensure that financial statements are prepared for each financial year in accordance with the applicable accounting framework, so that those financial statements give a true and fair view of the financial position of the Bank, and of the results of its operations and cash flows as at and for the year ended 31 December 2020.

Having performed appropriate assessment, the Management Board has a reasonable expectation that the Bank has adequate resources to continue in business for the foreseeable future. For this reason, the Management Board continues to prepare the financial statements on a going concern basis.

Responsibilities of the Management Board for the preparation of financial statements include:
- Selecting and then consistently applying suitable accounting policies;
- Making judgements and estimates that are reasonable and prudent;
- Acting in accordance with applicable accounting standards, and disclosing and explaining any material discrepancies in the financial statements; and
- Preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Management Board of the Bank is responsible for maintaining proper accounting records, which disclose with reasonable accuracy the financial position of the Bank and the consolidated position of the Group at any time. The Management Board must also ensure that the financial statements are prepared in accordance with the Croatian Accounting Act. In addition, the Management Board has a responsibility for taking such steps as are reasonably available to it to prevent and detect fraud and other irregularities.

The Management Board is also responsible for the preparation and content of the Management Report of Condition, in accordance with the Croatian Accounting Act. The Management Report of Condition was authorised by the Management Board and is signed below to signify this.

Non-financial information

The Bank implemented the exemption allowed under the Accounting Act Article 21a paragraph 7, and does not declare a separate non-financial statement.
Non-financial information regulated under the EU Directive 2014/95 that include the Bank and members of the local group were published by RBI on its web site at the link:
(https://www.rbinternational.com/eBusiness/01_template1/829189266947841370-829188968716049154_923778918747875269_923779208926603950-923779208926603950-NA-2-EN.html).

Liana Keserić
President of the Management Board

Zoran Košćak
Member of the Management Board

Višnja Božinović
Member of the Management Board

Georg Feldscher
Member of the Management Board

RBI at a glance

INTRODUCTION
2020 BUSINESS DEVELOPMENTS
RBI AT A GLANCE
FINANCIAL STATEMENTS
CONTACTS

Raiffeisen Bank International at a glance

RBI regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. Subsidiary banks cover 13 markets across the region. In addition, the Group includes numerous other financial service providers active in areas such as leasing, asset management and M&A.

In total, around 45,000 RBI employees serve 17.2 million customers from more than 1,800 business outlets, the vast majority of which are in CEE. RBI AG shares have been listed on the Vienna Stock Exchange since 2005.

At year-end 2020, RBI's total assets stood at around € 166 billion. The regional Raiffeisen banks hold approximately 58.8 per cent of RBI shares, with the remaining approximately 41.2 per cent in free float.

Financial Statements

Responsibilities of the Management and Supervisory Board for the preparation and for the approval of the Annual report

The Management Board of the Bank is required to prepare separate and consolidated financial statements for each financial year which give a true and fair view of the financial position of the Bank and Group and of the results of their operations and cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Bank and the Group and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; making judgements and estimates that are reasonable and prudent; and preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Bank and the Group will continue in business.

The Management Board is responsible for the submission to the Supervisory Board of its annual report for acceptance, and then the Supervisory Board approves the submission of the annual report to General Meeting for acceptance.

The Management Board is also responsible for preparation and fair presentation of supplementary schedules in accordance with the Decision of the Croatian National Bank on the Structure and Content of the Annual Financial Statements of Banks (Official Gazette 42/18; Official Gazette 122/20).

The separate and consolidated financial statements set out on pages 53 to 201 as well as supplementary regulatory separate and consolidated schedules for the Croatian National Bank on pages 202 to 219 with relevant reconciliation on pages 220 to 221, were authorised by the Management Board on 31 March 2021 for submission to the Supervisory Board, and are signed below to signify this.

The Management Board is also responsible for the preparation and content of the management report as required by the Croatian Accounting Law, and for other information that include the Letter from the Chief Executive Officer on pages 6 to 7, the Report of the Supervisory Board on pages 8 to 9, the Macroeconomic environment presented on pages 10 to 14 and the Management Report of Condition presented on pages 20 to 33 and Other information were approved by the Management Board on 31 March 2021 and signed below to signify this.

Signed on behalf of Raiffeisenbank Austria d.d.

Liana Keserić
President of the Management Bord
____

Zoran Košćak
Member of the Management Board
____

Višnja Božinović
Member of the Management Board
____

Georg Feldscher
Member of the Management Board
____

Independent Auditors' Report to the shareholders of Raiffeisenbank Austria d.d. *(continued)*

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Raiffeisenbank Austria d.d. ("the Bank") and the consolidated financial statements of the Bank and its subsidiaries ("the Group"), which comprise the separate and consolidated statements of financial position of the Bank and the Group, respectively, as at 31 December 2020, and their respective separate and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information ("the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the unconsolidated financial position of the Bank and the consolidated financial position of the Group as at 31 December 2020 and of their respective unconsolidated and consolidated financial performance and cash flows for the year then ended in accordance with statutory accounting requirements for banks in the Republic of Croatia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditors' Report to the shareholders of Raiffeisenbank Austria d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to customers (separate and consolidated financial statements)

As at 31 December 2020, in the separate financial statements, gross loans and advances to customers amount to HRK 20,084 million, related impairment allowance amounts to HRK 1,123 million and impairment loss recognised in profit or loss amounts to HRK 200 million (31 December 2019: gross loans and advances: HRK 19,514 million, impairment allowance: HRK 1,058 million, impairment loss recognised in profit or loss: HRK 33 million).

As at 31 December 2020, in the consolidated financial statements, gross loans and advances to customers amount to HRK 21,401 million, impairment allowance amounts to HRK 1,163 million and impairment loss recognised in profit or loss amounts to HRK 208 million (31 December 2019: gross loans and advances: HRK 20,958 million, impairment allowance: HRK 1,091 million, impairment loss recognised in profit or loss: HRK 30 million).

Refer to pages 78 to 80 (Significant accounting policies), pages 88 to 92 (Significant accounting estimates and judgements), pages 106 to 109 (note 11 Loans and advances to customers), and pages 158 to 171 (Credit risk section of the note 48 Risk management).

Key audit matter	How our audit addressed the matter
Impairment allowances represent the Management Board's best estimate of the credit losses within the loans and advances portfolio at the reporting date. We focused on this area as the determination of impairment allowances requires a significant amount of judgment from the Management Board over the amounts of any such impairment. The Bank and the Group calculate allowances for credit losses in accordance with the Croatian National Bank's (the CNB's) regulations, which incorporate measurement and impairment requirements of IFRS 9 Financial Instruments, based on the expected credit loss (ECL) model (with dual-measurement approach, under which the impairment allowance is measured as either 12-months expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition).	Our audit procedures in this area included, among others: — Inspecting the ECL impairment provisioning methodology and assessing its compliance with the relevant regulatory and financial reporting framework; — Making relevant inquiries of the Bank's and the Group's risk management and information technology (IT) personnel to update an understanding of the provisioning process, IT applications used therein, as well as key data sources and assumptions in the ECL model. Also, testing of IT control environment for data security and access, assisted by our own IT specialists;

Independent Auditors’ Report to the shareholders of Raiffeisenbank Austria d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
Impairment allowances for performing non-retail exposures (Stage 1 and Stage 2 in the provisioning regulations hierarchy) as well as for all retail exposures are determined by modelling techniques, increased, for non-retail exposures, by specific management overlays (together “collective impairment allowance”). Historical experience, identification of exposures with a significant deterioration in credit quality and defaulted exposures, forward-looking information and management judgment are incorporated into the model assumptions. The Bank is continuously recalibrating the model parameters which also requires our increased attention in the audit. For non-performing corporate exposures (Stage 3), the impairment assessment is based on the knowledge of each individual borrower and often on estimation of the fair value of the related collateral. The process involves a high level of subjectivity and reliance on a number of significant assumptions, including those in respect of the probable sale proceeds from collateral, as well as the haircuts to be applied on the estimated value of collateral and minimum period of realization of collateral. In the wake of the above factors, coupled with the significantly higher estimation uncertainty stemming from the impact of the COVID-19 global pandemic on multiple sectors of the economy, we considered impairment of loans and advances to customers to be associated with a significant risk of material misstatement in the separate and consolidated financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.	— Testing the design, implementation and operating effectiveness of selected controls over the approval, recording and monitoring of loans and advances, including those over the identification of loss events and default, appropriateness of classification of exposures into performing and non-performing and their segmentation into homogenous groups, calculation of days past due, collateral valuations and calculation of the impairment allowances; — Evaluating the overall modelling approach of calculation of ECLs, including the calculation of main risk parameters and macroeconomic factors (probability of default (PD), loss given default (LGD), best estimate of the expected loss (BEEL) and exposure at default (EAD)); — Evaluating whether in its loan staging and ECL measurement the Bank appropriately considered the effects of the market disruption resulting from the COVID-19 pandemic. For collective impairment allowance: — Obtaining an understanding of the key internal rating models for loans to customers, and assessing the relevance and reliability of the key data used therein; — For a sample of exposures assessing the appropriateness of the staging by reference to the occurrence of significant increase of credit risk and / or default;.

KPMG

Independent Auditors' Report to the shareholders of Raiffeisenbank Austria d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
	— Obtain an understanding of the basis for calculation of management overlays for Stage 1 and Stage 2 non-retail credit risk exposures, assessing the reasonableness of the underlying assumptions and overall reasonableness of the total Stage 1 and Stage 2 non-retail impairment allowance; — Evaluating the forward-looking information and macroeconomic forecasts used in the ECL assessment by means of corroborating inquiries of the Management Board and through inspection of publicly available market information; — Assisted by our own financial risk management specialist, challenging the BEEL, LGD and PD parameters applied in the ECL model, generally by performing back-testing, of historical default, by reference to historical realised losses on defaults, and also by recalculating unsecured retail PD model results, and BEEL and LGD adjustments. For impairment allowances calculated individually, for a risk-based sample of exposures: — Selecting a sample of individual exposures, with focus on those with the greatest potential impact on the financial statements due to their magnitude and risk characteristics, as well as lower value items, which we independently assessed as high-risk, such as watchlisted, restructured or rescheduled exposures, loans to clients operating in higher risk industries, non-performing exposures with low provision coverage and unsecured exposures; — For Stage 1 and Stage 2 exposures within the sample, critically assessing any evidence of credit-impairment, by reference to the underlying loan files and through inquiries of loan officers and credit risk management personnel, also considering business operations of the respective customers as well as market conditions and historical debt service;

Independent Auditors' Report to the shareholders of Raiffeisenbank Austria d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
	— For exposures with Stage 3 triggers identified, challenging key assumptions applied in the estimates of future cash flows used in the impairment calculation, such as discount rates, collateral values and realization period, and performing respective independent recalculations, where relevant. Considering the adequacy of the ECLs recognised against the various minimum provisioning requirements of the CNB. Critically assessing the overall reasonableness of the impairment allowances, including both the share of the gross performing and non-performing exposure in total gross exposure and the performing and non-performing loans provision coverage. Evaluating the accuracy and completeness of the financial statement disclosures relating to expected credit losses against the requirements of the relevant financial reporting framework.

Independent Auditors' Report to the shareholders of Raiffeisenbank Austria d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

Impairment of investments in subsidiaries (separate financial statements)

As at 31 December 2020, investments in subsidiaries in the separate financial statements amount to HRK 384 million (cost HRK 393 million and impairment allowance HRK 9 million) (31 December 2019: HRK 384 million; cost HRK 393 million and impairment allowance HRK 9 million); in 2020 there were no related impairment losses recognised in profit or loss (2019: HRK nil).

Refer to page 82 (Significant accounting policies), page 94 (Significant accounting estimates and judgements) and pages 113 to 115 (note 13 Investments in subsidiaries).

Key audit matter	How our audit addressed the matter
The Bank has investments in subsidiaries operating in various industries (leasing, factoring, pension fund management, investment fund management, real estate management and pension insurance). In the Bank's separate financial statements investments in these subsidiaries are stated at cost, less any related impairment. On an annual basis, the Bank performs an assessment of the existence of impairment indictors for the individual subsidiaries. For those subsidiaries, for which impairment indicators were identified, the Bank performs an assessment of the investment's recoverable amount, by reference to its fair value determined via a range of valuation techniques, such as, but not limited to, discounted cash flows, discounted dividend model and use of multipliers. The determination of the investments' recoverable amounts requires the Management Board to apply significant judgement, and to use complex and subjective assumptions. Due to the above factors, coupled with higher estimation uncertainty stemming from the business disruption impact of the COVID-19 global pandemic, as discussed in Note 13 to the separate financial statements, we consider this area to be a key audit matter.	Our audit procedures in this area included, among others: — Challenging the Bank's identification of impairment indicators, based on our own experience with the particular subsidiary and industry in which they operate, considering factors including unfavourable developments in the industry, changing laws and regulations, declining financial performance, capital requirements, unsustainable level of debt, financial difficulties of key customers, changing business models and net carrying amount of the Bank's investment in excess of the Bank's share in net assets. For the subsidiaries for which impairment indicators were identified: — Assessing the appropriateness of impairment testing methods applied against the requirements of the relevant financial reporting standards and current market practice; — Assisted by our own valuation specialists, and considering the effects of the COVID-19 pandemic, challenging the key assumptions used in the Bank's estimates of recoverable amounts, such as:

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
	• growth rates - by reference to historical financial performance, assessed quality of budgeting process, past and expected future market developments; • discount rates - by assessing whether the cost of debt and cost of equity used are within the reasonable range, given the specific industry, country risk and financial position of the entity, and by making corroborating inquiries of the Bank's Management Board and its valuation officers; • Performing, where appropriate, alternative valuations to challenge the management valuations of individual subsidiaries and identify any indications of management bias. For the subsidiaries in the process of sale, making related inquiries of the Management Board and inspecting any offers received to evaluate whether any indications exist that the carrying amounts of the subsidiaries may be in excess of their recoverable amount (fair value less costs to sell). Assessing the accuracy and completeness of the Bank's disclosures related to the assumptions and significant judgements used in estimating recoverable amounts of investments in subsidiaries.

Independent Auditors' Report to the shareholders of Raiffeisenbank Austria d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

Provision for court cases (separate and consolidated financial statements)

As at 31 December 2020, provisions related to court cases, within line item Provisions for liabilities and charges, in the separate financial statements amount to HRK 289 million (2019: HRK 184 million); related expense recognised in profit and loss in 2020 amount to HRK 105 million (2019: HRK 123 million).

As at 31 December 2020, provisions related to court cases, within line item Provisions for liabilities and charges, in the consolidated financial statements amount to HRK 305 million (2019: HRK 200 million); related expense recognised in profit and loss in 2020 amounts to HRK 105 million (2019: HRK 123 million).

Refer to page 84 (Significant accounting policies), pages 92 to 93 (Significant accounting estimates and judgements) and pages 131 to 133 (note 23 Provisions for liabilities and charges).

Key audit matter	How our audit addressed the matter
As part of its regular business activities, the Bank and the Group are exposed to various litigations, including those relating to CHF loans as discussed in Note 23. A provision is recognised in respect of those litigations when a present, legal or constructive, obligation exists as a result of past events and a reliable estimate of the obligation could be determined. Whether a liability or a contingent liability is recognised or disclosed in the financial statements is inherently uncertain and is dependent on a number of significant assumptions and judgments. Key judgements and estimates in the process are related to the existence of a present obligation, the probability of future payment and estimation of the amount of obligation. Additionally, for CHF lending-related court cases, key judgements relate to the expected developments of the court practice in Croatia, with respect to the treatment of CHF conversion conducted in 2013, and the applicably of statute of limitation.	Our audit procedures in this area included, among others: — Inspecting the Bank's and the Group's court cases provisioning methodology and assessing its compliance with the relevant requirements of the financial reporting framework and CNB provisioning regulations, including, but not limited to, the existence of the present obligation, probability of future payment and estimation of the amount of obligation; — Reading minutes of the meetings of the Management and Supervisory Board to support reasonableness of the major judgements and estimates made by management and identify additional potential obligations; — Critically assessing the Bank's and the Group's assumptions and estimates in respect of the claims, including the liabilities recognised or contingent liabilities disclosed in the financial statements. This involved assessing the probability of an unfavourable outcome of litigation and the reliability of estimates of related obligations, by inspecting supporting documentation, such as individual court case files, higher level courts decisions and opinions and analyses of the Bank's and the Group's in-house and external lawyers, and making corroborating inquiries of the Management Board members about future development of claims;

Independent Auditors' Report to the shareholders of Raiffeisenbank Austria d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
The amounts involved are potentially significant and determining the amount, if any, to be recognised or disclosed in the financial statements, is inherently subjective. For the above reasons, provisioning for court cases is considered by us to be a significant risk in our audit, which required our increased attention. Accordingly, we considered the area to be our key audit matter.	— Specifically, in respect of the CHF lending court cases, inspecting opinions and representations of external legal advisors and the developments of court practice in Croatia, in order to support reasonableness of the major judgements and estimates made by management in the provisioning process; — Evaluating the accuracy and completeness of the related disclosures in accordance with relevant accounting framework.

Other Information

Management is responsible for the other information. The other information comprises the Letter of the Chief Executive Officer, Report of the Supervisory Board, Management Report and Macroeconomic environment included in the Annual Report of the Bank and the Group, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 Report, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether the Management Report has been prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared, in all material respects, in accordance with the requirements of Articles 21 and 24 of the Accounting Act; respectively.

In addition, in light of the knowledge and understanding of the Bank and the Group and their environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Letter of the Chief Executive Officer, Report of the Supervisory Board, Management Report and Macroeconomic environment. We have nothing to report in this respect.

Independent Auditors' Report to the shareholders of Raiffeisenbank Austria d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with statutory accounting requirements for banks in the Republic of Croatia, and for such internal control as management determines is necessary to enable the preparation of the 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 and the Group'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 the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgment and maintain professional scepticism 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 controls.
- 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 and the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditors' Report to the shareholders of Raiffeisenbank Austria d.d*. (continued)*

Report on the Audit of the Financial Statements *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Bank and the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 controls that we identify during our audit.

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 auditors' 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.

Independent Auditors' Report to the shareholders of Raiffeisenbank Austria d.d. *(continued)*

Report on Other Legal and Regulatory Requirements

Pursuant to the Decision of the Croatian National Bank on the Structure and Content of the Annual Financial Statements of Credit Institutions (Official Gazette 42/18 and 122/2020), the Management Board of the Bank has prepared the schedules ("the Schedules"), which comprise an alternative presentation of the consolidated and separate statement of financial position as of 31 December 2020, and of the consolidated and separate statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a reconciliation ("the Reconciliation") of the Schedules with the consolidated and separate financial statements. The schedules are set out on pages 202 to 219, and the Reconciliation is set out on pages 220 to 221. The Management Board of the Bank is responsible for the Schedules and the Reconciliation. The financial information in the Schedules is derived from the financial statements of the Group and the Bank set out on pages 53 to 201 on which we have expressed an unmodified opinion as set out above.

We were appointed by those charged with governance on 14 May 2020 to audit the financial statements of the Bank and the Group for the year ended 31 December 2020. Our total uninterrupted period of engagement is six years, covering the periods from 1 January 2015 to 31 December 2020.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank dated 31 March 2021;
- we have not provided non-audit services, hence we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit;

KPMG Croatia d.o.o. za reviziju
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

KPMG Croatia
d.o.o. za reviziju
Eurotower, 17. kat
Ivana Lučića 2a, 10000 Zagreb

31 March 2021

Goran Horvat
President of the Management Board, Croatian Certified Auditor

This version of the Auditors' 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 Auditors' Report takes precedence over translation

Consolidated statement of financial position
As at 31 December

HRK millions	Notes	Group 2020	Group 2019
Assets			
Cash and current accounts with banks	7	8,289	5,125
Obligatory reserve with the Croatian National Bank	8	1,598	1,969
Financial assets at fair value through profit or loss	9	1,651	1,497
Placements with and loans to other banks	10	212	554
Loans and advances to customers	11	20,238	19,867
Investment securities	12	6,521	6,101
Property, plant, equipment and investment property	14a	967	985
Right of use assets	14b	27	37
Intangible assets	15	348	303
Deferred tax assets	16	67	104
Tax prepayment		42	57
Other assets	17	167	245
Total assets		**40,127**	**36,844**

The accounting policies and other notes on pages 67 do 201 form an integral part of these financial statements.

This is an English translation of the statutory financial statements issued in Croatian. 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 financial statements takes precedence over translation.

Consolidated statement of financial position (continued)
As at 31 December

HRK millions	Notes	Group 2020	Group 2019
Liabilities			
Financial liabilities at fair value through profit or loss	18	200	81
Deposits from banks	19	267	1,171
Deposits from companies and other similar entities	20	12,729	11,018
Deposits from individuals	21	16,410	15,543
Borrowings	22	2,834	1,995
Provisions for liabilities and charges	23	451	314
Lease liabilities		30	37
Other liabilities	24	1,669	1,220
Subordinated liabilities	25	531	524
Total liabilities		**35,121**	**31,903**
Equity			
Share capital	35	3,621	3,621
Share premium		12	12
Additional TIER 1 capital	36	297	297
Capital reserve		1	1
Legal reserve		181	181
Fair value reserve		59	109
Retained earnings		708	720
Undistributed profit for the year		127	-
Total equity attributable to owners of the parent		**5,006**	**4,941**
Total liabilities and equity		**40,127**	**36,844**

The accounting policies and other notes on pages 67 do 201 form an integral part of these financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December

HRK millions	Notes	Group 2020	Group 2019
Interest income calculated using the effective interest method	26	934	982
Other interest income	26	37	40
Interest expense	27	(100)	(124)
Net interest income		**871**	**898**
Fee and commission income	28	670	958
Fee and commission expense	29	(276)	(478)
Net fee and commission income		**394**	**480**
Net (loss) / gain from financial instruments at fair value	30	(51)	26
Net gain on trading and foreign exchange differences from translation of monetary assets and liabilities	30	165	140
Net losses from hedge accounting	30	(1)	(3)
Other operating income	31	824	493
Trading and other income		**937**	**656**
Operating income		**2,202**	**2,034**
Operating expenses	32	(1,729)	(1,445)
Impairment losses	33	(155)	(26)
Provisions for liabilities and charges	23	(137)	(129)
Profit before tax		**181**	**434**
Income tax expense	34	(54)	(13)
Profit for the year		**127**	**421**

The accounting policies and other notes on pages 67 do 201 form an integral part of these financial statements.

Consolidated statement of comprehensive income (continued)
For the year ended 31 December

HRK millions	Notes	Group 2020	Group 2019
Profit for the year		127	421
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Change in fair value of equity financial assets at fair value through other comprehensive income, net of tax and realised amounts		(24)	17
Items that are or may be reclassified to profit or loss			
Change in fair value of debt financial assets at fair value through other comprehensive income, net of tax and realised amounts		(26)	20
Other comprehensive (loss) / gain for the year, net of tax		(50)	37
Total comprehensive income for the year		77	458
Profit for the year Attributable to: – Owners of the parent		127	421
Earnings per share attributable to the equity holders of the parent	40	35.25	116.24

The accounting policies and other notes on pages 67 do 201 form an integral part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December

HRK millions	Share capital	Share premium	Additional TIER 1 capital	Capital reserves	Legal reserve	Fair value reserve	Retained earnings	Undistri-buted profit for the year	Total attributable to equity holders of the parent
At 1 January 2019	3,621	12	–	1	181	72	619	–	4,506
Total comprehensive income									
Profit for the year	–	–	–	–	–	–	421	–	421
Other comprehensive income									
Change in fair value of equity financial assets at fair value through other comprehensive income, net of tax and realised amounts	–	–	–	–	–	17	–	–	17
Change in fair value of debt financial assets at fair value through other comprehensive income, net of tax and realised amounts	–	–	–	–	–	20	–	–	20
Total comprehensive income	–	–	–	–	–	37	421	–	458
Merger of subsidiary	–	–	–	–	–	–	11	–	11
Other changes	–	–	–	–	–	–	23	–	23
Transactions with equity holders									
Dividend paid	–	–	–	–	–	–	(354)	–	(354)
Issuance of other equity instruments	–	–	297	–	–	–	–	–	297
Total transactions with equity holders	–	–	297	–	–	–	(354)	–	(57)
At 31 December 2019	3,621	12	297	1	181	109	720	–	4,941
At 1 January 2020	3,621	12	297	1	181	109	720	–	4,941
Total comprehensive income									
Profit for the year	–	–	–	–	–	–	–	127	127
Other comprehensive income									
Change in fair value of equity financial assets at fair value through other comprehensive income, net of tax and realised amounts	–	–	–	–	–	(24)	–	–	(24)
Change in fair value of debt financial assets at fair value through other comprehensive income, net of tax and realised amounts	–	–	–	–	–	(26)	–	–	(26)
Total comprehensive income	–	–	–	–	–	(50)	–	127	77
Other changes	–	–	–	–	–	–	23	–	23
Transactions with equity holders									
AT1 coupon	–	–	–	–	–	–	(35)	–	(35)
Total transactions with equity holders	–	–	–	–	–	–	(35)	–	(35)
At 31 December 2020	3,621	12	297	1	181	59	708	127	5,006

The accounting policies and other notes on pages 67 do 201 form an integral part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 December

HRK millions	Notes	Group 2020	Group 2019
Cash flows from operating activities			
Profit before tax		181	434
Adjustments for:			
– Amortization and depreciation	32	142	139
– Foreign exchange differences	30	(38)	8
– Realised gains / (losses) on financial assets at fair value through other comprehensive incomeat	30	12	(6)
– Impairment losses (excluding cash and cash equivalents) and provisions for liabilities and charges	23,33	319	158
– Loss on sale of assets under operating lease	32	–	2
– Net interest income	26,27	(871)	(898)
Changes in operating assets and liabilities			
Net (increase) / decrease in financial assets at fair value through profit or loss		(124)	83
Net increase in placements with banks, with original maturity more than three months		(104)	(9)
Net decrease / (increase) in obligatory reserve with the Croatian National Bank		380	(61)
Net increase in loans and advances to customers		(408)	(2,436)
Net decrease / (increase) in other assets		86	(22)
Net increase in right of use assets		(3)	–
Net increase in financial liabilities through profit or loss		120	42
Net (decrease) / increase in deposits from banks		(913)	573
Net increase / (decrease) in deposits from companies and other similar entities		1,741	(389)
Net increase in deposits from individuals		870	605
Net increase in other liabilities		450	379
Interest received (excluding investment securities)		861	966
Interest paid		(119)	(127)
Net cash from operating activities before tax		**2,582**	**(559)**
Income tax paid		(21)	(56)
Net cash from operating activities		**2,561**	**(615)**

The accounting policies and other notes on pages 67 do 201 form an integral part of these financial statements.

Consolidated statement of cash flows (continued)
For the year ended 31 December

HRK millions	Notes	Group 2020	Group 2019
Cash flows from investing activities			
Interest received from investment securities		91	122
Net cash payments for purchase of investment securities		(549)	(263)
Payments for purchase of property, plant and equipment and intangible assets		(206)	(229)
Proceeds from disposal of property, plant and equipment and intangible assets		50	81
Net cash from investing activities		**(614)**	**(289)**
Cash flows from financing activities			
Receipts from borrowings	22	8,106	11,872
Repayment of borrowings	22	(7,291)	(11,788)
Repayment of subordinated liabilities		–	(295)
Receipts from issuance of other equity instruments	36	–	297
AT1 coupon paid	38	(35)	–
Dividend paid	38	–	(354)
Repayment of lease liabilities		(7)	(11)
Net cash from financing activities		**773**	**(279)**
Effects of foreign exchange differences on cash and cash equivalents		(5)	34
Net increase / (decrease) in cash and cash equivalents		**2.715**	**(1.183)**
Cash and cash equivalents at the beginning of the year		**5,655**	**6,838**
Cash and cash equivalents at the end of the year	41	**8,370**	**5,655**

The accounting policies and other notes on pages 67 do 201 form an integral part of these financial statements.

Separate statement of financial position
As at 31 December

HRK millions	Notes	Bank 2020	Bank 2019
Assets			
Cash and current accounts with banks	7	8,277	5,109
Obligatory reserve with the Croatian National Bank	8	1,598	1,969
Financial assets at fair value through profit or loss	9	717	682
Placements with and loans to other banks	10	93	541
Loans and advances to customers	11	18,961	18,456
Investment securities	12	5,937	5,659
Investments in subsidiaries	13	384	384
Property, plant, equipment and investment property	14a	527	501
Right of use assets	14b	152	182
Intangible assets	15	314	268
Deferred tax assets	16	56	97
Tax prepayment		35	51
Other assets	17	113	177
Total assets		**37,164**	**34,076**

The accounting policies and other notes on pages 67 do 201 form an integral part of these financial statements.

Separate statement of financial position (continued)
As at 31 December

HRK millions	Notes	Bank 2020	Bank 2019
Liabilities			
Financial liabilities at fair value through profit or loss	18	199	80
Deposits from banks	19	424	1,303
Deposits from companies and other similar entities	20	12,967	11,170
Deposits from individuals	21	15,361	14,458
Borrowings	22	2,066	1,058
Provisions for liabilities and charges	23	431	296
Lease liabilities		152	182
Other liabilities	24	285	331
Subordinated liabilities	25	531	524
Total liabilities		**32,416**	**29,402**
Equity			
Share capital	35	3,621	3,621
Share premium		12	12
Additional TIER 1 capital	36	297	297
Capital reserve		1	1
Legal reserve		173	173
Fair value reserve		56	103
Retained earnings		456	467
Undistributed profit for the year		132	–
Total equity		**4,748**	**4,674**
Total liabilities and equity		**37,164**	**34,076**

The accounting policies and other notes on pages 67 do 201 form an integral part of these financial statements.

Separate statement of comprehensive income
For the year ended 31 December

HRK millions	Notes	Bank 2020	Bank 2019
Interest income calculated using the effective interest method	26	859	893
Other interest income	26	24	28
Interest expense	27	(76)	(93)
Net interest income		**807**	**828**
Fee and commission income	28	509	795
Fee and commission expense	29	(253)	(454)
Net fee and commission income		**256**	**341**
Net (loss) / gain from financial instruments at fair value	30	(37)	13
Net gain on trading and foreign exchange differences from translation of monetary assets and liabilities	30	160	139
Net losses from hedge accounting	30	(1)	(3)
Other operating income	31	91	112
Trading and other income		**213**	**261**
Operating income		**1,276**	**1,430**
Operating expenses	32	(819)	(840)
Impairment losses	33	(149)	(27)
Provisions for liabilities and charges	23	(135)	(127)
Profit before tax		**173**	**436**
Income tax expense	34	(41)	2
Profit for the year		**132**	**438**

The accounting policies and other notes on pages 67 do 201 form an integral part of these financial statements.

Separate statement of comprehensive income (continued)
For the year ended 31 December

HRK millions	Notes	Bank 2020	Bank 2019
Profit for the year		132	438
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Change in fair value of equity financial assets at fair value through other comprehensive income, net of tax and realised amounts		(24)	17
Items that are or may be reclassified to profit or loss			
Change in fair value of debt financial assets at fair value through other comprehensive income, net of tax and realised amounts		(23)	22
Other comprehensive (loss) / gain for the year, net of tax		(47)	39
Total comprehensive income for the year		85	477
Earnings per share attributable to the equity holders of the parent	40	36.39	121.02

The accounting policies and other notes on pages 67 do 201 form an integral part of these financial statements.

Separate statement of changes in equity
For the year ended 31 December

HRK millons	Share capital	Share premium	Additional TIER 1 capital	Capital reserves	Legal reserve	Fair value reserve	Retained earnings	Undistri-buted profit for the year	Total attributable to equity holders of the parent
At 1 January 2019	**3,621**	**12**	**-**	**1**	**173**	**64**	**355**	**-**	**4,226**
Total comprehensive income									
Profit for the year	-	-	-	-	-	-	438		438
Other comprehensive income									
Change in fair value of equity financial assets at fair value through other comprehensive income, net of tax and realised amounts	–	–	–	–	–	17	–	–	17
Change in fair value of debt financial assets at fair value through other comprehensive income, net of tax and realised amounts	–	–	–	–	–	22	–	–	22
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**39**	**438**	**–**	**477**
Merger of subsidiary	–	–	–	–	–	–	24	–	24
Other changes	–	–	–	–	–	–	4	–	4
Transactions with equity holders									
Dividend paid	–	–	–	–	–	–	(354)	–	(354)
Issuance of other equity instruments	–	–	297	–	–	–	–	–	297
Total transactions with equity holders	–	–	297	–	–	–	(354)	–	(57)
At 31 December 2019	**3,621**	**12**	**297**	**1**	**173**	**103**	**467**	**–**	**4,674**
At 1 January 2020	**3,621**	**12**	**297**	**1**	**173**	**103**	**467**	**–**	**4,674**
Total comprehensive income									
Profit for the year	–	–	–	–	–	–	–	132	132
Other comprehensive income									
Change in fair value of equity financial assets at fair value through other comprehensive income, net of tax and realised amounts	–	–	–	–	–	(24)	–	–	(24)
Change in fair value of debt financial assets at fair value through other comprehensive income, net of tax and realised amounts	–	–	–	–	–	(23)	–	–	(23)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(47)**	**–**	**132**	**85**
Other changes	–	–	–	–	–	–	24	–	24
Transactions with equity holders									
AT1 coupon	–	–	–	–	–	–	(35)	–	(35)
Total transactions with equity holders	–	–	–	–	–	–	(35)	–	(35)
At 31 December 2020	**3,621**	**12**	**297**	**1**	**173**	**56**	**456**	**132**	**4,748**

The accounting policies and other notes on pages 67 do 201 form an integral part of these financial statements.

Separate statement of cash flows
For the year ended 31 December

HRK millions	Notes	Bank 2020	Bank 2019
Cash flows from operating activities			
Profit before tax		173	436
Adjustments for:			
– Amortization and depreciation	32	111	106
– Foreign exchange differences	30	(31)	11
– Impairment losses (excluding cash and cash equivalents) and provisions for liabilities and charges	23,33	310	157
– Realised gains / (losses) on financial assets at fair value through other comprehensive income	30	12	(6)
– Net interest income	26,27	(807)	(828)
– Dividend income from subsidiaries	31	(56)	(85)
Changes in operating assets and liabilities			
Net (increase) / decrease in financial assets at fair value through profit or loss		(7)	393
Net decrease in placements with banks, with original maturity more than three months		5	51
Net decrease / (increase) in obligatory reserve with the Croatian National Bank		380	(61)
Net increase in loans and advances to customers		(572)	(2,407)
Net decrease in other assets		75	1
Net increase in right of use assets		4	-
Net decrease in financial liabilities at fair value through profit or loss		119	40
Net (decrease) / increase in deposits from banks		(887)	622
Net increase / (decrease) in deposits from companies and other similar entities		1,819	(450)
Net increase in deposits from individuals		886	591
Net decrease in other liabilities		(46)	(23)
Interest received (excluding investment securities)		814	908
Interests paid		(68)	(97)
Net cash from operating activities before tax		**2,234**	**(641)**
Income tax paid		(4)	(28)
Net cash from operating activities		**2,230**	**(669)**

The accounting policies and other notes on pages 67 do 201 form an integral part of these financial statements.

Separate statement of cash flows (continued)
For the year ended 31 December

HRK millions	Notes	Bank 2020	Bank 2019
Cash flows from investing activities			
Interest received from investment securities		73	97
Net cash payments for purchase of investment securities		(402)	(348)
Dividend received from subsidiaries	31,38	56	85
Payments for purchase of property, plant and equipment and intangible assets		(157)	(142)
Net cash and cash equivalents from merger of subsidiary		–	8
Net cash from investing activities		**(430)**	**(300)**
Cash flows from financing activities			
Receipts from borrowings	22	7,863	11,405
Repayment of borrowings	22	(6,869)	(11,344)
Repayment of subordinated liability		–	(295)
Receipt of additional TIER 1 capital	36	–	297
AT1 coupon paid	38	(35)	–
Dividend paid	38	–	(354)
Payment of lease liabilities		(34)	(36)
Net cash from financing activities		**925**	**(327)**
Effects of foreign exchange differences on cash and cash equivalents		(5)	33
Net increase / (decrease) in cash and cash equivalents		**2,720**	**(1,191)**
Cash and cash equivalents at the beginning of the year		**5,614**	**6,805**
Cash and cash equivalents at the end of the year	41	**8,334**	**5,614**

The accounting policies and other notes on pages 67 do 201 form an integral part of these financial statements.

Notes to the financial statements

1. General information

Raiffeisenbank Austria d.d. ("the Bank" or "the Parent") is a joint stock company incorporated and domiciled in the Republic of Croatia. The Bank is the parent of the Raiffeisenbank Austria Group ("the Group"). These financial statements comprise the financial statements of the Bank and of the Group as defined in International Accounting Standard 27: "Separate Financial Statements" and in International Financial Reporting Standard 10: "Consolidated Financial Statements".

Composition of the Group (Note 13):
Raiffeisenbank Austria d.d.
Raiffeisen stambena štedionica d.d.
Raiffeisen Leasing d.o.o.
Raiffeisen društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondovima d.d.
Raiffeisen Consulting d.o.o.
Raiffeisen mirovinsko osiguravajuće društvo d.d.
Raiffeisen Invest d.o.o.
Raiffeisen Bonus d.o.o.

These financial statements were authorised for issue by the Management Board on 31 March 2021 for approval by the Supervisory Board.

This is English translation of statutory financial statements issued in Croatian. 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 financial statements takes precedence over translation.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with statutory accounting requirements for banks in the Republic of Croatia. The statutory accounting requirements for banks in the Republic of Croatia as of 31 December 2020 are based on the recognition and measurement requirements of International Financial Reporting Standards as adopted in the EU (the "EU IFRS" or "the Standards") and the CNB's banking regulations.

In these financial statements, 31 December 2020 balances have been aligned to the EU IFRS recognition and measurement requirements.

According to the provisions of Article 21 (2) of the CNB's Decision on the classification of exposures into risk categories and the method of determining credit losses ("the Decision"), from January 2020 banks in the Republic of Croatia are no longer obliged to recognise allowance for expected credit losses (risk subgroups A1 and A2) on stage 1 and stage 2 exposures carried at amortised cost and eligible off – balance sheet exposures of at least 0.8%. Following the specific CNB guidance (Q&A 2019–712), any resulting difference in expected credit losses is recorded in 2020 income statement.

The principal difference between the accounting regulations of the CNB (primarily the requirements of the Decision) and recognition and measurement requirements of EU IFRS as of 31 December 2019 was as follows:

- CNB required credit institutions to recognise impairment losses, in the income statement, for exposures classified in the risk subgroups A–1 and A–2 that could not be less than 0.8% of the gross carrying amount of eligible exposures, including exposures to financial institutions and sovereigns.

  Overall expected credit loss allowance calculated under the internal EU IFRS based model was different over the periods. The difference for the Bank fully stems from the non–retail portfolio, including corporates, financial institutions and sovereigns.

  Other differences identified at 31 December 2019, listed below, do not raise material departure from the recognition and measurement requirements of EU IFRS as of 31 December 2020.

2. Basis of preparation (continued)

a) Statement of compliance (continued)

- The CNB prescribes minimum levels of impairment losses against certain non–performing exposures for which individual impairment has been recognised, regardless of the net present value of expected future cash flows, so that the impairment so calculated may be different from the impairment loss required to be recognised in accordance with the IFRS requirements
- Further, the CNB also prescribes minimal haircuts and minimum collection periods for certain impaired exposures where future cash flows are collections from adequate collaterals, and therefore the calculated impairment may be different.
- The Group recognises provisions for court cases by incorporating the probability of loss into measurement of the provision (i.e. if the probability of loss is estimated to be 10%, the provision will be calculated as 10% of the potential loss), which is contrary to IFRS, which require the full amount of potential loss to be recognised where it is probable that the court case will be lost.

The principal accounting policies applied in the preparation of these financial statements are summarised below. The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except as disclosed in accounting policy referred to under 2 d) ii). Where specific accounting policies are aligned with accounting principles set out in EU IFRS, reference may be made to certain Standards in describing the accounting policies of the Group. Unless otherwise stated, these references are to Standards as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU") applicable as at 31 December 2020.

Related changes in the accounting policy for expected credit losses are disclosed in Note 3 – Change in accounting policy.

b) Measurement

The financial statements are prepared on the fair value basis for derivative financial instruments, trading assets and liabilities, other financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income. Other financial assets and liabilities, and non–financial assets and liabilities, are stated at amortised or historical cost.

c) Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method as at the date on which control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre–existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

If share–based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market–based measure of the replacement awards compared with the market–based measure of the acquiree's awards and the extent to which the replacement awards relate to pre–combination service.

Business combinations involving entities under common control are recognised at their carrying amounts, and the difference is recognised directly in equity, as discussed in the section Acquisition of entities under common control.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

In the Bank's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment.

2. Basis of preparation (continued)

c) Basis of consolidation (continued)

Associates

Associates are entities over which the Group has significant influence but no control. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method in the consolidated financial statements. The Group's investments in associates also include goodwill (net of any accumulated impairment loss) identified on acquisition. In the Bank's separate financial statements investments in associates are accounted at cost less impairment.

The Group's share of its associates' post–acquisition gains or losses is recognised in the income statement and its share of their post–acquisition movements in reserves is recognised in reserves. The cumulative post–acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group stops recognising further losses, unless it has incurred obligations or made payments to the associate.

Dividends received from associates are recognised as reduction in investment in the associates in the Group's consolidated statement of financial position and as dividend income in the Bank's unconsolidated income statement.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred. The accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the Group.

Non–controlling interests

Non–controlling interests are measured at their pro–rata share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non–controlling interests in subsidiaries are included in the total equity of the Group.

Loss of control

Upon the loss of control of the subsidiary, the Group derecognises the assets and liabilities of the subsidiary, and any related non–controlling interest and other components of equity related to the subsidiary. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra–group balances and transactions, and any unrealised income and expenses arising from intra–group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Acquisition of entities under common control

Business combinations arising from the transfer of shares in entities that are under the control of the shareholder that controls the Group are recognised at their carrying amounts at the acquisition date. The acquired assets and liabilities are recognised at the carrying amounts recognised previously in the financial statements of the acquired company. Portions of the capital of the acquired companies are added to the respective positions within equity except the issued capital. Differences arising from the acquisition are recognised in retained earnings. The Group does not restate comparative information as if the member of the Group / RBI Group was always a member of the Group, but the acquisition is presented through profit and loss at the acquisition date.

d) Prior period amounts

i) Restated

In the year 2020, provisions of estimated returns from mandatory pension funds management fees were reclassified. In accordance with the above, in the statements of financial position of the Group for the year 2019, in the position Provisions for liabilities and charges, HRK 21 million less was declared whereas the position Other liabilities was increased for the respective amount.

2. Basis of preparation (continued)

d) Prior period amounts (continued)

In the consolidated statement of cash flows, the positions Impairment losses (not including Cash and cash flows) and Provisions for liabilities and charges and Net increase in other liabilities were changed.

ii) Not restated

At the beginning of the year 2020, the Bank, in agreement with RBI, reclassified the Series C Preference Shares of Visa from the portfolio at fair value through other comprehensive income into the portfolio mandatorily measured at fair value through profit or loss. The effect of changes in the fair values that accumulated until 01 January 2020 in other comprehensive income in the amount of HRK 21 million was stated in the current year, together with the change in fair value for 2020 in the amount of HRK 3 million as a reclassification into retained earnings without restating the amount of the prior period. The Bank agreed this type of accounting treatment with RBI, considering that it is not a material amount which would require restatement.

According to the provisions of Article 21 (2) of the CNB's Decision on the classification of exposures, from January 2020 banks in the Republic of Croatia are no longer obliged to recognise allowance for expected credit losses (risk subgroups A1 and A2) on stage 1 and stage 2 exposures carried at amortised cost and appropriate off – balance sheet exposures of at least 0.8%. Following the specific CNB guidance (Q&A 2019–712), any resulting difference in expected credit losses is recorded in 2020 income statement, as a change in accounting estimate, i.e. without restating comparative information.

In keeping with the above, comparative financial information were not restated.

e) Functional and presentation currency

These financial statements are presented in Croatian Kuna (HRK), which is the functional and presentational currency. Amounts are rounded to the nearest million (unless otherwise stated).

The effective exchange rates as at 31 December 2020 were: EUR 1 = HRK 7.536898 (2019: EUR 1 = HRK 7.442580), USD 1 = HRK 6.139039 (2019: USD 1 = HRK 6.649911) and CHF 1 = HRK 6.948371 (2019 CHF 1 = HRK 6.838721).

f) Use of judgments and estimates

In preparing the financial statements, management has made judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, and disclosure of commitments and contingencies at the reporting date, as well as amounts of income and expenses for the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and information available at the date of the preparation of the financial statements, the results of which form the basis of making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The effects of revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of applicable standards that have significant effects on the financial statements and estimates with a significant risk of material adjustment in future periods are discussed in Note 4. Except as stated in Note 3, the accounting policies have been consistently applied to all periods presented in these financial statements.

g) Global financial market situation and the impact on Croatia

Developments in external financial markets have a significant impact on the operating conditions of credit institutions in Croatia. Due to a high degree of euroization of the financial system, developments in the euro area have the greatest impact on the local financial market. The European Central Bank (ECB) runs the monetary policy in the euro area. The ECB's policy is aimed at achieving the 2 percent annual price growth target. In times of reduced inflationary pressures, the ECB implements a set of expansionary conventional and unconventional monetary policy measures.

In 2020 the ECB base interest rate was 0 percent, while the interest rate on deposits held by banks in the euro area with the ECB was –0.5 percent. Key ECB interest rates will be maintained at their present or lower level until the inflation converges to the target level of 2 percent. Financial market participants do not expect a change in policy or an increase in key ECB interest rates in the upcoming year.

2. Basis of preparation (continued)

g) Global financial market situation and the impact on Croatia (continued)

In 2020 the ECB base interest rate was 0 percent, while the interest rate on deposits held by banks in the euro area with the ECB was –0.5 percent. Key ECB interest rates will be maintained at their present or lower level until the inflation converges to the target level of 2 percent. Financial market participants do not expect a change in policy or an increase in key ECB interest rates in the upcoming year.

In respect of non–conventional measures, in the year 2020, the ECB increased the total amount of redeemed bonds in its portfolio through the monetary policy measures to support the economy during the implementation of the lockdown measures to the effect of preventing the spread of COVID–19 pandemic. Along with the asset purchase programme and the pandemic emergency purchase programme in the financial markets (APP, PEPP), the ECB executes also special refinancing operations (PELTRO and TLTRO III). Thereby the ECB's impact on the bond market is realized through unconventional measures of buying additional bonds.

The consequence of strengthening the expansiveness of ECB policy is the fall in market interest rates. Market interest rates in the euro area were negative during 2020 as were the yields on bonds of prime issuers in the euro area. Positive yields were only earned on issues with maturities over 10 years. This way, the expansionary monetary policy, through negative market interest rates in the euro area, resulted in declining yields on financial assets.

The excess liquidity in the market contributed to the supply of loans in the euro area at historically low interest rates. However, demand for loans in the euro area remained fettered by the increasing risks in the conditions of uncontrolled spreading of the COVID–19 infection and by the unforeseeable measures that the EU member states implemented to prevent the infection. The consequential fall in production and GDP in the conditions of complete or partial free population movement restrictions (lockdown) supports deflationary tendencies so pressures on price increase were missing. Banks deposited excess liquidity in their accounts with the ECB with interest rate of –0,5 percent. As an alternative, the excess liquidity was used to buy bonds of prime issuers with negative returns. Banks and other euro area investors looking for positive yields have increased demand for higher risk debt instruments. The offering of bonds of higher risk issuers was insufficient to absorb the growing supply of capital from the euro area, and consequently the yields on such issues declined during the year. Croatian bond issues in 2020 increased the desired returns at the beginning of the pandemic, but after the liquidity boom in the financial markets, yields again dropped to the lowest levels. Excess capital supply in the financial markets was further stimulated by the lowered loan demand, which was a consequence of postponing investments in the period of raised uncertainty caused by the COVID–19 pandemic spread and implementation of lockdown measures.

The Croatian financial market is characterized by a constant surplus of liquidity. Interest rates offered on term deposits came close to zero thus converging to yields on demand deposits. Given the lack of attractiveness of the yields on term deposits, an increasing number of clients do not rollover their contracts on maturity. As a result, the level of demand deposits in banks is growing. This opens a maturity gap in bank balance sheets. The supply of loans on the Croatian market exceeded the demand, The supply of loans on the Croatian market was higher than demand, so on the one hand the pressures to lower interest rates on newly originated loans were strengthened, and on the other hand the risks arising from economic recession created pressure on the growth of interest rates.

Last year was marked by the COVID–19 pandemic, the anti–pandemic lockdown measures and the counter–recession measures to mitigate the impact of the lockdown on the affected business activities and social groups.
In 2021 large–scale vaccination of population began, which stirs hope in the society opening up and the economy recovering faster. The recovery will be boosted by ample government support on the demand side.
The Croatian economy is highly dependent on tourism, which is sensitive to non–economic shocks such as epidemics. Therefore, in 2020 business activities suffered a harder fall than the EU average. In the structure of tourist capacities, private accommodation prevails so the drop in income within the tourism–oriented business activities had a direct impact on a lower disposable income, consumer optimism and lower household consumption. In the services sector, income decreased in transportation and enterprises relying on tourism – accommodation, catering services, recreation and entertainment, travelling services.

h) Standards, interpretations and amendments to published standards that are not yet effective and were not used in preparation of these financial statements

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2020. The Group believes that other new standards and amendments to standards will not significantly affect consolidated and separate financial statements in the period of the first time adoption.

3. Significant accounting policies

Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument to:

- the gross carrying amount of a financial asset; or
- the amortised cost of a financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit–impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit loss (ECL). For purchased or originated credit–impaired financial assets, a credit–adjusted effective interest rate is calculated using estimated future cash flows including expected credit loss.

The calculation of effective interest rate includes transaction costs and fees and percentage points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the value at maturity, and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjustment for any expected credit loss allowance.

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit– impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re–estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit–impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit–impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit–impaired on initial recognition, interest income is calculated by applying the credit–adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.
Penalty interest is calculated when collected.

For information on when financial assets are credit–impaired, see Note 48.
Interest income calculated using the effective interest method presented in the profit or loss and other comprehensive income includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at fair value through other comprehensive income (FVOCI); and
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Interest expense presented in profit or loss and other comprehensive income includes interest expenses on financial liabilities measured at amortised cost.

Interest income and expense on other financial assets and financial liabilities at fair value through profit or loss (FVTPL) are presented in net income from other financial instruments at fair value through profit or loss.

Fee and commission income and expense

Fee and commission income and expense arise from financial services provided by or to the Group, and mainly comprise fees related to domestic and foreign payments, the issue of guarantees and letters of credit, credit card business and other services provided by and to the Group including asset and investment management and custody services. Fee and commission income and expense are recognised in profit or loss upon performance of the related service.

3. Significant accounting policies (continued)

Fee and commission income and expense (continued)

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Commitment fees in relation to facilities where draw down is not probable are recognised over the term of the commitment. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part for itself, or has retained a part at the same effective interest rate as the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees related to investment fund management are recognised on an accruals basis over the period in which the service is provided. The same principle is applied for custody services that are continuously provided over an extended period of time.

Fee and commission income and expense, which are an integral part of effective interest rate on financial assets and financial liabilities are included in the effective interest rate. Other fees and commissions are recognised as the corresponding services are executed. If a service is provided over time, income is recognised over a specific period of time, and if not, income is recognised at a given moment.

Dividend income

Dividend income from equity securities or, in the case of separate financial statements of the parent company, investments in associates, are recognized in profit and loss when the right to receive the dividend is established.

Gains less losses from trading and investment financial instruments

Gains less losses from trading securities include unrealised and realised gains and losses from derivative financial instruments, trading debt securities and other financial instruments initially designated at fair value through profit or loss and non–trading securities mandatorily measured at fair value through profit or loss. Gains less losses from investment securities comprise realised gains and losses from financial assets at fair value through other comprehensive income.

Gains less losses from foreign exchange trading

Gains less losses from foreign exchange trading include unrealized and realized gains and losses from foreign exchange spot transactions

Foreign currency translation

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are at the reporting date translated into the functional currency at the spot exchange rate at that date. Non–monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non–monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction and are not retranslated. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of equity instruments at fair value through other comprehensive income (FVOCI), which are recognised in other comprehensive income (refer below).

Changes in the fair value of monetary (debt) securities denominated in or linked to foreign currency classified as FVOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Foreign currency exchange differences are recognised through profit or loss as foreign exchange gains or losses on the revaluation of monetary assets and liabilities and presented in investment income or expense. Other changes in the carrying amounts are recognised in other comprehensive income. Foreign exchange differences on revaluation of non–monetary financial assets (equity securities) denominated in or linked to foreign currency classified at FVOCI are recognised in other comprehensive income, along with other changes in their fair value.

Financial instruments: classification

On initial recognition, a financial asset is classified as measured at:

- amortised cost,
- fair value through other comprehensive income (FVOCI) or
- fair value through profit or loss (FVTPL).

Classification and measurement of financial assets depend on the asset management business model and characteristics of cash flows of the asset.

3. Significant accounting policies (continued)

Financial instruments: classification (continued)

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions::

- the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal (SPPI).

The objective of a business model may include holding a financial assets to collect contractual cash flows even if the financial asset is sold or is expected to be sold in future periods.

Financial assets measured at amortised cost relate to assets granted to customers without any intention to trade in them, and include cash and current accounts with bank, obligatory reserve with the Croatian National Bank, placements with and loans to other banks, loans and advances to customers, investment securities and other financial assets.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income (FVOCI) only if it meets both of the following conditions and is not initially designated at fair value through profit or loss (FVTPL):

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal (SPPI).

Financial assets measured through other comprehensive income include certain debt and equity instruments.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment–by–investment basis.

For debt securities measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following items, which are recognised in profit or loss:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt instrument measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at fair value through profit or loss (FVTPL).

Business model assessment

A business model reflects the way the Group manages assets to realize cash flows.

The Group makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered when assessing relevance of a certain business model includes:

- the method of assessing the performance of the business model and of the assets held within that business model and reporting it to key management
- the risks that affect the performance of the business model (and the financial assets held within that business model) and especially its strategy for how those risks are managed;

3. Significant accounting policies (continued)

Business model assessment (continued)

- the method of paying compensation to key management (for instance, whether the compensation is based on the fair value of assets managed or on collected contractual cash flows);
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity; and
- assessment whether a specific sales activity and collection of contractual cash flows is an essential part or non–essential element of a business model (business model of holding assets to collect contractual cashflows versus a business model of holding assets for sale).

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss (FVTPL).

Analysis of contractual cash flows

Once the Group has determined that the objective of the business model of a certain portfolio is holding financial assets to collect contractual cash flows (or the objective is realized both by collecting contractual cashflows and by selling financial assets), it should assess whether, at a given moment, the contractual terms of the financial assets result in contractual cash flows which are solely payments of principal and interest on outstanding principal.
Therefore, interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. This assessment is made on an instrument–by–instrument basis on the date of initial recognition of the financial asset.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that may change the timing or amount of contractual cash flows such that this condition may not be fulfilled.

When making the assessment the Group considers:
- contingent events that may change the amount and timing of cash flows;
- prepayment and extension terms; and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Financial instruments: reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. Financial liabilities are not reclassified.

Financial instruments: recognition and de–recognition

Regular way purchases and sales of financial assets and financial liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income, are recognised on the settlement date. Loans and receivables and financial liabilities at amortised cost are recognised when loaned or borrowed.

The Group de–recognises financial instruments (in full or in part) when the rights to receive cash flows from the financial instrument have expired or when it has not retained control of the contractual rights over financial assets. It occurs when the Group transfers substantially all the risks and rewards of ownership to another business entity or when the rights are realised, surrendered or have expired.

Any retained interest in transferred financial asset, which qualifies for derecognition, that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred) and consideration received (including any new asset obtained less any new liability undertaken) is recognised in the income statement. In addition, any cumulative gain or loss that had been recognised in other comprehensive income is also recognised in the income statement.

Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, Any interest in transferred financial asset which qualifies for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

3. Significant accounting policies (continued)

Financial instruments: recognition and de–recognition (continued)

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. If transfer does not result in derecognition because the Group retained all or substantially all risks and rewards of ownership of the transferred asset, the asset is not derecognised and the financial liability secured with collateral is recognised in the amount of consideration received.

The Group derecognises a financial liability only when its contractual obligations are discharged, cancelled or expire. If the terms of a financial liability are significantly modified, the Group will cease recognising that liability and will instantaneously recognise a new financial liability, with new terms and conditions.

Realised gains and losses from the disposal of financial instruments are calculated using the weighted average cost method.

Financial instruments: initial and subsequent measurement

Financial assets and liabilities are recognised initially at their fair value plus, for the financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are immediately expensed in profit or loss.

On initial recognition, the Group measures financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income at their fair value, without any deduction for selling costs.

Loans and receivables and investments at amortised cost and financial liabilities not designated at fair value through profit or loss are measured at amortised cost using the effective interest rate method, less any impairment.

Financial instruments: gains and losses

Gains or losses arising from a change in the fair value of financial assets or financial liabilities at fair value through profit or loss are recognised in profit or loss, and all realized gains and losses on sale or derecognition of such assets and liabilities are recognized in profit or loss.

Gains or losses from a change in the fair value of monetary assets at fair value through other comprehensive income are recognised directly in a fair value reserve in capital and reserves and are disclosed in the statement of changes in equity. Impairment losses, foreign exchange gains and losses, interest income and amortisation of premium or discount using the effective interest method on monetary assets at fair value through other comprehensive income are recognised in profit or loss. Foreign exchange differences on equity instruments are part of the fair value of these instruments and are recognised in other comprehensive income. Dividend income is recognised in profit or loss. Upon sale or derecognition of assets at fair value through other comprehensive income, any cumulative gains or losses on the instrument are transferred to profit or loss.

Gains or losses on financial assets and financial liabilities carried at amortised cost are recognised as interest in profit or loss over the period of amortisation. Gains or losses may also be recognised in profit or loss on derecognition of a financial instrument or for impaired assets.

Netting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions, such as in the Group's trading activity.

3. Significant accounting policies (continued)

Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects non–performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for the instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of quoted financial instruments in an active market is based on their closing bid prices. If a market for a financial instruments is not active, or, for any other reason, fair value cannot be reliably measured by market price, then the Group establishes fair value using internal evaluation techniques and models as described in Note 49. Such models include the use of prices achieved in recent transactions, reference to similar financial instruments, and discounted cash flow analysis, maximising the use of market inputs and relying as little as possible on entity–specific inputs. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimate and the discount rate is a market rate.

The Group calibrates valuation techniques and performs validity tests using prices from observable current market transactions in the same instrument or based on other available observable market data. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate.

The fair value of non–exchange–traded derivatives is estimated at an amount that the Group would receive or pay to terminate the contract on date of reporting taking into account current market conditions and the current creditworthiness of the counterparties.

The amortised cost of a financial assets or liability is the amount at which that financial asset or liability is measured at initial recognition, minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that amount initially recognised and the amount at maturity, and, for financial assets, adjusted for any loss allowance.

Modifications of financial assets and liabilities

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset is substantially different.

If the cash flows are substantially different, then the contractual rights to receive cash flows from the original financial asset have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

Any consideration received as part of the modification is accounted for as follows:
- consideration which is taken into account in determining the fair value of the new asset and consideration which represents reimbursement of eligible transaction costs are included in the initial measurement of the asset; an
- other considerations are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

For floating–rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or consideration paid and

3. Significant accounting policies (continued)

Modifications of financial assets and liabilities (continued)

considerations received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value.

The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non–financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating–rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and considerations incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re–computing the effective interest rate on the instrument.

Impairment of financial assets

The Group measures expected losses in accordance with the Decision on the Classification of Exposures and the Guidelines on credit institutions' credit risk management practices and accounting for expected credit losses.
The Group recognises loss allowance for expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:
- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments and financial assets at fair value through profit or loss.

The Group measures loss allowance at an amount equal to lifetime expected credit losses, except for the following items, for which loss allowance is equal to 12–month expected credit losses:
- debt investment securities for which low credit risk is determined at the reporting date; and
- other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances measured for leases receivable are always equal to lifetime expected credit losses.

12–month expected credit loss is the portion of the expected credit losses that results from default events on a financial instrument possible within the next 12 months after the reporting date. Financial instruments for which a 12–month expected credit loss is recognised are referred to as ‘Stage 1 financial instruments’.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime expected credit loss is recognised, but are not credit–impaired are referred to as ‘Stage 2 financial instruments’.

Asset value is measured as follows:
- financial assets that are not credit–impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit–impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

3. Significant accounting policies (continued)

Impairment of financial assets (continued)

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover
- expected credit losses on Stage 3 assets are also measured taking into account the minimum requirements of the Decision on the classification of exposures.

Measurement of expected credit losses

The measured expected credit losses reflect an unbiased and probability–weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss is an area that requires the use of complex models for assessment of credit behaviour of customers in the performance of obligations to the Group and the use of significant assumptions about future economic conditions.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL measured as follows:
- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit–impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit–impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit–impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Indicators that a financial asset is credit–impaired includes the observable dana about the following events:
- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or past due event;
- the Group has granted restructuring of a loan or advance on terms which the Group would not otherwise been consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit–impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Presentation of impairment allowance for expected credit losses in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:
- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- undrawn loans and financial guarantee contracts: generally, as a provision
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the undrawn commitment component separately from those on the drawn component;
- the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is recognised in the fair value reserve.

3. Significant accounting policies (continued)

Impairment of financial assets (continued)

POCI assets – purchased or originated credit–impaired assets

Purchased or originated credit–impaired financial asset is an asset where there is objective evidence of impairment (default) at initial recognition.

Such assets are identified in the following cases:
- bank repurchases at a significant discount an asset for which there is objective evidence of impairment, or
- there is a significant modification of the instrument which is already in default, or
- the significant modification of the instrument is a reason for default, or
- bank grants a new loan to a customer whose significant portion of the portfolio is already in default

The Bank does not purchase any impaired assets (bad debts), therefore POCI assets are instruments that are initially recognised, or, subsequently recognised due to a significant modification, which were in default at recognition.

Write–offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write–off. This assessment is carried out at the individual asset level. Financial assets that are written off may still be subject to collection activities in accordance with the Group's procedures for recovery of amounts due.

Specific financial instruments

a) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with central banks, placements with other banks with original maturities of three months or less and items in course of collection and are carried at amortised cost in the statement of financial position.

b) Derivative financial instruments

Derivatives may be embedded in another contractual arrangement (a host contract), The Group accounts for an embedded derivative separately from the host contract when:
- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separate embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separate embedded derivatives are presented in the statement of financial position together with the host contract.

Hedge accounting

The Group continues to apply hedge accounting under IAS 39.
The Group uses derivative financial instruments to manage its exposures to interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which they are entered to and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges could refer to:
- Fair value hedge – a hedge of exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedge – a hedge of the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction;
- Hedge of a net investment in a foreign currency.

3. Significant accounting policies (continued)

Specific financial instruments (continued)

Hedge accounting (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for and further described in the sections below.

Fair value hedge

Fair value hedges are hedges of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

Changes in fair value of derivatives designated and eligible as fair value hedges are recognised immediately in profit or loss, together with any changes in fair value of the hedged items i.e. hedged liability which can be associated with hedged risk. The change in the fair value of a hedge instrument is recognised in profit or loss, together with the change in the fair value of a hedge item related to risk being hedged.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. From that date any adjustment of a carrying amount of a hedge item referring to the changes of a fair value related to risk being hedged is amortized through profit and loss.

If the hedged item is derecognized, the unamortised fair value is recognized immediately in profit and loss.
The Group applies fair value hedge of interest rate risk of lending items on an individual basis and on a portfolio basis.

c) Treasury bills and debt securities

Treasury bills and debt securities that the Group holds for the purpose of short–term profit are classified as trading financial instruments, initially recognised as financial instruments at fair value through profit or loss at inception. Treasury bills and debt securities that the Group has the intent and ability to hold to maturity are classified as held–to–maturity assets. Other treasury bills and debt securities are classified at fair value through other comprehensive income

d) Equity securities and investments in open ended investment funds

Equity securities and investments in open ended investment funds are classified as at fair value through profit or loss or at fair value through other comprehensive income.

e) Placements with banks

Placements with banks are classified as loans and receivables and are carried at amortised cost less impairment losses.

f) Loans and advances to customers

Loans and advances are presented at amortised cost net of impairment losses.
In accordance with CNB requirements, the amortisation of any discounts within impairment losses is included in impairment losses.

3. Significant accounting policies (continued)

Specific financial instruments (continued)

g) Investments in subsidiaries

In the Bank's separate financial statements investments in subsidiaries are accounted for at cost less any impairment. Investments in subsidiaries are fully consolidated in the consolidated financial statements of the Group.

h) Borrowings and subordinated liabilities

Interest–bearing borrowings and subordinated liabilities are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest–bearing borrowings and subordinated liabilities are stated at amortised cost with any difference between proceeds (net of transaction costs) and redemption value being recognised in profit or loss over the period of the borrowings and subordinated liabilities on an effective interest basis.

i) Sale and repurchase agreements

The Group enters into purchases/(sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to such commitments to resell them at future dates are not recognised. The amounts paid are recognised as loans and advances to either banks or customers. The receivables are presented as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for the relevant financial asset at amortised cost or at fair value as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.

The difference between the sale and repurchase consideration is recognised on an accrual basis over the period of the transaction and is included in interest income or expense.

The Group also enters into linked sale and repurchased transactions. In accordance with their substance, these are similarly accounted for as transactions under repurchase or resale agreements, as described above.

j) Current accounts and deposits from banks and customers

Current accounts and deposits are classified as other liabilities and initially measured at fair value plus transaction costs, and subsequently stated at their amortised cost using the effective interest method.

k) Additional Tier 1 capital

The Bank has issued Additional Tier 1 instrument that meets the conditions established in accordance with Article 52 of Regulation No. 575/2013. Based on the characteristics and general conditions, the Additional Tier 1 instrument is classified as an equity instrument in accordance with IAS 32 Financial Instruments: Presentation.
Additional Tier 1 capital is stated at the nominal value in HRK at the payment date.
Consideration paid to holders of the Additional Tier 1 instrument will be recognised directly in equity and presented in the statement of changes in equity. The payment will be recorded within retained earnings and will not be included in Common Equity Tier 1 capital. The Bank may, at its discretion, at any time cancel payments under the Additional Tier 1 instrument, and an unconditional obligation arises on payment under the Additional Tier 1 instrument (when the right to cancel the payment is not exercised).

The Additional Tier 1 instrument is defined as a non–monetary item.
Consideration paid on the redemption (maturity) of the Additional Tier 1 instrument and on the basis of regular payments of a share of the profit are monetary items.

Income tax

The income tax is based on taxable profit for the year and comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at date of reporting, and any adjustments to tax payable in respect of previous years.

Deferred taxes are calculated by using the statement of financial position liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured by using the tax rates expected to apply to taxable profit in the years in which the carrying amounts of assets and liabilities are expected to be recovered or settled based on tax rates enacted or substantially enacted at the reporting date.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

3. Significant accounting policies (continued)

Income tax (continued)

Deferred tax assets and liabilities are not discounted and are classified as non–current assets and/or liabilities in the statement of financial position. Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At each reporting date, the Group reassesses unrecognised potential deferred tax assets and the recoverability of the carrying amount of recognised deferred tax assets.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Property, plant and equipment

Items of property, plant and equipment are stated at historical cost or estimated cost, less accumulated depreciation and any impairment losses.
The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such item when that cost is incurred when it is probable that future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed during the period in which they have incurred.

Depreciation is provided on a straight–line basis to allocate the costs of assets to their residual values over their estimated economic useful life. Land and assets under construction or developed are not depreciated. The estimated useful lives are as follows.

	2020	2019
Buildings	50 years	50 years
Equipment	4 – 10 years	4 – 10 years
Office furniture	4 – 10 years	4 – 10 years
Assets under operating leases (depending on the duration of the 1contract, depreciated to the residual value)	2 – 20 years	2 – 20 years

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined as the difference between proceeds and net carrying amount, and are included in profit or loss.

Investment properties

Investment property is property held by the Group to earn rentals or for capital appreciation (including assets under construction), or both. Investment property is initially measured at cost, and subsequently reduced by accumulated depreciation and any impairment losses.

Subsequent cost of replacing part of existing property is recognized in the carrying amount of an investment property only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed during the period in which they are incurred.
Where parts of property and equipment of significant value have different useful lives, they are accounted for as separate items of property, plant and equipment.
Land and assets under construction are not depreciated. Depreciation is provided on other investment property on a straight–line basis at prescribed rates designed to write off the cost over the estimated useful life of the asset.

The estimated useful life of the assets is as follows:	2020	2019
Leased property	50 years	50 years

Residual value, depreciation methods and the estimated useful lives are reviewed periodically and adjusted, if appropriate, at each reporting date. If the asset's carrying amount is greater than the estimated recoverable amount, it is immediately written down to the recoverable amount. Gains and losses on disposal are are determined as the difference between sale proceeds and the carrying amount and recorded in the statement of comprehensive income.

3. Significant accounting policies (continued)

Inventory and foreclosed assets

The Group occasionally acquires real estate and other asset in settlement of certain loans and advances and finance and operating lease contracts, which also includes returned leased assets of the subsidiary Raiffeisen Leasing d.o.o.. Such real estate and other assets are stated at the lower of the net carrying of the related loans and advances and the current fair value of such assets. Subsequent measurement is at the lower of cost and recoverable amount. The Group's intention is mainly to sell such assets, however, such assets in certain limited cases may end up being used by the Group. Gains or losses on disposal are recognised in profit or loss.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Costs from development activities are capitalised if all of the requirements under IAS 38 "Intangible assets" are satisfied. Depreciation is provided on a straight–line basis over the estimated useful lives of intangible assets. Costs associated with developing or maintaining intangible assets are expensed as incurred. In accordance with CNB regulations, intangible assets include leasehold improvements.

Intangible assets are depreciated on a straight–line basis over their estimated useful economic lives as follows:

	2020	2019
Leasehold improvements (depending on term of lease contract)	1 – 20 years	1 – 20 years
Software	5 – 10 years	5 – 10 years

Impairment of non–financial assets

The carrying amounts of the Group's non–financial assets, other than deferred tax assets, are tested for impairment at each reporting date.

If any indication of impairment exists, the asset's recoverable amount is estimated. For assets that have an indefinite useful life and intangible assets that are not yet available for use and goodwill, the recoverable amount is assessed at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash–generating unit exceeds its recoverable amount. A cash–generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from the Group's other assets and liabilities.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash–generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash–generating unit is the greater of its value in use and its fair value less costs to sell. For the purpose of assessing value in use, the estimated future cash flows are discounted to their net present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in previous years are reviewed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Once recognised impairment loss of goodwill is not subsequently reversed.

Provisions for liabilities and charges

Provisions are recognised when the Group has a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The management determines the sufficiency of the provisions on the basis of insight into specific items, recent loss experience, current economic circumstances, risk characteristics of certain transaction categories, as well as other relevant factors.

Provisions are released only for such expenditure in respect of which provision are recognised at inception. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

3. Significant accounting policies (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. The contract contains a lease component if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to assess whether a contract conveys the right to control the use of an identified asset, the Group uses a definition of lease under IFRS 16.

This policy applies to contracts entered into (or amended) on or after 1 January 2019.

Leases – Group as a lessor

Lessors continue to classify leases as operating or finance leases, using the same principle of classification as under the previous IAS 17.

The Group as lessor determines at the commencement date of the lease whether a lease is a finance lease or an operating lease.

For the purpose of classifying each lease, the Group conducts an overall assessment of whether the lease contract transfers substantially all the risks and rewards incidental to ownership of an asset. If this is the case, then the lease is a finance lease; otherwise the lease is an operating lease. When this assessment is performed, the Group considers certain indicators such as whether the lease covers most of the economic life of the property.

a) Finance leases

Leases where the Group as lessor transfers substantially all the risks and rewards incidental to ownership to the lessee are classified as finance leases. A receivable at an amount equal to the present value of the lease payments, including any guaranteed residual value, is recognised. The difference between the gross receivable and the present value of the receivable is unearned finance income and is recognised over the term of the lease using the effective interest rate method. Finance lease receivables are included in loans and advances to customers.

b) Operating leases

Leases where the Group as lessor retains substantially all the risks and rewards incidental to ownership are included in tangible and intangible assets at cost net of accumulated depreciation. Rental income under operating leases is recognised in profit or loss on a straight–line basis over the term of the lease.

Leases – Group as a lessee

At the commencement date leases are recognised in the statement of financial position of the lessee as right–of–use assets and lease liabilities in the amount equal to fair values of the leased property or, if lower, the present value of the minimum lease payments designated at the lease's inception.

Right–of–use assets are measured at cost comprising the following: (a) the amount of the initial measurement of lease liability, (b) any lease payments made at or before the commencement date less any lease incentives received, (c) any initial direct costs incurred by the lessee, and (d) an estimate of the restoration costs to be borne by the lessee in dismantling and disposing of the property, restoring the location of the property or restoring the property to the condition required under the terms of the lease. The lessee incurs a liability for these costs at commencement date of the lease or as a result of the use of the relevant property over a specified period.

After the commencement date of the lease the Group measures right–of–use assets at cost. The lessee measures the right–of–use assets at cost: (a) less accumulated depreciation and any accumulated impairment losses; and (b) adjusted for any remeasurement of lease liabilities. The Group applies the depreciation requirements in IAS 16 Property, Plant and Equipment to the depreciation of right–of–use assets, subject to the requirements in paragraph 32.

Lease liability is initially measured at the present value of the remaining minimum lease payments which have not been made before that date. The discount rate is the interest rate implicit in the lease, if it can be determined; or, if that rate cannot be readily determined, the lessee applies the lessee's incremental borrowing rate. The lessee's incremental borrowing rate is the interest rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right–of–use asset in a similar economic environment with similar terms, security and conditions.

After the lease commencement date, the lessee measures the lease liability at amortised cost using the effective interest method in order to: (i) increase the carrying amount of the lease to reflect interest on the lease liability; (ii) decrease the lease's carrying amount for the lease payments made; and (iii) remeasure the carrying amount of the lease to reflect the reassessment or modification of the lease, or to reflect modified lease payments that are substantially fixed.

3. Significant accounting policies (continued)

Leases (continued)

Leases – Group as a lessee (continued)

After the lease commencement date the lessee recognises in the profit and loss: a) interest on lease liability and b) variable lease payments that are not included in the measurement of the lease liabilities in the period in which the event or condition that triggers those payments occurs.

IFRS 16 requires a remeasurement of a lease liability when there changes are made to the lease payment that is not accounted for as a separate lease.

The reassessment of the lease liability should reflect changes made to the lease payment. Lease payments are modified when there are: (i) changes in amounts expected to be payable under the residual value guarantee; (ii) change in future lease payments based on change in index or rate unless a variable interest rate is applied; The lessee is required to recognise the amount of the remeasured lease liability as revaluation of the right–of–use asset.

The discount rate is revised when the lease payments are modified based on the change of: (i) the variable interest rate (when the variable interest rate is used in the lease); (ii) the terms of the lease; (iii) the assessment of the possibility of purchasing the respective asset.

The revised discount rate is the interest rate implicit in the lease for the remaining lease period, if that rate can be readily determined, or, if that rate cannot be readily determined, then the lessee's incremental borrowing rate at the reassessment date is applied.

Lease modification

Lease modification is a change in the volume of the lease or in a lease fee that was not part of the original lease terms (for instance addition or termination of the right to use one or more items of the property, or extension or reduction the contractual life of the lease).
Exercising an existing purchase option or renewing a purchase option or modification of assessment whether a purchase option is likely to be exercised does not result in the modification of the lease but in the re–measurement of the lease liability and the right–of–use asset.

Employee benefits

a) Defined pension contributions

The Group pays contributions to mandatory pension plans on a mandatory, contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Since the Group records severance payments and jubilee awards based on actuarial calculations, all gains and losses from increases and decreases in the present value of the defined benefit obligation, which arise from actuarial risks, are recorded through other comprehensive income.

b) Long–term service benefits

The Bank provides employees with one–off retirement awards and awards for long–term service (jubilee awards). The Collective Agreement prescribes benefits for long–term service from 10 to 40 years of uninterrupted service with the employer, in the sum equal to the non–taxable amount as prescribed under the Income Tax Rules. The liabilities and costs of those benefits were calculated by the authorised acutary of the company. The obligation and costs of these benefits are determined by using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate of government bonds the currency and terms of which are consistent with the currency and estimated terms of the long–term benefit obligation.

c) Pension insurance

Provisions for pension insurance in subsidiary Raiffeisen mirovinsko osiguravajuće društvo d.o.o. have been computed by the Group's licensed actuary, in accordance with the method prescribed by the Law on Pension Insurance Companies and Payment of Pensions based on Individual Capitalised Savings.

3. Significant accounting policies (continued)

Dividends

Dividends are recognised when declared by shareholders in General Assembly meeting.

Share capital

Share capital represents the nominal value of paid–in ordinary and non–redeemable noncumulative preference shares classified as equity, on which dividends are payable at the discretion of the ordinary shareholders, and are stated in HRK at nominal value.

Treasury shares

When the Bank repurchases ordinary or preference shares, the consideration paid is deducted from equity attributable to the Bank's equity holders until the shares are cancelled, reissued or disposed of. When such shares, which are classified as treasury shares, are subsequently sold or reissued, any consideration received, net of transaction costs, is included in equity attributable to the Bank's equity holders.

Retained earnings

Any profit for the year after appropriations is transferred to reserves, in accordance with General Assembly decisions.

Earnings per share

The Bank presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares.

Off–balance sheet commitments and contingent liabilities

In the ordinary course of business, the Group enters into credit related commitments which are recorded in off–balance–sheet accounts and primarily comprise guarantees, letters of credit and undrawn loan commitments. Such financial commitments are recorded in the Group's statement of financial position if and when they become payable.

Financial guarantees contracts are commitments of the Group to make specific payments to the holder of the guarantee related to reimbursement for losses resulting from default by certain debtors to make payment when due in accordance with the terms of debt instruments.

Liabilities under financial guarantees are initially recognized at fair value which represents the consideration and its initial fair value is amortized over the term of the financial guarantee.

Liabilities under guarantees are stated at the higher of the loss allowance determined in accordance with IFRS 9 and the amount of the initially recognized loss less, if applicable, cumulative amount of revenue recognized in accordance with the principles of IFRS 15 Financial guarantees, and included in other liabilities.

Managed funds for and behalf of third parties

The Group manages assets on behalf of other companies and individuals and charges a fee for the services rendered. These assets do not represent the Group's assets and they are excluded from the statement of financial position.

The Group makes estimates and assumptions about uncertain events, including estimates and assumptions about the future. Such accounting assumptions and estimates are regularly evaluated, and are based on historical experience and other factors such as the expected flow of future events that can be rationally assumed in existing circumstances, but nevertheless necessarily represent sources of estimation uncertainty. The estimation of impairment losses in the Bank's credit risk portfolio represents the major source of estimation uncertainty. This and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year in the profit and loss statement, are described below. Significant judgments made in determining the most appropriate methodology for estimating the fair value of financial instruments carried at fair value, are also described below.

The estimate of loan loss provisions represents management's best estimate of the default risk and expected credit losses on a financial asset, including all off–balance exposures, at the reporting date, and, also, the estimate of the fair value of real property collateral represents the main source of uncertainty of the estimate.

This and other key sources of uncertainty of the estimate, which have a significant risk of causing potential significant adjustments of the carrying amount of assets and liabilities in the subsequent financial year, are described further below. These explanations complement the comment on fair value of financial assets and liabilities (Note 49) and management of financial risks (Note 48).

4. Significant accounting estimates and judgements

a) Classification of financial assets

Business model assessment

The Bank determines its business models based on the objective of financial asset portfolio management. Refer to Note 3 Significant accounting policies – Financial instruments: classification for details on the Bank's business models. In determining its business models, the Bank considers the following information:

- Management's intent and strategic objectives and the operation of the stated policies in practice;
- Primary risks that affect the performance of the business model and how these risks are managed;
- How the performance of the portfolio is evaluated and reported to management; and
- The frequency and volume of financial asset sales in prior periods, the reasons for such sales and the expectations about future sales activities.

Solely Payments of Principal and Interest Test (SPPI test)

In assessing whether contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that they would not be consistent with a basic lending arrangement.

In making the assessment, the Group considers the primary terms as follows and assess whether the contractual cash flows of the instruments continue to meet the SPPI test:

- Performance–linked features;
- Terms that limit the Bank's claim to cash flows from specified assets (non–recourse terms);
- Prepayment and extension terms;
- Leverage features; and
- Features that modify consideration of the time value of money.

b) Impairment of financial assets

Significant increase in credit risk

When determining whether the risk of default has significantly increased, the Bank uses reasonable and supportable information that is relevant and available. This includes quantitative and qualitative information based on the historical–based analysis and expert credit risk assessment, and includes forward looking information.

In retail exposures, the quantitative criterion or quantitative materiality threshold relates to the change in the estimate of probability of default during the remaining lifetime of the credit exposure, compared to the estimate on the exposure originating date for the relevant period. If the difference in the estimation of probability of default exceeds the materiality threshold, the material increase in credit risk is determined for that asset, which is consequently classified in Stage 2.

In non–retail exposures, the Bank considers that the internal credit rating represents a comprehensive estimate of the borrower's credit quality to determine the PD. The PD is adjusted using the macroeconomic forecast resulting in a point–in–time PD(pit) for determination IFRS 9 relevant material increase in credit risk. The list of qualitative criteria includes information that can be obtained from internal rating models used as inputs in rating, days past due, client's risk status, forborne classification of exposures and other factors prescribed by IFRS 9.

In retail exposures, the estimated probability of default of an exposure is based on the scoring models used by the Bank in managing credit risk, as well as statistical models and statistical estimates, depending on the type of exposure and including the impact of expected macroeconomic developments.

Qualitative criteria include identification of forbearance indicators, holistic access indicators, asset being more than 30 days past due, default on the customer's other exposures (as the default definition applies on the product level for exposure to the private individuals). If at least one indicator of a significant increase in credit risk is detected in comparison with the assessment at the facility origination date, the asset is allocated to Stage 2 (category A2 / Stage 2).

Default

The default of the Bank's exposures is determined on the basis of the regulatory requirements defined in Article 178 of Regulation (EU) 575/2013, EBA Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013, EBA Regulatory Technical Standards on materiality threshold of credit obligations past

4. Significant accounting estimates and judgements (continued)

b) Impairment of financial assets (continued)

Default (continued)

due under Art.178 EU Regulation 575/2013 and CNB Decision amending the decision implementing Regulation (EU) no. 575/2013 in the valuation of assets and off–balance sheet items and the calculation of regulatory capital and capital requirements.

In the retail segment, the default is determined on the facility level for private individuals, whereas, for all legal entities (including Micro and SME customers), the default status is determined on the obligor level.

In non–retail segment, the Bank implemented a new default definition for non–retail customers as of 30 November 2019. The major change related to the change in the materiality threshold which is used to calculate days past due as one of the default indicators (overdue payment). As required by the regulator, the Bank monitored the calculation of DPD within the next 12 months from the date of application of the new default definition (and the new materiality threshold), until 30 November 2020, according to both the new and the old definition and as of 01 December 2020 the Bank monitors DPD only according to the new definition.

Change in calculation of expected credit loss in non–retail

In non–retail credit risk management, as of 1 January 2020, Article 21 paragraph 1 of the *Decision on the classification of exposures into risk categories and the method of determining credit losses*, ceased to be in force and effect, which prescribed the implementation of the interim provision, which stipulated that the total impairment on exposures classified into risk sub–categories A–1 and A–2 until 31 December 2019 may not be below 0.8% of the gross carrying amount of exposures in those risk sub–categories, except in the case of financial assets at fair value through other comprehensive income.

For the requirements of local regulatory reporting, the Bank uses the RBI model to assess and calculate provisions for stage 1 and stage 2 and applies adjustment of the model results (increase in provisions amount) on the basis of expert judgment, taking into consideration the specifics of the local market and of the individual business segments.
The described change is stated in accordance with the regulatory opinion (Questions and Answers 2019–712) through the current year profit and loss as change in estimate.

On the basis of the abovementioned, the credit risk exposures presented in the financial statement per 31 December 2020 are in compliance with the requirements for recognition and measurement of the International Financial Reporting Standards.

In the non–retail segment, the Bank uses the model of expected credit losses to recognise value impairments in keeping with the Decision on the classification of exposures and the IFRS 9. Estimate of credit risk increase and calculation of expected credit losses, or impairment, is provided by the parent company within the framework of their relevant competence. Estimate and calculation of material increase in credit risk on account level are performed in keeping with the prescribed quantitative criteria, to which also qualitative criteria are added. In addition to the above, the Bank locally applies the temporary post–model adjustment. The adjustment is made so as to include in the assessment and quantification of risks all relevant known information which arises from or is a result of various local factors specific to the domestic business environment (present, past and future information) and to make a timely assessment of credit risk. The post–model adjustment is based on expert judgment when determining the adjustment factors, their quantification and selection of the relevant portfolios.

Measuring expected credit loss in retail

Expected credit losses are calculated as a multiplication of PDs (probability of default), loss given default (LGD) and exposure at default (EAD) over the remaining expected life of the financial asset and are discounted at the reporting date using the effective interest rate for exposures with a significant increase in credit risk (Stage 2 contracts).
On the other hand, for exposures classified as Stage 1, the expected credit loss is calculated over a 12–month period, i.e. 12–month expected credit loss is estimated.

PD estimates represent point–in–time PD, adjusted annually according to the Group's historical experience, current conditions and forward–looking information.

INTRODUCTION
2020 BUSINESS DEVELOPMENTS
RBI AT A GLANCE
FINANCIAL STATEMENTS
CONTACTS

4. Significant accounting estimates and judgements (continued)

b) Impairment of financial assets (continued)

Measuring expected credit loss in retail (continued)

Probability of default (PD) is an estimate of the likelihood that a client (or facility in the retail segment) will default in the next 12 months or for the remaining lifetime of the exposure (lifetime PD).

In the Retail segment, the likelihood of defaulting for the remaining lifetime of exposure is generated by a parametric survival function with existence of prepayment risk. Expectations of future macroeconomic developments are included in the estimation of the PD curve.

Loss given default (LGD) represents the Group's expectation of loss if there is a default event on a placement which was in non–default status at the time of assessment. LGD varies depending on the business segment (retail, non–retail) and product type (for instance, housing loans versus unsecured personal loans). LGD is expressed as a percentage of exposures at the default start date.

LGD estimates are determined on the basis of the history of recovery rates.
In the Retail segment, LGD is estimated on the basis of historical default data, recovery after default start date, and direct collection costs. Collection and collection costs are discounted. Unlike the regulatory LGD model, the LGD model used to calculate ECL for the purpose of measuring asset impairment does not include indirect collection costs or margins of conservativism, but does include the estimated impact of expected future developments in macroeconomic indicators.

EAD includes forward–looking forecasts on repayments of the amounts which were drawn and expectations of future drawdowns where applicable. For revolving products in the Retail segment, the Group makes no estimates of the future utilization limits, but the entire amount of the limit is considered in the EAD when calculating the expected loss.
For retail exposures (private individuals and Micro businesses) in default status (Stage 3), estimates of expected credit losses and the calculation of allowance are also made on a collective basis, using the BEEL parameters. Namely, the Bank has developed statistical loss estimate models (BEEL – best estimate of expected loss) for the private individuals portfolio, which are based on the Bank's own historical data. BEEL primarily depends on the months in default, and for unsecured placements it also depends on the number of months elapsed since the last loan payment was made.

Expected credit losses are recognised on initial recognition of financial assets. Credit loss allowance represents the management's best estimate of the risk of default and expected credit losses (ECL) on financial assets, including all off–balance sheet exposures, at the reporting date.

The management uses judgment to select the most appropriate point in the range which is the best estimate of the qualitative component contributing to ECL, on the basis of the assessment of business and economic conditions, historical loss experience, credit portfolio composition and other relevant indicators and advanced information indicators. The management uses judgment to ensure that the loss estimate based on historical experience is appropriately adjusted to reflect current economic conditions. Loss ratios are regularly compared to the actual loss experience. Changes to these assumptions may have a direct impact on credit loss allowance and may result in a change in loan loss provisions.

Shared credit risk characteristics

For the purpose of making appropriate estimation of the expected losses on a collective basis, the Group has segmented the portfolio by customer type (Corporate, SMB, Sovereign, Financial Institutions, Retail, PI/Micro) and product type/group, in order to build homogeneous groups with similar risk characteristics. The risk parameters (PD, LGD) are then determined for all segments, which are used for the estimation of the expected credit loss.

In the Retail segment, over 93 percent of the portfolio is covered by statistical risk assessment models, and the rest of the portfolio uses benchmark values, depending on the type of product and segment, and they are estimated at the RBI level.

Also, when calculating provisions for exposures in categories B and C, the minimum expected loss rates prescribed by the Decision on the classification of exposures are applied, and the calculation based on the individual collateral value is taken into account for the secured exposures.

4. Significant accounting estimates and judgements (continued)

b) Impairment of financial assets (continued)

The final calculation represents the higher of the estimated expected loss amount based on the BEEL parameters, the minimum rates set out in the Decision on the classification of exposures and, for the secured facilities, the amount less the expected cash flow from the sale of collateral.

Impairment allowance on assets that are individually assessed as impaired assets are based on the management's best estimate of the present value of cash flows expected to be recovered. In assessing these cash flows, the management makes judgments about the borrower's financial situation and the net value of any underlying collateral. Each impaired asset is valued separately, and the strategy for restructuring and estimating irrecoverable cash flows is independently approved by the credit risk function.

Forward looking information

When making an assessment whether there was an increase in credit risk in relation to the expected credit risk at the inception date and when estimating the expected credit loss, the Group has accounted for the expectations of macroeconomic developments in the future.

The Group has analysed the historical data on the development of macroeconomic indicators and their impact on the probability of default and loss given default. The result of these analyses are macroeconomic models, with macroeconomic indicators which present, on historical data, the most significant impact on the level of credit risk and expected loss, as economic variables.

Therefore, in calculating ECL, the Group applies internally developed PD and LGD models. Macroeconomic forward–looking macroeconomic factors, determined on a regional level, are incorporated in risk parameters as relevant factors. Three scenarios are used in the forecast of macroeconomic variables (baseline with 50 percent weight, upside and downside scenarios with 25 percent weight).

All three scenarios for macroeconomic variable forecasts for the next three years are estimated by Raiffeisen Research (RBI). Estimates are made on a quarterly basis.

Additional risk factors that are specific to individual segments are also included where relevant.
Measurement of financial assets reflects also the best estimate of the impact of future conditions, and in particular the economic conditions affecting forward–looking information on probability of default and loss given default.
With respect to the method, different possible alternative approaches have been analysed to take account of these elements. Of the various options that have been considered, the Group has elected to adopt the Most likely scenario + Add–on approach. Based on this approach, the macroeconomic conditioning of PD and LGD is run through the Most–likely scenario and then adjusted by applying the Add–on to incorporate all the differences compared to downside and upside scenarios.

POCI assets

For POCI assets, the lifetime expected loss is measured, depending on whether the asset is allocated to Stage 2 or Stage3 (initial measurement is always the same as for Stage 3, because a POCI asset is always in default on initial measurement) using interest adjusted for the expected credit loss. In the retail segment, as those are generally restructured placements, this adjusted interest rate actually represents a new effective interest rate.
The credit loss allowance is calculated by deducting the initial impairment amount from the expected loss at the reporting date. Thus, if the expected loss at the reporting date is less than the initial impairment, the impairment losses at the reporting date will have a negative sign.

POCI assets in retail are automatically recognised in the application calculating EIR, modifications, expected losses and impairment allowance, based on information about new instrument recognition, which is created by the system and information that the asset is in default status. Thus, in the retail segment, any asset that, on initial recognition (initial measurement or, due to a significant modification, subsequent measurement), is also in default status, is automatically recognised as a POCI asset.

Non–retail POCI are assessed on an individual basis and are designated on the basis of general guidelines for determining significant modification (in accordance with internal instructions).

4. Significant accounting estimates and judgements (continued)

b) Impairment of financial assets (continued)

Low credit risk portfolio exceptions

The Bank estimates the expected credit loss based on the exceptions provided under IFRS 9 for the low credit risk portfolio for government bonds segment.

CNB requirements

The Bank and the Group ensure compliance at all times with the CNB's requirements in respect of the Decision on classification of exposures and the method of determining loan losses (for impaired assets: minimum corrective factors for collateral, minimum period for realisation of collateral and minimum percentage of provisions), and with CNB circular memos from March, May, June and December 2020.

c) Fair value of derivatives

The fair value of OTC derivatives is determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices.

d) Fair value of treasury bills

The Group and the Bank determine the fair value of treasury bills issued by the Ministry of Finance of the Republic of Croatia, using an internal model which considers the residual maturity and the latest available auction prices of equivalent instruments. As at 31 December 2020, the carrying amount of treasury bills classified as financial assets at fair value through profit or loss and financial asset at fair value through other comprehensive income amounted to HRK 511 million (2019: HRK 320 million) for the Group and HRK 384 million (2019: HRK 245 million) for the Bank.

e) Provisions for severance payments and jubilee awards

In calculating provisions for severance payments and jubilee awards, the Group discounts expected future cash flows on those payments, using discount rates that, according to the management's judgment, best reflect the time value of money.

f) Provisions for court cases

Provisions are recognized when the Group and Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The Bank's management maintains provisions on the level considered to be sufficient to absorb incurred losses and determines the sufficiency of provisions on the basis of insight into specific items, current legal circumstances, as well as other relevant factors

According to the CNB decision a credit institution shall allocate litigation to:

- risk category A (no risk of loss or a cash flow outflow established, or up to 10 percent of the total estimated amount),
- risk category B (a risk of loss or cash outflow established between 10 percent and 70 percent of total estimated amount) or
- risk category C (high risk of loss or cash outflow of more than 70 percent of the total estimated amount).

The Bank estimates potential loss on individual litigation for the total claims amount (save in declaratory judgment actions), the interests amount until completion of a litigation (save in declaratory and offence proceedings) and the costs amount of a litigation. Exceptionally, in connection to litigations instituted by consumers against the bank with regard to lending in CHF, for individual litigations of the claims amount less than HRK 70 thousand, the Bank estimates potential loss for a portfolio of equivalent litigations.

Calculation of the portfolio provisions amount for the court cases in connection to CHF loans is based on the total number of individual litigations which the consumers instituted against the bank. The total amount of potential bank losses in consumer CHF–loan related court cases is calculated on the basis of the total number of active litigations increased by the number of disputes known by the Bank to have been instituted, but the courts had not served the

4. Significant accounting estimates and judgements (continued)

f) Provisions for court cases (continued)

applications instituting those proceedings on the Bank for submission of observations by 31 December 2020, and average amount of claims. The potential loss is increased for the relevant default interest and expected litigations costs until the final verdict. The Bank's potential loss in the litigations for consumer lending in CHF is adjusted on the basis of the estimated probability of losing a litigation. After including the adjustment for probability, the total amount of provisions for litigations in connection to consumer lending in CHF is calculated. For all claims exceeding the HRK 70 thousand materiality threshold, individual provisions for court cases have been formed. Portfolio provisions have been formed covering the difference up to the total amount of provisions.

When determining present value of future cash outflows, and taking into consideration all factors that affected or will affect the time value of money, at 31 December 2020, the Bank calculated provisions for court cases against the Bank. The Bank applies the discount rate at the level of the statutory interest rate. Provisions for court cases are recorded in bank ledgers as provision costs for the periods in which such provisions are declared.

As explained in Note 23, the Group and the Bank booked HRK 305 million (2019: HRK 200 million) and HRK 289 million (2019: HRK 184 million) in provisions for principal and interest and costs of proceedings respectively, which management estimates to be sufficient. These amounts represent the Group's best estimate of the litigation losses, although the actual loss on the court cases pending against the Group may be significantly different. It is not practical for the management to assess the financial impact of changes in assumptions on the basis of which management estimates the provisioning requirement.

g) Pension insurance

In accordance with the legal framework, the Group provides an option for members of voluntary and mandatory pension funds to transfer funds, when the conditions are met, into pension insurance company of their choice. The pension company pays pensions, in accordance with the Act on Pension Insurance Companies and conditions of concluded pension contracts under mandatory and voluntary pension insurance. Pensions are paid from the assets covering technical reserve calculated by the certified actuary of the pension insurance company in accordance with the good actuarial practice and law. The management believes that the calculated technical reserve is sufficient.

h) Deferred taxes

Deferred taxes are recognised in respect of tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management believes that the deferred tax assets recognized by the Bank and the Group are completely recoverable.

i) Additional Tier 1 capital

The Bank issued a bond (AT1) and classified it as an equity instrument based on fulfilment of requirements of IAS 32 – Financial Instruments: Presentation.
The bond includes no contractual obligation to deliver cash or another financial assets to another entity because both the potential redemption of the AT1 instrument and the cash payments are the Bank's discretion. The instrument also includes no contractual obligation to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank. Furthermore, the AT1 instrument will not be settled in the Bank's own equity instruments. There is no option that would result in the conversion of the instrument into ordinary shares of the Bank.

j) Classification of lease contracts

The Group is a lessor in operating and finance leases. Lease where the Group as a lessor transfer substantially all the risks and rewards of the asset to the lessee then the contract is classified as finance lease. All other leases are classified as operating leases and included in property and equipment under operating leases at cost net of accumulated depreciation. In determining whether a lease should be classified as operating or finance lease, the Group considers the requirements under IFRS 16 Leases.
At the start of implementation of IFRS 16, the Bank determined that it has the following contracts which include a lease:

- Business premises lease agreements
- ATM location lease agreements

4. Significant accounting estimates and judgements (continued)

j) Classification of lease contracts (continued)

- Official car lease agreements

IFRS 16 introduced several limited exceptions for leases, which include:
- Leases with a lease term of 12 months or less, with no purchase option,
- Leases where the underlying asset is of low value (below EUR 5,000)

Therefore the Bank exempted the following contracts from the application of IFRS 16:
- ATM location lease agreements
- Printer lease agreements
- advertising space lease agreements

Also, all contracts with a residual term of less than one year are exempt from application of IFRS 16.
To calculate the discounted value of the future lease cost, or the right–of–use assets, the benchmark interest rate at the interbank curve plus liquidity cost, separately for EUR and separately for HRK, is used. Given that the benchmark interest rate is set at a round number of years, for contracts with a term which is not a round number of years, the rate is calculated as a linear interpolation. In cases where the interest rate is negative (for short contract terms), it is set at 0 percent.

k) Determination of control

In accordance with requirements of IFRS 10 Consolidated Financial Statements, the Group regularly reassess whether it has control over significant activities of debtors in financial distress which are unable to service when due their credit obligations to the Group. The Group assessed that there are no debtors which should be consolidated in 2020, which is consistent with the assessment made for 2019.

l) Valuation of instruments of Fortenova Group

Based on the ruling of the High Commercial Court of 26 October 2018 the Group acquired 2,482,121 sets of new Fortenova Group instruments (four convertible bonds and one depositary instrument). These instruments are classified as financial assets at fair value through profit or loss for which the Bank will perform the valuation on a regular basis. Subsequently, another 627,743 sets of new instruments were acquired under pre–bankruptcy settlement.

Given that these are instruments issued by a newly established company under special court settlement, and there is no reliable method to determine the fair value of those instruments, and in accordance with the precautionary principle, the Group initially elected to value 1 set at 1 cent. During 2019, there were no changes in initial assumptions and the Group retained the same value as at 31 December 2020 (HRK 239 thousand). As at 31 December 2019 the value of the instrument was HRK 231 thousand.

m) Investment in subsidiaries

The management considers that investments in subsidiaries are stated at their recoverable amount in separate financial statements.

5. Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which are subject to risks and rewards that are different from those of other segments. Limited segment information is presented in respect of the Group's business segments. The primary format of business segments is based on the Bank's management and internal reporting structure.

5. Segment reporting (continued)

Business segments

The Group comprises the following main business segments:	
Corporate Banking	Includes loans, deposits and other transactions and balances with corporate customers, and leasing activities at Group level;
Retail Banking	Includes loans, deposits and other transactions and balances with retail customers;
Treasury	Undertakes the Group's funding and centralised risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short–term placements and corporate and government debt securities;
Asset management	Includes management of investment and pension funds under Group management;
Shared services	Undertakes Group property management activities and centralised advertising and marketing services for the Group.

Group 2020 HRK millions	Corporate	Retail	Treasury	Asset management	Shared services	Unallocated	Total
Net interest income	205	533	91	23	19	–	871
Net fee and commission income	127	104	14	146	3	–	394
Trading and other income	107	28	17	741	9	35	937
Operating income	**439**	**665**	**122**	**910**	**31**	**35**	**2,202**
Operating expenses	(307)	(454)	(92)	(821)	(49)	(6)	(1,729)
Impairment losses	(71)	(98)	7	–	7	–	(155)
Provisions for liabilities and charges	(7)	(13)	–	–	(2)	(115)	(137)
Profit/(loss) before tax	**54**	**100**	**37**	**89**	**(13)**	**(86)**	**181**
Income tax expense	2	–	–	(14)	(1)	(41)	(54)
Profit/(loss) for the year	**56**	**100**	**37**	**75**	**(14)**	**(127)**	**127**
Segment assets	6,838	11,220	15,890	1,421	1,056	–	36,425
Unallocated assets	–	–	–	–	–	3,702	3,702
Total assets	**6,838**	**11,220**	**15,890**	**1,421**	**1,056**	**3,702**	**40,127**
Segment liabilities	13,659	15,398	2,734	1,362	1,068	900	35,121
Equity	–	–	–	–	–	5,006	5,006
Total equity and liabilities	**13,659**	**15,398**	**2,734**	**1,362**	**1,068**	**5,906**	**40,127**

5. Segment reporting (continued)

Group 2019 HRK millions	Corporate	Retail	Treasury	Asset management	Shared services	Unallocated	Total
Net interest income	219	500	129	25	25	–	898
Net fee and commission income	162	158	10	147	3	–	480
Trading and other income	126	28	31	420	26	25	656
Operating income	**507**	**686**	**170**	**592**	**54**	**25**	**2,034**
Operating expenses	(312)	(459)	(85)	(499)	(62)	(28)	(1,445)
Impairment losses	(26)	(7)	4	–	3	–	(26)
Provisions for liabilities and charges	(14)	9	–	(2)	–	(122)	(129)
Profit/(loss) before tax	**155**	**229**	**89**	**91**	**(5)**	**(125)**	**434**
Income tax expense	–	–	–	–	–	(13)	(13)
Profit/(loss) for the year	**155**	**229**	**89**	**91**	**(5)**	**(138)**	**421**
Segment assets	7,148	10,712	13,298	997	1,112	–	33,267
Unallocated assets	–	–	–	–	–	3,577	3,577
Total assets	**7,148**	**10,712**	**13,298**	**997**	**1,112**	**3,577**	**36,844**
Segment liabilities	12,619	14,478	2,086	863	1,103	754	31,903
Equity	–	–	–	–	–	4,941	4,941
Total equity and liabilities	**12,619**	**14,478**	**2,086**	**863**	**1,103**	**5,695**	**36,844**

5. Segment reporting (continued)

Bank 2020 HRK millions	Corporate	Retail	Treasury	Unallocated	Total
Net interest income	183	533	91	–	807
Net fee and commission income	138	104	14	–	256
Trading and other income	78	28	73	34	213
Operating income	**399**	**665**	**178**	**34**	**1,276**
Operating expenses	(267)	(454)	(92)	(6)	(819)
Impairment losses	(58)	(98)	7	–	(149)
Provisions for liabilities and charges	(8)	(13)	–	(114)	(135)
Profit/(loss) before tax	**66**	**100**	**93**	**(86)**	**173**
Income tax expense	–	–	–	(41)	(41)
Profit/(loss) for the year	**66**	**100**	**93**	**(127)**	**132**
Segment assets	6,812	11,220	15,890	–	33,922
Unallocated assets	–	–	–	3,242	3,242
Total assets	**6,812**	**11,220**	**15,890**	**3,242**	**37,164**
Segment liabilities	13,384	15,398	2,734	900	32,416
Equity	–	–	–	4,748	4,748
Total equity and liabilities	**13,384**	**15,398**	**2,734**	**5,648**	**37,164**

Bank 2019 HRK millions	Corporate	Retail	Treasury	Unallocated	Total
Net interest income	199	500	129	–	828
Net fee and commission income	173	158	10	–	341
Trading and other income	92	28	116	25	261
Operating income	**464**	**686**	**255**	**25**	**1,430**
Operating expenses	(268)	(459)	(85)	(28)	(840)
Impairment losses	(25)	(6)	4	–	(27)
Provisions for liabilities and charges	(14)	9	–	(122)	(127)
Profit/(loss) before tax	**157**	**230**	**174**	**(125)**	**436**
Income tax expense	–	–	–	2	2
Profit/(loss) for the year	**157**	**230**	**174**	**(123)**	**438**
Segment assets	6,990	10,712	13,298	–	31,000
Unallocated assets	–	–	–	3,076	3,076
Total assets	**6,990**	**10,712**	**13,298**	**3,076**	**34,076**
Segment liabilities	12,083	14,479	2,086	754	29,402
Equity	–	–	–	4,674	4,674
Total equity and liabilities	**12,083**	**14,479**	**2,086**	**5,428**	**34,076**

6. Financial assets and financial liabilities

A. Classification of financial assets and financial liabilities

Classification of financial assets and financial liabilities is described in accounting policies in note 3.
The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

Group 2020 HRK millions	Note	Mandatory at FVTPL	Designated at FVTPL	FVOCI – debt instruments	FVOCI – equity instruments	Amortised cost	Total carrying amount
Financial assets							
Cash and current accounts with banks	7	–	–	–	–	8,289	8,289
Obligatory reserve with the Croatian National Bank	8	–	–	–	–	1,598	1,598
Financial assets at fair value through profit or loss	9	569	1,082	–	–	–	1,651
Placements with and loans to other banks	10	–	–	–	–	212	212
Loans and advances to customers	11	–	–	–	–	20,238	20,238
Investment securities							
– measured at fair value	12	–	–	4,781	10	–	4,791
– measured at amortised cost	12	–	–	–	–	1,730	1,730
Other financial assets	17	–	–	–	–	61	61
Total financial assets		**569**	**1,082**	**4,781**	**10**	**32,128**	**38,570**
Financial liabilities							
Financial liabilities at fair value through profit or loss	18	200	–	–	–	–	200
Deposits from banks	19	–	–	–	–	267	267
Deposits from companies and other similar entities	20	–	–	–	–	12,729	12,729
Deposits from individuals	21	–	–	–	–	16,410	16,410
Borrowings	22	–	–	–	–	2,834	2,834
Lease liabilities		–	–	–	–	30	30
Other financial liabilities	24	–	–	–	–	194	194
Subordinated liabilities	25	–	–	–	–	531	531
Total financial liabilities		**200**	**–**	**–**	**–**	**32,995**	**33,195**

Note: amounts in tables in note 6 are presented net of relating impairment losses, and consequently certain individual items cannot be directly linked to the notes, but only total amounts.

6. Financial assets and financial liabilities (continued)

Group 2019 HRK millions	Note	Mandatory at FVTPL	Designated at FVTPL	PFVOCI – debt instruments	FVOCI – equity instruments	Amortised cost	Total carrying amount
Financial assets							
Cash and current accounts with banks	7	-	-	-	-	5,125	5,125
Obligatory reserve with the Croatian National Bank	8	-	-	-	-	1,969	1,969
Financial assets at fair value through profit or loss	9	558	939	–	–	–	1,497
Placements with and loans to other banks	10	-	-	-	-	554	554
Loans and advances to customers	11	-	-	-	-	19,867	19,867
Investment securities							
– measured at fair value	12	–	–	5,253	50	–	5,303
– measured at amortised cost	12	–	–	–	–	798	798
Other financial assets	17					58	58
Total financial assets		**558**	**939**	**5,253**	**50**	**28,371**	**35,171**
Financial liabilities							
Financial liabilities at fair value through profit or loss	18	81	–	–	–	–	81
Deposits from banks	19	-	-	-	-	1,171	1,171
Deposits from companies and other similar entities	20	–	–	–	–	11,018	11,018
Deposits from individuals	21	–	–	–	–	15,543	15,543
Borrowings	22	–	–	–	–	1,995	1,995
Lease liabilities						37	37
Other financial liabilities	24					204	204
Subordinated liabilities	25	–	–	–	–	524	524
Total financial liabilities		**81**	**–**	**–**	**–**	**30,492**	**30,573**

6. Financijska imovina i financijske obveze (nastavak)

Bank 2020 HRK millions	Note	Mandatory at FVTPL	Designated at FVTPL	FVOCI – debt instruments	FVOCI – equity instruments	Amortised cost	Total carrying amount
Financial assets							
Cash and current accounts with banks	7	–	–	–	–	8,277	8,277
Obligatory reserve with the Croatian National Bank	8	–	–	–	–	1,598	1,598
Financial assets at fair value through profit or loss	9	585	132	–	–	–	717
Placements with and loans to other banks							
– measured at fair value	10	37	–	–	–	–	37
– measured at amortised cost	10	–	–	–	–	56	56
Loans and advances to customers							
– measured at amortised cost	11	–	–	–	–	18,961	18,961
Investment securities							
– measured at fair value	12	–	–	4,509	10	–	4,519
– measured at amortised cost	12					1,418	1,418
Other financial assets	17					33	33
Total financial assets		**621**	**132**	**4,509**	**10**	**30,343**	**35,616**
Financial liabilities							
Financial liabilities at fair value through profit or loss	18	199	–	–	–	–	199
Deposits from banks	19	–	–	–	–	424	424
Deposits from companies and other similar entities	20	–	–	–	–	12,967	12.967
Deposits from individuals	21	–	–	–	–	15,361	15.361
Borrowings	22	–	–	–	–	2,066	2,066
Lease liabilities	–	–	–	–	–	152	152
Other financial liabilities	24	–	–	–	–	159	159
Subordinated liabilities	25	–	–	–	–	531	531
Total financial liabilities		**199**	**–**	**–**	**–**	**31,660**	**31,859**

6. Financial assets and financial liabilities (continued)

Bank 2019 HRK millions	Note	Mandatory at FVTPL	Designated at FVTPL	PFVOCI – debt instruments	FVOCI – equity instruments	Amortised cost	Total carrying amount
Financial assets							
Cash and current accounts with banks	7	–	–	–	–	5,109	5,109
Obligatory reserve with the Croatian National Bank	8		–	–	–	1,969	1,969
Financial assets at fair value through profit or loss	9	568	114	–	–	–	682
Placements with and loans to other banks	10						
– measured at fair value		36	–	–	–	–	36
– measured at amortised cost		–	–	–	–	505	505
Loans from and advances to customers	11						
– measured at amortised costu		–	–	–	–	18,456	18,456
Investment securities							
– measured at fair value	12	–	–	5,086	50	–	5,136
– measured at amortised cost	12	–	–	–	–	523	523
Other financial assets	–	–	–	–	–	36	36
Total financial assets		**604**	**114**	**5,086**	**50**	**26,598**	**32,452**
Financial liabilities							
Financial liabilities at fair value through profit or loss	18	80	–	–	–	–	80
Deposits from banks	19		–	–	–	1,303	1,303
Deposits from companies and other similar entities	20	–	–	–	–	11,170	11,170
Deposits from individuals	21	–	–	–	–	14,458	14,458
Borrowings	22	–	–	–	–	1,058	1,058
Lease liabilities		–	–	–	–	182	182
Other financial liabilities	23	–	–	–	–	190	190
Subordinated liabilities	24	–	–	–	–	524	524
Total financial liabilities		**80**	**–**	**–**	**–**	**28,885**	**28,965**

7. Cash and current accounts with banks

	Group 2020 HRK millions	Group 2019 HRK millions	Bank 2020 HRK millions	Bank 2019 HRK millions
Cash in hand	1,401	1,242	1,401	1,242
Giro account with the Croatian National	6,774	3,821	6,774	3,821
Current accounts with other banks				
– with parent bank	18	9	18	8
– with other Raiffeisen Bank International AG ("the RBI") group banks	17	5	17	5
– with other banks	84	80	72	64
	8,294	5,157	8,282	5,140
Rezervacija za umanjenje vrijednosti	(5)	(32)	(5)	(31)
	8,289	5,125	8,277	5,109

a) Movement in impairment allowance for cash and current accounts with banks

	Group 2020 HRK millions	Stage 1 and 2 Group 2019 HRK millions	Bank 2020 HRK millionsn	Stage 1 and 2 Bank 2019 HRK millions
At 1 January	32	35	31	34
Net charge recognised in profit or loss (Note 33)	(27)	(3)	(26)	(3)
At 31 December	5	32	5	31

8. Obligatory reserve with the Croatian National Bank

	Group 2020 HRK millions	Group 2019 HRK millions	Bank 2020 HRK millions	Bank 2019 HRK millions
Obligatory reserve in domestic currency	1,605	1,985	1,605	1,985
	1,605	**1,985**	**1,605**	**1,985**
Impairment allowance	(7)	(16)	(7)	(16)
	1,598	**1,969**	**1,598**	**1,969**

a) Movement in impairment allowance for obligatory reserve with the Croatian National Bank

	Group 2020 HRK millions	Group 2019 HRK millions	Bank 2020 HRK millions	Group 2019 HRK millions
At 1 January	**16**	**15**	**16**	**15**
Net charge recognised in profit or loss (Note 33)	(9)	1	(9)	1
At 31 December	**7**	**16**	**7**	**16**

The CNB determines the requirement for banks to calculate obligatory reserve which is required to be deposited with the CNB and maintained in the form of liquid assets. The obligatory reserve requirement as at 31 December 2020 was 9% (2019: 12%) of relevant HRK and foreign currency deposits and borrowings.

As at 31 December 2020 the required rate of HRK denominated part of the obligatory reserve to be deposited with the CNB amounted to 70% (2019: 70%), while the remaining 30% had to be maintained in the form of liquid receivables. 75% of foreign currency obligatory reserve was required to be held in HRK, and this is added to the HRK portion of the obligatory reserve.

Banks were required to maintain a minimum of 2% of their foreign currency reserve requirement as the average daily balance of funds on their own foreign currency settlement accounts with the CNB.

9. Financial assets at fair value through profit or loss

	Group 2020 HRK millions	Group 2019 HRK millions	Bank 2020 HRK millions	Bank 2019 HRK millions
Financial assets mandatorily measured at fair value through profit or loss: Non derivative trading assets:				
Debt securities:				
– Domestic government bonds, listed	391	462	391	462
– Foreign government bonds, listed	1	–	1	–
– Treasury bills issued by the Ministry of Finance	–	20	–	20
– Securities issued by companies, listed Accrued interest	13	14	13	14
Ukalkulirana kamata	4	4	4	4
	409	**500**	**409**	**500**
Equity securities mandatorily measured at fair value through profit or loss	**19**	**6**	**19**	**6**
Derivative trading assets:				
Positive fair value of OTC derivative instruments	141	51	156	61
Accrued interest	–	1	1	1
	141	52	157	62
Total financial assets mandatorily measured at fair value through profit or loss	**569**	**558**	**585**	**568**
Financial assets designated at fair value through profit or loss Non derivative trading assets:				
Debt securities:				
– Domestic government bonds, listed	768	545	–	–
– Foreign government bonds, listed	–	124	–	–
– Bonds issued by banks, listed	7	7	–	–
– Securities issued by companies, listed	143	121	131	112
– Treasury bills issued by the Ministry of Finance	76	75	–	–
Accrued interest	9	8	1	1
	1,003	**880**	**132**	**113**
Equity securities	1	1	–	–
Investments in investment funds managed by related and third parties	78	57	–	–
Derivatives – hedge accounting	–	1	–	1
Total financial assets designated at fair value through profit or loss	**1,082**	**939**	**132**	**114**
	1,651	**1,497**	**717**	**682**

Investment in treasury bills issued by the Republic of Croatia Ministry of Finance in the amount of HRK 76 million (2019: HRK 75 million) in the Group represent the guarantee deposit in accordance with the Law on Mandatory Pension Funds and Law on Voluntary Pension Funds.

10. Placements with and loans to other banks

	Group 2020 HRK millions	Group 2019 HRK millions	Bank 2020 HRK millions	Bank 2019 HRK millions
Loans and deposits at amortised cost – Loans	38	23	38	24
– Deposits	174	535	18	485
	212	558	56	509
Loans, mandatorily measured at fair value through profit or loss	**–**	**–**	**37**	**36**
	212	**558**	**93**	**545**
Impairment allowance	–	(4)	–	(4)
	212	**554**	**93**	**541**

a) Movement in impairment allowance for placements and loans to other banks

Group		2020		2019
	Stage 1 and 2 HRK millions	Total HRK millions	Stage 1 and 2 HRK millions	Total HRK millions
At 1 January	**4**	**4**	**12**	**12**
Net release recognised in profit or loss (Note 33)	(4)	(4)	(8)	(8)
At 31 December	**–**	**–**	**4**	**4**

Bank		2020		2019
	Stage 1 and 2 HRK millions	Total HRK millions	Stage 1 and 2 HRK millions	Total HRK millions
At 1 January	**4**	**4**	**12**	**12**
Net release recognised in profit or loss (Note 33)	(4)	(4)	(8)	(8)
At 31 December	**–**	**–**	**4**	**4**

11. Loans and advances to customers

	Group 2020 HRK millions	Group 2019 HRK millions	Bank 2020 HRK millions	Bank 2019 HRK millions
Loans to companies and similar entities at amortised cost				
– denominated in domestic currency	2,138	2,192	2,273	2,335
– denominated in or linked to foreign currency	4,536	4,799	4,794	4,999
Loans to state and public sector at amortised cost				
– denominated in domestic currency	381	7	381	7
– denominated in or linked to foreign currency	676	767	676	767
Loans to individuals at amortised cost				
– denominated in domestic currencyi	8,000	7,886	7,848	7,751
– denominated in or linked to foreign currency	4,664	4,277	4,052	3,639
Finance lease receivables, denominated in or linked to foreign currency	946	1,015	–	–
Accrued interest	85	53	84	53
Deferred income	(25)	(38)	(24)	(37)
	21,401	**20,958**	**20,084**	**19,514**
Impairment allowance	(1,163)	(1,091)	(1,123)	(1,058)
	20,238	**19,867**	**18,961**	**18,456**

11. Loans and advances to customers (continued)

The following tables below present the exposures across credit risk levels at 31 December 2020:

Group 2020 HRK millions	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances to customers					
Low risk	5,112	2,225	–	1	7,338
Medium risk	3,902	4,687	–	32	8,621
High risk	413	851	1	4	1,269
Default	–	–	849	187	1,036
Without rating	2,223	794	106	14	3,137
Balance sheet impairment allowance	(88)	(305)	(617)	(153)	(1,163)
Carrying amount	11,562	8,252	339	85	20,238

Bank 2020 HRK millions	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances to customers					
Low risk	5,290	2,207	–	1	7,498
Medium risk	3,741	4,580	–	32	8,353
High risk	360	767	–	4	1,131
Default	–	–	764	186	950
Without rating	1,422	618	98	14	2,152
Balance sheet impairment allowance	(84)	(300)	(587)	(152)	(1,123)
Carrying amount	10,729	7,872	275	85	18,961

Comparative information for 31 December 2019 has not been presented, as it is not practical

11. Loans and advances to customers (continued)

a) Movement in impairment allowance for loans to customers (including finance lease receivables):

Group			2020			2019
	Stage 3 HRK millions	Stage 1 and 2 HRK millions	Total HRK millions	Stage 3 HRK millions	Stage 1 and 2 HRK millions	Total HRK millions
Na dan 1. siječnja	**805**	**286**	**1,091**	**965**	**227**	**1,192**
Increase/(decrease) of impairment allowance	139	106	245	54	62	116
Amounts recovered during the year	(35)	(2)	(37)	(84)	(2)	(86)
Net charge/(release) in profit or loss (Note 33)	**104**	**104**	**208**	**(30)**	**60**	**30**
Net foreign exchange loss	3	3	6	1	(1)	–
Write offs	(142)	–	(142)	(131)	–	(131)
At 31 December	**770**	**393**	**1,163**	**805**	**286**	**1,091**

Bank			2020			2019
	Stage 3 HRK millions	Stage 1 and 2 HRK millions	Ukupno HRK millions	Stage 3 HRK millions	Stage 1 and 2 HRK millions	Ukupno HRK millions
Na dan 1. siječnja	**778**	**280**	**1,058**	**938**	**216**	**1,154**
Increase/(decrease) of impairment allowance	131	102	233	55	63	118
Amounts recovered during the year	(33)	–	(33)	(85)	–	(85)
Net charge/(release) in profit or loss (Note 33)	**98**	**102**	**200**	**(30)**	**63**	**33**
Net foreign exchange loss	4	2	6	1	1	2
Write offs	(141)	–	(141)	(131)	–	(131)
	739	**384**	**1,123**	**778**	**280**	**1,058**

11. Loans and advances to customers (continued)

a) Movement in impairment allowance for loans to customers (including finance lease receivables) (continued)

In the year 2020, the Bank realized profit of HRK 24 million (total received HRK 26 million, and of this, HRK 2 million refers to payments of original borrowers, which the bank will transfer to the buyer) from selling a part on the non-performing on-balance and off-balance portfolio. Gross value of the sold placements was HRK 148.1 million (loans to customer and other receivables HRK 93 million and off-balance receivables of HRK 55.1 million). Loans to private individuals were HRK 108.1 million (on-balance receivables HRK 75.7 million and off-balance receivables HRK 32.4 million, and loans to other customers HRK 40.0 million (HRK 17.3 million on-balance and HRK 22.7 million off-balance receivables). Net value of the sold on-balance placements of private individuals was HRK 2.7 million and placements of other customers HRK 0.4 million.

In 2019, profit from sales was HRK 80 million (total received HRK 70 million, and of this, HRK 10 million referred to payments of original borrowers, which the Bank transferred to the buyer). The bank sold non-performing loans in the gross amount of HRK 232.6 million (of which, on-balance receivables for PI loans amount at HRK 97.9 million, and loans to other customers HRK 51.3 million, and off-balance PI receivables are HRK 63.1 million and other customers HRK 20.3 million). Net value of sold on-balance PI placements was HRK 7,3 million and to other customers HRK 1.0 million.

The table below presents the market value of collaterals for loans to customers, excluding senior-ranking mortgages of other creditors, up to the exposure amount at the most.

	Group 2020			Bank 2020		
	Total exposure	Impairment allowance HRK millions	Collateral	Total exposure	Impairment allowance HRK millions	Collateral
Balance exposure for loans to customers						
Stage 1 i 2	9,941	218	9,070	8,546	209	7,899
Stage 3	644	387	542	555	362	488
	10,585	**605**	**9,612**	**9,101**	**571**	**8,387**

Comparative information for 31 December 2019 has not been presented, as it is not practical.

11. Loans and advances to customers (continued)

b) Finance lease receivables

The Group as lessor under finance lease provides lease mainly of plant and equipment. The leases typically run for a period of one to seven years, ownership of the leased asset being transferred at the end of the lease term. Interest accrues over the period of the lease based on market related interest rates. The receivables are secured by the underlying assets. Loans and advances to customers include the following finance lease receivables:

HRK millions	Group 2020	Group 2019
Gross investment in finance leases	1,003	1,082
Deferred fee income	(2)	(3)
Unearned finance income	(55)	(64)
Net investment in finance leases	**946**	**1,015**
Impairment losses	(23)	(12)
Net investment in finance leases	**923**	**1.003**

This disclosure is illustrative since there are no irrevocable leases.

HRK millions	Group 2020	Group 2019
Gross investment in finance lease, with remaining maturities		
Less than one year	361	369
More than one and less than five years	617	678
More than five years	25	35
	1,003	1,082

12. Investment securities

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Investment securities measured at amortised cost	1,738	803	1,426	527
Investment securities at fair value through other comprehensive income	4,791	5,303	4,519	5,136
Impairment allowances	(8)	(5)	(8)	(4)
	6,521	**6,101**	**5,937**	**5,659**

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Investment securities measured at amortised cost				
Debt securities:				
– Domestic government bonds, listed	1,079	589	771	319
– Foreign government bonds, listed	646	203	646	203
Accrued interest	13	11	9	5
	1,738	803	1,426	527
Impairment allowances	(8)	(5)	(8)	(4)
Total investment securities measured at amortised cost	**1,730**	**798**	**1,418**	**523**

Stage 1 and 2 HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
At 1 January	**5**	**3**	**4**	**2**
Net charge to profit or loss (Note 33)	3	2	4	2
At 31 December	**8**	**5**	**8**	**4**

12. Investment securities (continued)

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Investment securities – gross value				
Debt securities:				
– Domestic government bonds, listed	2,519	2,507	2,300	2,341
– Bonds issued by banks, listed	862	1,292	862	1,292
– Bonds issued by companies, listed	50	55	50	55
– Foreign government bonds, listed	842	1,168	842	1,168
– Treasury bills issued by the Ministry of Finance	435	225	384	225
– Treasury bills issued by foreign countries	61	–	61	–
Accrued interest	27	48	24	45
	4,796	**5,295**	**4,523**	**5,126**
Impairment allowance	(15)	(42)	(14)	(40)
Debt securities:	**4,781**	**5,253**	**4,509**	**5,086**
Equity securities:				
– not listed	3	40	3	40
– listed	7	10	7	10
	10	**50**	**10**	**50**
Total investment securities at fair value through other comprehensive income	**4,791**	**5,303**	**4,519**	**5,136**

Stage 1 and 2 HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
At 1 January	**42**	**42**	**40**	**40**
Net release to profit or loss (Note 33)	(27)	–	(26)	–
At 31 December	**15**	**42**	**14**	**40**

Government bonds issued by foreign governments consist of financial instruments issued by the Republic of Austria, the Republic of Lithuania, the Republic of Poland, the United States of America, the Republic of Slovenia, the Republic of Ireland and the Slovak Republic.

13. Investments in subsidiaries

The Bank had the following investments in subsidiaries, all incorporated in Croatia, as at 31 December 2020 and 31 December 2019:

HRK millions	Nature of business	Ownership 2020 %	Ownership 2019 %	Acquisition cost 2020	Impairment allowance 2020	Investments in subsidiaries 2020	Acquisition cost 2019	Impairment allowance 2019	Investments in subsidiaries 2019
Investment in subsidiaries									
Direct holding									
Raiffeisen društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondovima d.d.	Pension fund managment	100	100	144	–	144	144	–	144
Raiffeisen stambena štedionica d.d.	Saving bank	100	100	56	–	56	56	–	56
Raiffeisen Consulting d.o.o.	Financial and consulting services	100	100	105	(9)	96	105	(9)	96
Raiffeisen Leasing d.o.o.	Leasing	100	100	57	–	57	57	–	57
Raiffeisen mirovinsko osiguravajuće društvo d.d.	Pension insurance	100	100	23	–	23	23	–	23
Raiffeisen Invest d.o.o.	Investment fund management	100	100	8	–	8	8	–	8
Indirect holding									
Raiffeisen Bonus d.o.o.	Insurance and re-insurance intermediary	100	100	–	–	–	–	–	–
Total		n/p	n/p	393	(9)	384	393	(9)	384

Planned merger of Raiffeisen stambena štedionica d.d.

In 2020 the Bank expressed its intent to acquire the building society, Raiffeisen stambena štedionica, and notified the regulator accordingly. According to the time schedule, the merger is planned by the end of 2021.

Transfer of economic unit of Raiffeisen Bonus in 2019

Based on a business decision to discontinue insurance and reinsurance distribution business as of 25 July 2019, Raiffeisen bonus d.o.o. transferred the respective business unit to company Ano d.o.o. Zagreb. The total registered capital of the company is HRK 200 thousand, of which Raiffeisen Leasing d.o.o. holds 50 percent and the other 50 percent is held by Raiffeisen Consulting d.o.o.

Raiffeisen bonus d.o.o. as transferor and the company Ano d.o.o. Zagreb, as acquirer, concluded the Agreement on the transfer of economic unit, which precisely defines the rights and obligations of the contracting parties, particularly in respect of future business cooperation, transfer of assets necessary for future operation, transfer of insurance distribution and IT service contracts.

The total fee for the transfer of the economic unit was HRK 350 thousand.

13. Investments in subsidiaries (continued)

Merger of Raiffeisen usluge d.o.o. in 2019

HANFA issued its resolution on revocation of factoring licence on 22 February 2019 (Resolution). Since the Resolution was passed, the Company has changed its name from Raiffeisen Factoring d.o.o. into Raiffeisen usluge d.o.o., and changed the company objects and the factoring activity was deleted. On 9 October 2019, the Croatian National Bank granted approval to the Bank for the acquisition of Raiffeisen usluge d.o.o.
Economic merger was based on the final financial statements as of 31 October 2019 and produced economic effect as of 1 November 2019. By fully assuming the legal position of the acquired entity, in accordance with the Companies Act and the General Tax Law (Article 24), the Bank, as a universal legal successor, also took over the tax losses of Raiffeisen usluge d.o.o. The merger of the Company with the Bank was carried at carrying amounts, therefore there were no changes in the valuation of assets and liabilities at the time of the acquisition. The effect of the merger is stated in retained earnings.

The merger was completed on 15 November 2019 with the entry of the merger in the court register of the Commercial Court in Zagreb.

Raiffeisen usluge d.o.o.

Statement of financial position
At 31 October 2019 (the date preceding the date of merger)

Asset	HRK thousand
Cash and cash equivalents	7,568
Financial asset at fair value though profit or loss	118
Placements with and loans to other banks	35,002
Loans and advances to customers	20,536
Property, plant, equipment and investment property	18
Intagible assets	17
Other asset	17
Total asset	63,276

Liability	HRK thousand
Provisions for liabilities and charges	55
Other liability	127
Total liabilities	182

Equity	
Share capital	336,000
Retained loss	(272,906)
Total equtiy	63,094
Total liability and equity	63,276

13. Investments in subsidiaries (continued)

Transfer of tax losses upon acquisition

Following the acquisition, the Bank acquired the right to claim the transferred tax loss in the amount of HRK 466.8 million. The timeframe for the unused tax loss to be claimed is as follows:

HRK millions	Gross tax loss at the date of merger 2019	Tax benefit 2019
31 December 2022	6	1
31 December 2023	458	83
31 December 2024	3	–
	467	**84**

The Bank has already used a tax relief of HRK 164 million when preparing the 2019 tax return. In 2020 the respective tax loss was used in whole.

14. a) Property, plant, equipment and investment

Group 2020 HRK millions	Land and buildings	Equipment	Office furniture	Assets in operating lease	Investment property	Assets under construction	Total
Gross carrying amount							
At 1 January 2020	913	402	68	224	68	14	1,689
Additions	–	–	–	–	–	110	110
Disposals	–	(17)	(10)	(89)	(6)	–	(122)
Transfer into use	6	50	3	44	–	(103)	–
At 31 December 2020	**919**	**435**	**61**	**179**	**62**	**21**	**1,677**
Accumulated depreciation and impairment allowance							
At 1 January 2020	279	285	63	73	4	–	704
Charge for the year (Note 32)	16	28	1	32	1	–	78
Disposals and transfer	–	(17)	(10)	(45)	–	–	(72)
At 31 December 2020	**295**	**296**	**54**	**60**	**5**	**–**	**710**
Carrying amount							
At 1 January 2020	634	117	5	151	64	14	985
At 31 December 2020	**624**	**139**	**7**	**119**	**57**	**21**	**967**

Thereof:

HRK millions	2020	2019
Property, plant and equipment	910	921
Investment property	57	64
Total	**967**	**985**

There were no capitalized costs related to the acquisition of property, plant and equipment during the previous and current year.

A building owned by company Raiffeisen Consulting d.o.o. with the carrying amount of approximately HRK 200 million (2019: HRK 204 million) was pledged to the Bank secure the approved loan.

Carrying value of land stated under the land and buildings, not subject to amortisation amounted to HRK 53 million (2019: HRK 53 million).

14. a) Property, plant, equipment and investment property (continued)

Group 2019 HRK millions	Land and buildings	Equipment	Office furniture	Assets in operating lease	Investment property	Assets under construction	Total
Gross carrying amount							
At 1 January 2019	916	413	74	233	93	12	1,741
Additions	30	–	–	–	–	141	171
Disposals	(39)	(48)	(9)	(102)	(25)	–	(223)
Transfer into use	6	37	3	93	–	(139)	–
At 31 December 2019	**913**	**402**	**68**	**224**	**68**	**14**	**1,689**

Accumulated depreciation and impairment allowance							
At 1 January 2019	280	306	70	95	3	–	754
Charge for the year (Note 32)	16	27	1	35	1	–	80
Disposals and transfer	(17)	(48)	(8)	(57)	–	–	(130)
At 31 December 2019	**279**	**285**	**63**	**73**	**4**	–	**704**
Carrying amount							
At 1 January 2019	636	107	4	138	90	12	987
At 31 December 2019	**634**	**117**	**5**	**151**	**64**	**14**	**985**

14. a) Property, plant, equipment and investment property (continued)

Bank 2020 HRK millions	Land and buildings	Equipment	Office furniture	Assets under construction	Total
Gross carrying amount					
At 1 January 2020	520	382	68	13	983
Additions	–	–	–	62	62
Disposals	–	(17)	(10)	–	(27)
Transfer into use	6	46	3	(55)	–
At 31 December 2020	**526**	**411**	**61**	**20**	**1,018**
Accumulated depreciation and impairment allowance					
At 1 January 2020	142	277	63	–	482
Charge for the year (Note 32)	10	25	1	–	36
Disposals and transfer	–	(17)	(10)	–	(27)
At 31 December 2020	**152**	**285**	**54**	**–**	**491**
Carrying amount					
At 1 January 2020	378	105	5	13	501
At 31 December 2020	**374**	**126**	**7**	**20**	**527**

Assets under construction relates to equipment at cost of HRK 20 million (2019: 12 million, and additionally HRK 1 million relate to office furniture).

There were no capitalised borrowing costs of acquisition of property, plant and equipment during the year (2019: -)

Carrying value of land stated under the buildings item, not subject to amortisation amounted to HRK 28 million (2019: HRK 28 million).

14. a) Property, plant, equipment and investment property (continued)

Bank 2019 HRK millions	Land and buildings	Equipment	Office furniture	Assets under construction	Total
Gross carrying amount					
At 1 January 2019	538	390	74	11	1,013
Additions	–	–	–	45	45
Disposals	(24)	(42)	(9)	–	(75)
Transfer into use	6	34	3	(43)	–
At 31 December 2019	**520**	**382**	**68**	**13**	**983**
Accumulated depreciation and impairment allowance					
At 1 January 2019	142	294	70	–	506
Charge for the year (Note 32)	10	25	1	–	36
Disposals and transfer	(10)	(42)	(8)	–	(60)
At 31 December 2019	**142**	**277**	**63**	**–**	**482**
Carrying amount					
At 1 January 2019	396	96	4	11	507
At 31 December 2019	**378**	**105**	**5**	**13**	**501**

14. b) Right of use assetse

Group 2020 HRK millions	Buildings	Equipment	Total
Gross carrying amount			
At 1 January 2020	46	3	49
Additions	2	1	3
At 31 December 2020	**48**	**4**	**52**
Accumulated depreciation			
At 1 January 2020	10	2	12
Charge for the year (Note 32)	12	1	13
At 31 December 2020	**22**	**3**	**25**
Carrying amount			
At 1 January 2020	36	1	37
At 31 December 2020	**26**	**1**	**27**

Group 2019 HRK millions	Buildings	Equipment	Total
Gross carrying amount			
At 1 January 2019	41	2	43
Additions	5	1	6
At 31 December 2019	**46**	**3**	**49**
Accumulated depreciation			
At 1 January 2019	–	–	–
Charge for the year (Note 32)	10	2	12
At 31 December 2019	**10**	**2**	**12**
Carrying amount			
At 1 January 2019	41	2	43
At 31 December 2019	**36**	**1**	**37**

14. b) Right of use assets (continued)

Bank 2020 HRK millions	Buildings	Equipment	Total
Gross carrying amount			
At 1 January 2020	198	10	208
Additions	2	1	3
Disposals	(7)	–	(7)
At 31 December 2020	**193**	**11**	**204**
Accumulated depreciation			
At 1 January 2020	23	3	26
Charge for the year (Note 32)	24	2	26
At 31 December 2020	**47**	**5**	**52**
Carrying amount			
At 1 January 2020	175	7	182
At 31 December 2020	**146**	**6**	**152**

Bank 2019 HRK millions	Buildings	Equipment	Total
Gross carrying amount			
At 1 January 2019	194	4	198
Additions	5	6	11
Disposals	(1)	–	(1)
At 31 December 2019	**198**	**10**	**208**
Accumulated depreciation			
At 1 January 2019	–	–	–
Charge for the year (Note 32)	23	3	26
At 31 December 2019	**23**	**3**	**26**
Carrying amount			
At 1 January 2019	194	4	198
At 1 January 2019	**175**	**7**	**182**

14. b) Right of use assets (continued)

Future minimum lease payments under operating lease

Operating lease of Group relates to property, vehicles, plant and equipment. A lease term is 2 to 20 years in general.

Future minimum lease payments for operating lease (disclosure is only illustrative as there are no non-cancellable lease contracts) at 31 December were as follows:

HRK millions	Group 2020	Bank 2020	Group 2019	Bank 2019
Up to one year	2	2	–	1
More than one and less than two years	4	4	6	6
More than two and less than three years	3	3	7	7
More than three and less than four years	5	9	4	4
More than four and less than five years	3	4	7	12
Over five years	10	130	13	152
Total	**27**	**152**	**37**	**182**

15. Intangible assets

Group 2020 HRK millions	Goodwill	Leasehold improvement	Software	Assets under construction	Total
Gross carrying amount					
At 1 January 2020	27	204	764	18	1,013
Additions	–			96	96
Disposals	–	(6)	(2)	–	(8)
Transfer into use	–	6	74	(80)	–
At 31 December 2020	**27**	**204**	**836**	**34**	**1,101**
Accumulated amortisation					
At 1 January 2020	–	142	568	–	710
Charge for the year (Note 32)	–	12	39	–	51
Disposals	–	(6)	(2)	–	(8)
At 31 December 2020		**148**	**605**	**–**	**753**
Carrying amount					
At 1 January 2020	27	62	196	18	303
At 31 December 2020	**27**	**56**	**231**	**34**	**348**

Assets under construction mainly comprise software in the process of installation in the amount of HRK 30 million (2019: HRK 17 million).

15. Intangible assets (continued)

Group 2019 HRK millions	Goodwill	Leasehold improvement	Software	Assets under construction	Ukupno
Gross carrying amount					
At 1 January 2019	27	213	697	8	945
Additions	–	–	–	99	99
Disposals	–	(22)	(9)	–	(31)
Transfer into use	–	13	76	(89)	–
At 31 December 2019	**27**	**204**	**764**	**18**	**1,013**
Accumulated amortisation					
At 1 January 2019	–	155	534	–	689
Charge for the year (Note 32)	–	9	38	–	47
Disposals	–	(22)	(4)	–	(26)
At 31 December 2019	**–**	**142**	**568**	**–**	**710**
Carrying amount					
At 1 January 2019	27	58	163	8	256
At 31 December 2019	**27**	**62**	**196**	**18**	**303**

Bank 2020 HRK millions	Leasehold improvement	Software	Assets under construction	Ukupno
Gross carrying amount				
At 1 January 2020	201	715	16	932
Additions	–	–	95	95
Disposals	(6)	(2)	–	(8)
Transfer into use	6	73	(79)	–
At 31 December 2020	**201**	**786**	**32**	**1,019**
Accumulated amortisation				
At 1 January 2020	140	524	–	664
Charge for the year (Note 32)	12	37	–	49
Disposals	(6)	(2)	–	(8)
At 31 December 2020	**146**	**559**	**–**	**705**
Carrying amount				
At 1 January 2020	61	191	16	268
At 31 December 2020	**55**	**227**	**32**	**314**

Assets under construction mainly comprise software in the process of installation in the amount of HRK 30 million (2019: HRK 16 million).

15. Intangible assets (continued)

Bank 2019 HRK millions	Leasehold improvement	Software	Assets under construction	Total
Gross carrying amount				
At 1 January 2019	202	644	7	853
Additions	–	–	96	96
Disposals	(14)	(6)	–	(20)
Merging of Raiffeisen usluge d.o.o.	–	3	–	3
Transfer into use	13	74	(87)	–
At 31 December 2019	**201**	**715**	**16**	**932**
Accumulated amortisation				
At 1 January 2019	146	486	–	632
Charge for the year (Note 32)	9	35	–	44
Merging of Raiffeisen usluge d.o.o.	–	3	–	3
Disposals	(15)	–	–	(15)
At 31 December 2019	**140**	**524**	**–**	**664**
Carrying amount				
At 1 January 2019	56	158	7	221
At 31 December 2019	**61**	**191**	**16**	**268**

16. Deferred tax assets

Recognised deferred tax assets and liabilities

Movements in temporary differences and underlying positions for deferred tax assets and deferred tax liabilities are as follows:

Group HRK millions	Assets 2020	Assets 2019	Liabilities 2020	Liabilities 2019	Net income/(charge) to profit or loss 2020	Net income/(charge) to profit or loss 2019	Net gain/(loss) in other comprehensive income 2020	Net gain/(loss) in other comprehensive income 2019
Property, plant, equipment and investment property	–	–	(1)	(2)	1	–	–	–
Deferred fee and commission expense	–	–	(1)	(1)	–	1	–	–
Deferred fee and commission income	9	9	–	–	–	(2)	–	–
Recognition of deferred tax assets at the level of the Group	2	2	–	–	–	(53)	–	–
Recognised tax loss	1	54	–	–	(53)	54	–	–
Unrealised gains on financial instruments at fair value through profit or loss	38	19	–	–	19	4	–	–
Other provisions	27	30	–	–	(3)	6	–	–
Deferred tax assets/(liabilities)	**77**	**114**	**(2)**	**(3)**	**(36)**	**10**	**–**	**–**
Unrealised gains on financial instruments at fair value through other comprehensive income	(8)	(7)	–	–	–	–	(1)	(7)
Recognised tax asset from financial asset at fair value through other comprehensive income	–	–	–	–	–	–	–	2
Off set	(2)	(3)	2	3	–	–	–	–
Net deferred tax asset	**67**	**104**	**–**	**–**	**(36)**	**10**	**(1)**	**(5)**

16. Deferred tax assets (continued)

Recognised deferred tax asset and liabilities (continued)

Movements in temporary differences and underlying positions for deferred tax assets and deferred tax liabilities are as follows:

Bank	Assets		Liabilities		Net income/(charge) to profit or loss		Net gain/(loss) in other comprehensive income	
HRK millions	2020	2019	2020	2019	2020	2019	2020	2019
Deferred fee and commission expense	–	–	–	–	–	1	–	–
Deferred fee and commission income	5	7	–	–	(2)	(2)	–	–
Unrealised gains on financial instruments at fair value through profit or loss	37	18	–	–	19	3	–	–
Impairment allowance of investments in subsidiaries	2	2	–	–	–	(53)	–	–
Recognised tax losses	–	54	–	–	(54)	54	–	–
Other provisions	21	24	–	–	(3)	5	–	–
Deferred tax assets/(liabilities)	65	105	–	–	(40)	8	–	–
Unrealised gains on financial instruments at fair value through other comprehensive income	(9)	(8)	–	–	–	–	(1)	(6)
Net deferred tax asset	56	97	–	–	(40)	8	(1)	(6)

17. Other assets

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Accrued fees and commission	28	28	14	13
Deferred fee and commission expense	–	1	–	–
Inventory and foreclosed assets	42	76	42	76
Advances	42	42	34	40
Receivables from credit and debit cards (transition accounts)	20	43	20	43
Receivables from operating lease	1	–	–	–
Government housing savings subsidies	1	1	–	–
Receivables from repurchase of domestic currency cash	–	3	–	3
Other	57	75	23	21
	191	**269**	**133**	**196**
Impairment allowance	(24)	(24)	(20)	(19)
	167	**245**	**113**	**177**

There of Financial assets

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Accrued fees and commission	28	28	14	13
Advances	42	42	34	40
Other financial assets	15	12	5	2
	85	**82**	**53**	**55**
Impairment allowance	(24)	(24)	(20)	(19)
	61	**58**	**33**	**36**

17. Other assets (continued)

Movement in impairment allowance

Group HRK millions	Stage 3	Stage 1 i 2	2020 Total	Stage 3	Stage 1 i 2	2019 Total
At 1 January	23	1	24	32	2	34
Provisions created during the year	8	3	11	5	–	5
Provisions released during the year	–	–	–	–	(1)	(1)
Net charge/(release) recognised in profit or loss (Note 33)	8	3	11	5	(1)	4
Write offs	(11)	–	(11)	(14)	–	(14)
At 31 December	20	4	24	23	1	24

Bank HRK millions	Stage 3	Stage 1 i 2	2020 Total	Stage 3	Stage 1 i 2	2019 Total
At 1 January	18	1	19	25	2	27
Provisions created during the year	7	3	10	3	–	3
Provisions released during the year	–	–	–	–	(1)	(1)
Net charge/(release) recognised in profit or loss (Note 33)	7	3	10	3	(1)	2
Write offs	(9)	–	(9)	(10)	–	(10)
At 31 December	16	4	20	18	1	19

18. Financial liabilities at fair value through profit or loss

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Trading instruments				
Negative fair value of OTC derivative instruments	175	63	174	62
Negative fair value of OTC spot transactions	1	–	1	–
Fair value hedge:				
– Interest rate swap – hedge of the individual items	2	–	2	–
– Interest rate swap – portfolio hedge	19	15	19	15
Accrued interest	3	3	3	3
	200	**81**	**199**	**80**

19. Deposits from banks

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Current accounts and demand deposits				
– from parent bank	96	39	96	39
– from RBI group banks other than parent bank	8	1	164	133
– from other banks	163	657	164	657
Time deposits				
– from parent bank	–	161	–	161
– from other banks	–	313	–	313
	267	**1,171**	**424**	**1,303**

20. Deposits from companies and other similar entities

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Current accounts and demand deposits	12,075	10,761	12,268	10,934
Time deposits	652	256	697	234
Accrued interest	2	1	2	2
	12,729	**11,018**	**12,967**	**11,170**

21. Deposits from individuals

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Current accounts and demand deposits	10,899	9,237	10,899	9,237
Time deposits	5,503	6,293	4,454	5,208
Accrued interest	8	13	8	13
	16,410	**15,543**	**15,361**	**14,458**

22. Borrowings

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
From ultimate parent bank	1,132	855	753	371
From other banks	1,248	512	866	172
From HBOR	452	628	446	516
Accrued interest	2	-	2	-
Less deferred cost	–	–	(1)	(1)
	2,834	**1,995**	**2,066**	**1,058**

Movements of outstanding borrowings

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
At 1 January	1,995	1,914	1,058	1,004
New borrowings	8,106	11,872	7,863	11,405
Repayment of borrowings	(7,291)	(11,788)	(6,869)	(11,344)
Foreign exchange differences	24	(3)	14	(7)
At 31 December	**2,834**	**1,995**	**2,066**	**1,058**

Borrowing from companies and other financial institutions relate to repurchase agreements.

23. Provisions for liabilities and charges

Group HRK millions	Total	Off balance sheet exposure Stage 3	Off balance sheet exposure Stage 1 and 2	Provision for pension insurance	Provisions for unused holiday	Provision for court casese	Provisions for jubilee awards
At 1 January 2020	**314**	**29**	**72**	**4**	**9**	**200**	**–**
Provision released during the year	–	–	–	–	–	–	–
Provision created during the year	137	7	14	5	1	105	5
(Credit)/charge recognised in profit or loss	*137*	*7*	*14*	*5*	*1*	*105*	*5*
At 31 December 2020	**451**	**36**	**86**	**9**	**10**	**305**	**5**

Group HRK millions	Total	Off balance sheet exposure Stage 3	Off balance sheet exposure Stage 1 and 2	Provision for pension insurance	Provisions for unused holiday	Provision for court cases	Provisons for jubilee awards
At 1 January 2019	**185**	**24**	**72**	**6**	**8**	**75**	**–**
Provision released during the year	(2)	–	–	(2)	–	–	–
Provision created during the year	131	5	–	–	1	125	–
(Credit)/charge recognised in profit or loss	*129*	*5*	*–*	*(2)*	*1*	*125*	*–*
At 31 December 2019	**314**	**29**	**72**	**4**	**9**	**200**	**–**

INTRODUCTION
2020 BUSINESS DEVELOPMENTS
RBI AT A GLANCE
FINANCIAL STATEMENTS
CONTACTS

23. Provisions for liabilities and charges (continued)

Bank HRK millions	Total	Off balance sheet exposure Stage 3	Off balance sheet exposure Stage 1 and 2	Provision for pension insurance	Provisions for unused holiday	Provision for court cases	Provisons for jubilee awards
At 1 January 2020	296	29	72	4	7	184	–
Provision released during the year	–	–	–	–	–	–	–
Provision created during the year	135	7	14	3	1	105	5
(Credit)/charge recognised in profit or loss	*135*	*7*	*14*	*3*	*1*	*105*	*5*
At 31 December 2020	431	36	86	7	8	289	5

Bank HRK millions	Total	Off balance sheet exposure Stage 3	Off balance sheet exposure Stage 1 and 2	Provision for pension insurance	Provisions for unused holiday	Provision for court cases	Provisons for jubilee awards
At 1 January 2019	169	24	72	6	6	61	–
Provision released during the year	(2)	–	–	(2)	–	–	–
Provision created during the year	129	5	–	–	1	123	–
(Credit)/charge recognised in profit or loss	*127*	*5*	–	*(2)*	*1*	*123*	–
At 31 December 2019	296	29	72	4	7	184	–

23. Provisions for liabilities and charges (continued)

At 31 December 2020 the Bank formed HRK 289 million of provisions for all court cases (2019: HRK 184 million).

In respect of CHF related loans, individual lawsuits instituted by consumers against the Bank are based on the judgments of the High Commercial Court in Zagreb, in the collective proceedings of the Consumer Association against eight banks, including the Bank. In June 2014, the High Commercial Court ruled in favour of the plaintiffs against seven banks, including the Bank, for unilaterally changing interest rates, and in favour of banks for contracting a foreign-currency index in CHF in consumer loan contracts. Based on the March 2018 Supreme Court ruling, the initiation of the collective dispute has the effect of interrupting the statutory limitation period on a claim.

In the renewed collective action of the Association of consumers „Potrošač" against eight banks, in June 2018, the High Commercial Court ruled in favour of the plaintiffs against seven banks for contracting a foreign currency index in CHF in consumer loans and against one bank for unilaterally changing interest rates (a bank against which the same procedure was not adjudicated in June 2014). In September 2019, the Supreme Court upheld the High Commercial Court decision of June 2018, declaring null and void the foreign currency index in CHF in consumer loan agreements. In the period up to June 2023, consumers can bring individual lawsuits against the bank seeking compensation for damages on the basis of exchange rate differences, but they can no longer claim damages due to changes in interest rates.

In February 2019, the Supreme Court ruled that consumers had a legal interest in determining the nullity of certain contractual clauses of CHF-denominated loans converted to EUR with the refund of exchange rate difference based on the prescribed conversion procedure from Chapter IV.a. of the Consumer Credit Act from September 2015.
In the case of individual lawsuits for compensation due to unilaterally changed interest rate and contracting of the foreign-currency index in CHF, according to the Supreme Court decision, the limitation period starts as of the date of the final decision in the collective dispute, but the final decision on the statute of limitations for claims arising from these disputes will be made by the Constitutional Court.

In March 2020 the Supreme Court brought a decision in the pilot judgment procedure, and ruled that the conversion agreements were valid. In addition in May 2020 the Supreme Court referred a request to the Court of Justice of the European Union for a preliminary ruling on the converted loans.

Individual provisions for lawsuits against the Bank were formed for all disputes except for the consumer disputes for CHF-related loans with the value of claim of less than HRK 70 thousand for which lump-sum provisions were formed. Lump sum provisions have been formed for disputes with a claim of less than HRK 70 thousand. The total amount of provisions was increased for the value of the CHF consumer credit portfolio, for which the Bank has information that lawsuits have been initiated, but the courts have not yet submitted the applications to the Bank to respond by 31 December 2020.

24. Other liabilities

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Technical reserves for pension insurance	1,207	710	–	–
Liabilities in respect of credit and debit card business	94	129	94	129
Liabilities in respect of advances received for insurance premium	121	118	–	–
Liabilities to employees	62	57	56	51
Liabilities to suppliers	68	73	61	67
Deferred fee and commission income prepayments	16	21	9	10
Liabilities for prepaid loans and advances from individuals	19	20	15	15
Repurchase of domestic currency cash	–	3	–	3
Government housing savings subsidies	1	1	–	–
Other liabilities	81	88	50	56
	1,669	**1,220**	**285**	**331**

Hereof Other financial liabilities

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Liabilities in respect of credit and debit card business (excluding transition accounts)	58	78	58	78
Liabilities to suppliers	68	73	61	67
Liabilities for prepaid loans and advances	19	20	15	15
Repurchase of domestic currency cash	–	3	–	3
Other financial liabilities	49	30	25	27
	194	**204**	**159**	**190**

Technical reserves for pension insurance provisions have been computed by the licensed actuary, company Raiffeisen mirovinsko osiguravajuće društvo, in accordance with the method prescribed by the Law on Pension Insurance Companies and Payment of Pensions based on Individual Capitalised Savings.

The management believes that the current level of technical reserves is sufficient to meet all liabilities which may arise from the pension insurance contracts concluded by 31 December 2020.

25. Subordinated liabilities

The Bank used the subordinated loan to increase its regulatory capital.
At 31 December 2020 the Bank had two subordinated loans: EUR 50 million loan with final maturity on 28 May 2022 at a fixed rate of 6.75% and EUR 20 million loan with final maturity on 20 May 2029 and interest at 3M EURIBOR + 5.75%.

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Loan	528	521	528	521
Accrued interest	3	3	3	3
	531	**524**	**531**	**524**

26. Interest income

a) Analysis by product

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Interest income calculated using the effective interest method				
Placements with banks	1	8	3	9
Loans from and advances to customers and similar entities	215	244	190	217
Loans and advances to individuals	664	651	626	611
Financial instruments at fair value through other comprehensive income	37	57	33	50
Financial instruments at amortised cost	17	22	7	6
	934	**982**	**859**	**893**
Other interest income				
Derivative financial instruments	6	6	6	6
Other financial assets at fair value through profit or loss	29	34	14	20
Derivative financial instruments – hedge accounting	2	–	2	–
Financial assets measured mandatorily at fair value through profit or loss	–	–	2	2
	37	**40**	**24**	**28**
	971	**1,022**	**883**	**921**

26. Interest income (continued)

b) Analysis by source

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Companies	196	190	163	156
Individuals	663	651	626	611
State and the public sector	92	151	70	120
Banks and other financial institutions	20	30	24	34
	971	1,022	883	921

27. Interest expense

a) Analysis by product

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Derivative financial instruments	8	9	8	9
Derivative financial instruments in fair value hedges	5	3	5	3
Deposits from banks	7	4	7	4
Deposits from companies and other similar entities	2	5	1	5
Deposits from individuals	25	38	7	16
Borrowings	18	24	10	15
Lease liabilities	–	3	3	3
Subordinated liabilities	35	38	35	38
	100	124	76	93

b) Analysis by recipient

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Companies	2	8	5	8
Individuals	26	38	7	16
State and public sector	7	12	7	9
Banks and other financial institutions	65	66	57	60
	100	124	76	93

28. Fee and commission income

a) Analysis by product

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Domestic payment transactions	112	94	113	95
Investment management, custody and consultancy fees	182	189	22	23
Credit cards	187	412	187	412
Foreign exchange payment transactions	39	77	39	77
Partial recharge of credit insurance costs (Note 29)	17	33	17	33
Guarantees and letter of credits	28	28	28	28
Loans and accounts administration fee	62	52	58	49
Other fees and commission income	43	73	45	78
	670	958	509	795

b) Analysis by source

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Companies	375	431	215	271
Individuals	140	152	138	148
State and public sector	12	14	12	14
Banks and other financial institutions	143	361	144	362
	670	958	509	795

29. Fee and commission expense

a) Analysis by product

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Credit card related charges	186	369	186	369
Domestic payment transactions	18	22	18	22
Partially rechargeable credit insurance costs (Note 28)	32	48	32	48
Other fees and commission expense	40	39	17	15
	276	478	253	454

Based on loan insurance contracts the Bank pays premium to insurance companies, which is partially recharged to customers

29. Fee and commission expense (continued)

b) Analysis by recipient

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Companies	244	442	221	418
Banks and other financial institutions	32	36	32	36
	276	**478**	**253**	**454**

30. Net (loss)/gain on financial instruments at fair value and foreign exchange differences from translation of monetary assets and liabilities

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Gains less losses from trading financial instruments				
– Debt securities	(4)	(1)	(4)	(1)
– Equity securities (investment in investing funds)	(1)	2	(1)	2
– Derivative financial instruments	(36)	(13)	(27)	(4)
	(41)	**(12)**	**(32)**	**(3)**
Gains less losses from financial assets mandatorily at fair value through profit or loss				
– Equity securities	6	–	6	–
	6	**–**	**6**	**–**
Gains less losses from financial assets designated at fair value through profit or loss				
Realised gain/(loss) on disposal of:				
– debt securities	4	6	1	9
– Investments in investment funds managed by related and third parties	–	1	–	–
Unrealised gain/(loss) on:				
– debt securities	(5)	25	–	1
– Investments in investment funds managed by related and third parties	(2)	–	–	–
– equity securities	(1)	–	–	–
	(4)	**32**	**1**	**10**
Realised gains / (losses) on financial assets at fair value through other comprehensive income	(12)	6	(12)	6
Net (loss)/gain on financial instruments at fair value	**(51)**	**26**	**(37)**	**13**

30. Net (loss)/gain on financial instruments at fair value and foreign exchange differences from translation of monetary assets and liabilities (continued)

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Gains less losses arising from trading in foreign currencies	127	148	129	150
Gains less losses arising from revaluation of monetary assets and liabilities, which are not trading with securities				
– net gain on foreign exchange translation of assets and liabilities in foreign currency	(68)	(37)	(61)	(35)
– net loss on foreign exchange translation of assets and liabilities with foreign currency clause	106	29	92	24
Total foreign exchange differences	38	(8)	31	(11)
Net gain on trading and foreign exchange differences from translation of monetary assets and liabilities	**165**	**140**	**160**	**139**
Net losses from hedge accounting	**(1)**	**(3)**	**(1)**	**(3)**
	113	**163**	**122**	**149**

Net losses from derivative instruments include net trading losses from interest rate and currency swaps, futures, forwards and forward rate agreements

31. Other operating income

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Rental income from operating leases	43	45	–	–
Service and construction contract revenue	–	1	–	–
Premium on pension insurance contracts	724	386	–	–
Dividend from subsidiaries	–	–	56	85
Other operating income	57	61	35	27
	824	**493**	**91**	**112**

32. Operating expenses

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Personnel expenses	407	423	350	365
Repayment of pension contract	202	171	–	–
Depreciation of property, plant, equipment and investment property (note 14a)	78	80	36	36
Depreciation of right of use assets (note 14b)	13	12	26	26
IT expenses	82	86	82	86
Increase in technical reserve for pension insurance	503	236	–	–
Office space expenses	34	34	47	50
Legal, advisory and audit expenses	57	60	61	64
Deposit insurance expense	43	41	40	38
Amortisation of intangible assets (note 15)	51	47	49	44
Communication expenses	29	28	29	28
Advertising, PR and promotional expenses	27	32	26	32
Resolution fund fee	23	14	23	14
REGOS, HANFA expenses	36	35	–	–
Loss on sale of assets under operating lease	–	2	–	–
Other administrative expenses	144	144	50	57
	1,729	**1,445**	**819**	**840**

Personnel expenses of the Group include HRK 64 million (2019: HRK 65 million) of defined pension contributions paid or payable into obligatory pension plans. Contributions are calculated as a percentage of employees' gross salaries. At 31 December 2020 the Group had 1,937 employees (2019: 2,019 employees).

Personnel expenses of the Bank include HRK 55 million (2019: HRK 56 million) of defined pension contributions paid or payable into obligatory pension plans. Contributions are calculated as a percentage of employees' gross salaries. At 31 December 2020 the Bank had 1,713 employees (2018: 1,794 employees).

Legal, advisory and audit expenses include fee for the statutory audit of the annual financial statements in the amount of HRK 0.8 million (2019: HRK 0.5 million) and other fees in the amount of HRK 0.4 million (2019: HRK 0.4 million).

33. Impairment losses

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Cash and current accounts with banks (Note 7)	(27)	(3)	(26)	(3)
Obligatory reserve with the Croatian National Bank (Note 8)	(9)	1	(9)	1
Placements with and loans to other banks (Note 10)	(4)	(8)	(4)	(8)
Loans and advances to customers (Note 11a)	208	30	200	33
Investment securities at amortised cost (Note 12)	3	2	4	2
Investment securities at fair value through other comprehensive income (Note 12)	(27)	–	(26)	–
Other assets (Note 17)	11	4	10	2
	155	**26**	**149**	**27**
Hereof:				
Stage 3	112	(25)	105	(27)
Stage 1 and Stage 2	43	51	44	54
	155	**26**	**149**	**27**

34. Income tax expense

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Recognised in profit or loss				
– Current tax expense	(18)	(23)	(1)	(6)
– Deferred taxes	(37)	10	(40)	8
Income tax expense	**(54)**	**(13)**	**(41)**	**2**
Reconciliation of income tax expense at 18%	–	–	–	–
Profit before tax	**181**	**434**	**173**	**436**
Income tax at 18% (2019: 18%)	(33)	(78)	(31)	(78)
Adjustment of income tax from the previous year in the current year	(2)	(6)	(1)	(6)
Non-deductible expenses	(21)	(16)	(21)	(16)
Tax incentives and tax-exempt income	2	3	12	18
Transfer of tax loss resulted from merger	–	84	–	84
Income tax expense	**(54)**	**(13)**	**(41)**	**2**
Effective income tax rate	**29.83%**	**2.99%**	**23.70%**	**n/p**

34. Income tax expense (continued)

Deferred tax assets

During 2020 subsidiaries had gross tax losses in the amount of HRK 3 million (2019: HRK 304 million). Such tax losses may only be used by the company that incurred the loss to reduce taxable profits of the following five years. The expiry dates for unused tax losses were as follows:

Group HRK millions	Gross tax losses 2020	Tax benefit 2020	Gross tax losses 2019	Tax benefit 2019
31 December 2020	–	–	–	–
31 December 2021	–	–	–	–
31 December 2022	–	–	–	–
31 December 2023	–	–	303	54
31 December 2024	–	–	1	–
31 December 2025	3	1	–	–
	3	1	304	54

Bank HRK millions	Gross tax losses 2020	Tax benefit 2020	Gross tax losses 2019	Tax benefit 2019
31 December 2020	–	–	–	–
31 December 2021	–	–	–	–
31 December 2022	–	–	–	–
31 December 2023	–	–	303	54
31 December 2024	–	–	–	–
	–	–	303	54

35. Share capital

Group and Bank HRK millions	2020 Total	2019 Ukupno dionice
Share capital	3,621	3,621
Nominal value per share	kn 1,000	kn 1,000
Number of shares	3,621,432	3,621,432

The parent bank of the Group is Raiffeisen Bank International AG, a company founded in Austria.

	2020 Ordinary shares %	2019 Ordinary shares %
Raiffeisen SEE Region Holding Gmbh	100	100
	100	100

36. Additional Tier 1 capital

On 4 March 2019, the Bank issued a EUR 40 million (HRK 297 million) bond which, according to the decision of the CNB, fulfils the conditions for allocation into Additional Tier 1 capital. The bond was issued without maturity date at a floating interest rate of 12M EURIBOR + 9.25%, contracted with zero floor, and is eligible for classification as equity instrument. The Bank will present this instrument in the financial statements within other equity instruments at the nominal HRK value, at the exchange rate on 8 March 2019, which is the date of recognition of the instrument as Additional Tier 1 capital of the Bank. Payment of bond yields are presented through movements of equity and reserve.

37. Other reserves

Share premium

The share premium represents the accumulated positive difference between the nominal value and amount received upon issue of share capital.

Legal reserve

The legal reserve represents accumulated transfers from retained earnings in accordance with the Croatian Companies Act, which requires a minimum of 5% of the Bank's net profit to be transferred to a non-distributable statutory reserve until the reserve (including share premium) reaches 5% of the Bank's registered share capital. The legal reserve may be used to cover prior period losses if the losses are not covered by current year profits or if other reserves are not available.

Fair value reserve

The fair value reserve includes unrealised gains and losses on changes in the fair value of financial assets at fair value through other comprehensive income, net of deferred tax.

38. Proposed dividends

Dividends payable are not accounted for until they have been ratified at the General Shareholders Meeting.

At a meeting held on 16 May 2019, a dividend of HRK 60.34 per ordinary share, totalling HRK 219 million was proposed and paid in May 2019. From retained earning HRK 135 million was paid in August 2019.
Considering the overall situation related to the COVID-19 pandemic during 2020, in keeping with the regulatory guidelines, the Bank allocated net profit realized in 2019, less the allocation of HRK 35 million for the Additional Tier 1 Capital instrument (AT1), into Common Equity Tier 1 (CET1) items.

During 2020 the subsidiaries proposed and paid HRK 56 million in dividends from retained earnings (2019: HRK 78 million).

In January 2021, the regulator restricted the banks' profit allocations by the Decision on a temporary restriction of distributions, therefore current profits for 2020 will be allocated in a later period.

39. Non-controlling interest

The Group owns and realises 100% control in all subsidiaries that form the Group, it has rights over entire profit and equity, and consequently there is no non-controlling interest.

40. Earnings per share attributable to the equity holders of the parent

For the purpose of calculating earnings per share, earnings are calculated as the profit for the period attributable to equity holders of the Bank. The number of ordinary shares is the weighted average number of ordinary shares outstanding during the year after deducting the number of ordinary treasury shares. Given that there is no effect of options, convertible bonds or similar effect, the weighted average number of ordinary shares used for diluted earnings per share was the same as used to calculate basic earnings per share. Also, since there are no preferred shares and therefore neither dividends, available profit is equal to profit for the year after tax attributable to owners of the Bank.

	Group 2020	Group 2019	Bank 2020	Bank 2019
Net profit for the year attributable to owners of the parent (HRK)	127,659,390	420,964,135	131,779,812	438,260,333
Weighted average number of ordinary shares outstanding during the year	3,621,432	3,621,432	3,621,432	3,621,432
Earnings per share attributable to owners of the parent in HRK	**35.25**	**116.24**	**36.39**	**121.02**

41. Cash and cash equivalents

HRK millions	Notes	Group 2020	Group 2019	Bank 2020	Bank 2019
Cash in hand	7	1,401	1,242	1,401	1,242
Gyro account with the Croatian National Bank	7	6,774	3,821	6,774	3,821
Current accounts with other banks	7	119	94	107	77
Placements with and loans to other banks with original maturity up to three months		81	534	57	509
Impairment allowance		(5)	(36)	(5)	(35)
		8,370	**5,655**	**8,334**	**5,614**

42. Concentration of assets and liabilities

The Group's and Bank's assets are significantly concentrated on amounts due from the Republic of Croatia, as follows:

HRK millions	Notes	Group 2020	Group 2019	Bank 2020	Bank 2019
Gyro account with the Croatian National Bank	7	6,774	3,821	6,774	3,821
Obligatory reserve with the Croatian National Bank	8	1,605	1,985	1,605	1,985
Government bonds, direct exposure	9, 12	4,778	4,119	3,469	3,129
Treasury bills issued by the Ministry of Finance	9, 12	510	320	384	245
Loans and advances to customers		1,058	767	1,058	767
Provision for Stage 1 and 2/ unidentified impairment		(18)	(78)	(18)	(75)
Borrowings		(1,204)	(628)	(1,198)	(516)
Deposits from the Republic of Croatia		(53)	(40)	(53)	(40)
		13,450	**10,266**	**12,021**	**9,316**

In addition, the Bank had indirect exposure to the Republic of Croatia in respect of loans and advances to public funds and off-balance-sheet exposures as follows:

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Loans and advances to customers guaranteed by the State	372	348	372	348
Guarantees, letters of credit and undrawn lending facilities	14	21	14	21
	386	**369**	**386**	**369**

The total net direct and indirect on and off-balance-sheet exposure to Republic of Croatia represents 28% of the total assets and off-balance-sheet exposure of the Group (2019: 23%) and 27% of the total assets and off-balance-sheet exposure of the Bank (2019: 23%).

43. Repurchase and reverse repurchase agreements

The Group raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate.

Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates. The financial instruments sold are not derecognised and the proceeds are accounted for as interest bearing borrowings. At the year-end assets sold under repurchase agreements were as follows:

Group/Bank HRK millions	Fair value of underlying assets	Carrying amount of corresponding liabilities	Repurchase date	Repurchase price
2020				
Securities at fair value through profit or loss	1,535	1,494	January 2021 – March 2025	1,503
2019				
Securities at fair value through profit or loss	338	355	January 2020	356

Borrowings from the European Investment Bank in the amount of HRK 91 million (2019: HRK 126 million) are secured by securities in the amount of HRK 129 million (2019: HRK 156 million).

The Group also purchases financial instruments under agreements to resell them at future dates ("reverse repurchase agreements"). The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repurchases are entered into as a facility to provide funds to customers and are accounted for as loans and advances to customers; the underlying financial instruments are not recognised. At year end assets purchased subject to agreements to resell them were as follows:

Group and Bank HRK millions	Fair value of underlying assets	Carrying amount of corresponding assets	Repurchase date	Repurchase price
Loans and advances to customers				
2020	63	59	January 2021	59
2019	258	232	January - February 2020	232

44. Commitments and contingent liabilities

The aggregate amounts of outstanding guarantees, letters of credit and undrawn loan commitments at 31 December were:

	Group 2020	Group 2019	Bank 2020	Bank 2019
Guarantees	2,840	2,791	2,840	2,791
Letters of credit	52	39	52	39
Undrawn lending facilities	2,434	2,507	2,161	2,293
Other risk off-balance sheet items	3,286	3,588	3,286	3,593
	8,612	**8,925**	**8,339**	**8,716**

At 31 December 2020 the Bank recognised provisions for off-balance-sheet risks arising from the issue of guarantees, letters of credits and undrawn lending commitments, in the amount of HRK 122 million (2019: HRK 101 million), which are included in provisions for liabilities and charges (Note 23).

The table below shows the market value security instruments for the Bank's off-balance exposure to credit risk minus senior rang mortgages of other lenders, up to the maximum amount of exposure.

		Group 2020			Bank 2020	
HRK millions	Total exposure	Impairment allowance	Collateral	Total exposure	Impairment allowance	Collateral
Off balance exposure						
Stage 1 i 2	1,502	13	1,101	1,501	13	1,100
Stage 3	22	9	16	22	9	16
	1,524	**22**	**1,117**	**1,523**	**22**	**1,116**

Comparative information for 31 December 2019 has not been presented, as it is not practical.

45. Assets and liabilities managed on behalf of third parties

The Group provides trust and custody services to companies, banks, individuals, and investment and pension funds (all non-Group) whereby it holds and manages assets or invests funds received in various financial instruments at the direction of the customer. The Group receives fee income for providing these services. Trust assets are not assets of the Group and are not recognised in the consolidated statement of financial position. The Group is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

At 31 December 2020 the total assets under custody held by the Group on behalf of customers were HRK 4,047 million (2019: HRK 3,248 million). Further, at 31 December 2020, the total assets of investment and pension funds managed by the Group amounted to HRK 39,885 million (2019: HRK 38,123 million).

In 2020 the Group made income in the amount of HRK 170 million (2019: HRK 175 million) of fees on trust activities provided to companies, banks and individuals, and management of investment and pension funds.
At 31 December 2020 the Group and the Bank managed loans on behalf of third parties as follows:

HRK millions	2020	2019
Assets		
– Loans to companies	492	214
Total assets	**492**	**214**
Liabilities		
– Financial institutions	492	214
Total liabilities	**492**	**214**

46. Derivative instruments and foreign currency trading

The Group and the Bank had the following derivative contracts accounted for as trading instruments open at year-end.

Group 2020	Notional amount		Fair value	
HRK millions	Assets	Liabilities	Assets	Liabilities
Trading derivative instruments				
– FX forward contracts – OTC	6,377	6,294	131	136
– Cross currency swap contracts – OTC	–	–	–	–
– Interest rate swap contracts - OTC	373	568	10	39
	6,750	**6,862**	**141**	**175**
Unsettled trading with currencies – OTC	500	724	–	1
Hedging derivative instruments				
– Interest rate swap contracts - OTC				
Hedge of individual items	–	666	–	2
Portfolio hedge	–	201	–	19
	–	**867**	**–**	**21**

Group 2019	Notional amount		Fair value	
HRK millions	Assets	Liabilities	Assets	Liabilities
– FX forward contracts – OTC	5,872	4,609	43	26
– Cross currency swap contracts – OTC	–	68	–	2
– Interest rate swap contracts - OTC	360	819	8	35
	6,232	**5,496**	**51**	**63**
Unsettled trading with currencies – OTC	996	721	–	–
Hedging derivative instruments				
– Interest rate swap contracts - OTC				
Hedge of individual items	360	–	1	–
Portfolio hedge	–	199	–	15
	360	**199**	**1**	**15**

Derivative instruments for hedge accounting are used for management of the interest rate risk that results from the loans with fixed interest rates. Hedge of individual items relate to loans to corporate customers, while portfolio hedge relates to the loans to individuals.

46. Derivative instruments and foreign currency trading (continued)

Bank 2020	Notional amount		Fair value	
HRK millions	Assets	Liabilities	Assets	Liabilities
– FX forward contracts – OTC	6,396	6,399	132	135
– Cross currency swap contracts – OTC	–	–	–	–
– Interest rate swap contracts - OTC	448	568	24	39
	6,844	6,967	156	174
Unsettled trading with currencies – OTC	500	724	–	1
Hedging derivative instruments				
– Interest rate swap contracts - OTC				
Hedge of individual items	–	666	–	2
Portfolio hedge	–	201	–	19
	–	867	–	21

Bank 2019	Notional amount		Fair value	
HRK millions	Assets	Liabilities	Assets	Liabilities
– FX forward contracts – OTC	6,043	4,530	43	25
– Cross currency swap contracts – OTC	–	68	–	2
– Interest rate swap contracts - OTC	434	819	18	35
	6,477	5,417	61	62
Unsettled trading with currencies – OTC	996	721	–	–
Hedging derivative instruments				
– Interest rate swap contracts - OTC				
Hedge of individual items	360	–	1	–
Portfolio hedge	–	199	–	15
	360	199	1	15

46. Derivative instruments and foreign currency trading (continued)

Fair value hedge accounting – interest rate risk

HRK millions	Average fixed interest rate 2020 %	2019 %	Notional amount 2020	2019	Fair value Assets (Liabilities) 2020	2019
Hedged item – loan to customers – corporate – hedge of individual items						
With maturity up to 5 years	0.2	0.2	603	298	1	(1)
With the maturity over 5 years	2.9	2.9	63	62	1	-
Hedging instrument - interest rate swap, maturity from 1 to 5 years, hedge of individual items						
With maturity up to 5 years	(0.44)	(0.38)	603	298	(1)	1
With the maturity over 5 years	(0.17)	(0.17)	63	62	(1)	-
Hedged item – loan to customers	0.97	0.97	201	198	18	14
Hedging instrument - interest rate swap, portfolio hedge						
With maturity up to 5 years	0.66	0.60	89	62	(4)	(2)
With the maturity over 5 years	1.19	1.12	112	136	(15)	(13)

The effectiveness ratio of hedge of individual items for 2020 was 116.35% (2019: 99.94%). The effectiveness ratio of portfolio hedge for 2020 was 105.61% (2019: 102.78%).

Future cash flows in this part refer to hedging instruments. The bank uses interest rate swaps denominated in EUR, which are valued by the method of discounted future cash flows based on the EUR vs 3M interest rate. When determining the amounts of interest rate swaps for hedging loans at a fixed interest rate, the trade life cycle of these swaps is defined by maturity of the hedged loans, whereas their volume is defined by total amount of loans of a particular maturity adjusted for the estimated lifetime PD and prepayment rates of such loans.

46. Derivative instruments and foreign currency trading (continued)

Fair value hedge accounting – interest rate risk (continued)

2020 Bank/Group Line in the statement of financial position that include hedging instrument HRK millions	Change of fair value used for calculation of hedge effectiveness	Effect of ineffective part of hedge recognised in profit or loss	Line in the income statement that include effect of ineffective part of hedge
Financial liabilities at fair value through profit or loss – hedge of individual items	2	(1)	Gains less losses from trading financial instruments
Financial liabilities at fair value through profit or loss – portfolio hedge	19	–	Gains less losses from trading financial instruments

Accumulated amount of fair value hedge adjustment On the hedged item included in the carrying amount of the hedged item Assets / (Liabilities) HRK millions	Line in the statement of financial position that include hedged item	Change of fair value used for calculation of hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
2	Loan to customers – corporate – hedge of individual items	(1)	–
18	Loan to customers – individuals – portfolio hedge	–	–

46. Derivative instruments and foreign currency trading (continued)

Fair value hedge accounting – interest rate risk (continued)

2019 Bank/Group Line in the statement of financial position that include hedging instrument HRK millions	Change of fair value used for calculation of hedge ineffectiveness	Effect of ineffective part of hedge recognised in profit or loss	Line in the income statement that include effect of ineffective part of hedge
Financial liabilities at fair value through profit or loss – hedge of individual items	1	–	Gains less losses from trading financial instruments
Financial liabilities at fair value through profit or loss – portfolio hedge	(15)	–	Gains less losses from trading financial instruments

Accumulated amount of fair value hedge adjustment On the hedged item included in the carrying amount of the hedged item Assets / (Liabilities) HRK millions	Line in the statement of financial position that include hedged item	Change of fair value used for calculation of hedge ineffectiveness	Adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
(1)	Loan to customers – corporate – hedge of individual items	(6)	–
14	Loan to customers – individuals – portfolio hedge	3	–

47. Related party transactions

Raiffeisenbank Austria d.d. and its subsidiaries are directly owned by Raiffeisen Bank International AG ("the RBI"), a company incorporated in Austria, to which and to whose affiliates (collectively "the RBI Group") the Group provides banking services. The Bank considers that it has an immediate related party relationship with its subsidiaries and associates ("the Group"), with its key shareholders, the Supervisory and Management Board members and other executive management of the Bank (together "key management personnel"), close family members of key management personnel, their close family members and entities jointly controlled or significantly influenced by key management personnel and their close family members. Key management personnel include members of the Management and Supervisory Boards of Group members.

47. Related party transactions (continued)

Key transactions with related parties

Assets and liabilities and off-balance sheet exposures and income and expenses as at and for the year ended 31 December, arising from transactions with related parties were as follows:

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Statement of total comprehensive income Interest, fee and commission income				
– Raiffeisen Leasing d.o.o.	–	–	2	3
– Raiffeisen stambena štedionica d.d.	–	–	5	5
– Raiffeisen Consulting d.o.o.	–	–	5	6
– Raiffeisen društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondom d.d.	–	–	2	2
– Raiffeisen Invest d.o.o.	–	–	5	6
– RBI	11	8	11	8
	11	**8**	**30**	**30**

Interest income is generated from loans and advances to customers and derivative financial assets, and fee income primarily relates to the management of sales channels for products of Raiffeisen Invest and Raiffeisen pension company for the management of voluntary and mandatory pension funds, and payment service fees.

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Interest, fee and commission expense				
– Raiffeisen Leasing d.o.o.	–	–	(3)	–
– RBI	(56)	(73)	(51)	(66)
– RBI Group	(5)	(3)	(5)	(3)
	(61)	**(76)**	**(59)**	**(69)**

Interest expense relates to interest on operating lease and borrowings, and commission expenses relate to commission for card business payment services.

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Trading and other income				
– Raiffeisen Leasing d.o.o.	–	–	3	2
– Raiffeisen stambena štedionica d.d.	–	–	7	11
– Raiffeisen društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondovima d.d.	–	–	59	80
– Raiffeisen mirovinsko osiguravajuće društvo d.d.	–	–	3	1
– Raiffeisen Invest d.o.o.	–	–	1	8
– RBI	89	(62)	89	(62)
	89	**(62)**	**162**	**40**

The largest portion relates to the dividend from subsidiary, and trading income is related to derivative transactions.

47. Related party transactions (continued)

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Operating expenses				
– Raiffeisen Leasing d.o.o.	–	–	(4)	(3)
– Raiffeisen Consulting d.o.o.	–	–	(28)	(31)
– RBI	(41)	(41)	(41)	(41)
– RBI Group	(1)	(1)	(1)	(1)
	(42)	(42)	(74)	(76)

Operating expenses include costs for lease of business premises, group projects and consulting services.

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Current accounts and placements with banks				
– Raiffeisen stambena štedionica d.d.	–	–	37	37
– RBI	74	71	74	71
– RBI Group	17	5	17	5
	91	76	128	113
Loans and advances to customers				
– Raiffeisen Consulting d.o.o.	–	–	136	143
– Raiffeisen Leasing d.o.o.	–	–	259	200
	–	–	395	343
Derivativ financial assets				
– Raiffeisen stambena štedionica d.d.	–	–	14	10
– Raiffeisen mirovinsko osiguravajuće društvo d.o.o.	–	–	–	1
– RBI	131	28	131	28
	131	28	145	39
Accrued income and other assets				
– Raiffeisen Leasing d.o.o.	–	–	10	1
– Raiffeisen Consulting d.o.o.	–	–	116	–
– RBI	1	–	1	–
	1	–	127	1

47. Related party transactions (continued)

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Liabilities Deposits				
– Raiffeisen Leasing d.o.o.	–	–	62	60
– Raiffeisen stambena štedionica d.d.	–	–	156	131
– Raiffeisen društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondovima d.d.	–	–	72	80
– Raiffeisen mirovinsko osiguravajuće društvo d.d.	–	–	117	35
– Raiffeisen Invest d.o.o.	–	–	9	8
– RBI	96	227	96	227
– RBI Grupa	8	9	8	9
Total	**104**	**236**	**520**	**550**
Borrowings and subordinated liabilities				
– RBI	1,663	1,380	1,284	896
Total	**1,663**	**1,380**	**1,284**	**896**
Derivative financial liabilities				
– RBI	81	71	81	71
Total	**81**	**71**	**81**	**71**
Accrued and other liabilities				
– Raiffeisen Leasing d.o.o.	–	–	9	10
– Raiffeisen Consulting d.o.o.	–	–	117	140
– RBI	16	18	16	18
– RBI Grupa	2	2	2	2
Total	**18**	**20**	**144**	**170**
Off-balance sheet exposure				
Derivative instruments				
– Raiffeisen Leasing d.o.o.	–	–	30	63
– Raiffeisen stambena štedionica d.d.	–	–	75	74
– Raiffeisen mirovinsko osiguravajuće društvo d.d.	–	–	292	123
– RBI	9,682	7,600	9,682	7,600
Total	**9,682**	**7,600**	**10,079**	**7,860**
Contingent Liabilities				
– Raiffeisen Consulting d.o.o.	–	–	5	5
– RBI	5	18	5	18
– RBI Group	1	–	1	–
Total	**6**	**18**	**11**	**23**

47. Related party transactions (continued)

2020 HRK millions	Exposure	Liabilities	Income	Expense
Group				
Key management personnel				
Short-term benefits (salaries and fees)	–	18	–	38
Long-term benefits	–	–	–	6
Loans and advances	17	–	1	–
Deposits	–	28	–	–
Total	17	46	1	44
Bank				
Key management personnel				
Short-term benefits (salaries and fees)	–	15	–	17
Long-term benefits	–	–	–	3
Loans and advances	2	–	–	–
Deposits	–	6	–	–
Total	2	21	–	20

2019 HRK millions	Exposure	Liabilities	Income	Expense
Group				
Key management personnel				
Short-term benefits (salaries and fees)	–	18	–	40
Long-term benefits	–	–	–	5
Loans and advances	18	–	1	–
Deposits	–	22	–	–
Total	18	40	1	45
Bank				
Key management personnel				
Short-term benefits (salaries and fees)	–	15	–	20
Long-term benefits	–	–	–	3
Loans and advances	–	–	–	–
Deposits	3	6	–	–
Total	3	21	–	23

In 2020 the Bank paid out to RBI a coupon on AT1 instrument in the amount of HRK 35 million.

48. Risk management

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

An integrated system of risk management is established at the Group level by introducing a set of policies and procedures, determining the limits of risk levels acceptable to the Group. The limits are set according to the amount of regulatory capital and apply to all types of risk. The Group developed methodologies and models for operational risk management.

Credit risk

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

HRK millions	Note	Group 2020	Group 2019	Bank 2020	Bank 2019
Cash and accounts with banks (excluding cash in the cash register)	7	6,888	3,883	6,876	3,867
Obligatory reserve with the Croatian National Bank	8	1,598	1,969	1,598	1,969
Financial assets at fair value through profit or loss	9	1,553	1,433	698	676
Placements with and loans to other banks	10	212	554	93	541
Loans and advances to customers	11	20,238	19,867	18,961	18,456
Debt securities					
at fair value through other comprehensive income	12	4,781	5,253	4,509	5,086
at amortized cost	12	1,730	798	1,418	523
Other financial assets	17	61	58	33	36
		37,061	**33,815**	**34,186**	**31,154**

The table below shows the maximum exposure to credit risk for the components of the off balance:

Contingent liabilities and Commitments HRK millions	Note	Group 2020	Group 2019	Bank 2020	Bank 2019
Guarantees	44	2,840	2,791	2,840	2,791
Letters of credit	44	52	39	52	39
Undrawn lending facilities	44	2,434	2,507	2,161	2,293
Other risk off-balance sheet items	44	3,286	3,588	3,286	3,593
		8,612	**8,925**	**8,339**	**8,716**
Rezervacija za umanjenje vrijednosti		(122)	(101)	(122)	(101)
		8,490	**8,824**	**8,217**	**8,615**

The items are shown net of impairment allowance, so that in some cases it will not be possible to relate them directly to the notes in question.

48. Risk Management (continued)

Credit risk (continued)

Quality analysis of credit portfolio

Group

2020 HRK millions	Stage 1	Stage 2	Stage 3	POCI	Total
Balance sheet exposure					
Low risk	19,766	2,225	–	1	21,992
Medium risk	4,111	4,687	–	32	8,830
High risk	414	851	1	4	1,270
Default	–	–	863	187	1,050
Without rating	4,221	794	112	14	5,141
Balance sheet impairment allowance	(126)	(306)	(637)	(153)	(1,222)
Carrying amount	28,386	8,251	339	85	37,061

Banka

2020 HRK millions	Stage 1	Stage 2	Stage 3	POCI	Total
Balance sheet exposure					
Low risk	18,487	2,207	–	1	20,695
Medium risk	3,815	4,581	–	32	8,428
High risk	361	767	–	4	1,132
Default	–	–	778	186	964
Without rating	3,414	618	98	14	4,144
Balance sheet impairment allowance	(123)	(299)	(603)	(152)	(1,177)
Carrying amount	25,954	7,874	273	85	34,186

Grupa

2019 HRK millions	Stage 1	Stage 2	Stage 3	POCI	Total
Balance sheet exposure					
Low risk	18,216	2,071	–	1	20,288
Medium risk	5,189	3,737	–	1	8,927
High risk	650	437	–	1	1,088
Default	–	–	762	237	999
Without rating	3,458	106	144	17	3,725
Balance sheet impairment allowance	(199)	(196)	(675)	(142)	(1,212)
Carrying amount	27,314	6,155	231	115	33,815

INTRODUCTION
2020 BUSINESS DEVELOPMENTS
RBI AT A GLANCE
FINANCIAL STATEMENTS
CONTACTS

48. Risk Management (continued)

Credit risk (continued)

Quality analysis of credit portfolio (continued)

Bank

2019 HRK millions	Stage 1	Stage 2	Stage 3	POCI	Total
Balance sheet exposure					
Low risk	17,210	2,066	–	1	19,277
Medium risk	4,748	3,721	–	1	8,470
High risk	543	403	–	1	947
Default	–	–	709	236	945
Without rating	2,452	93	125	17	2,687
Balance sheet impairment allowance	(187)	(194)	(650)	(141)	(1,172)
Carrying amount	24,766	6,089	184	115	31,154

Group

2020 HRK millions	Stage 1	Stage 2	Stage 3	POCI	Total
Off - balance sheet exposure					
Low risk	4,161	227	–	–	4,388
Medium risk	1,770	265	–	–	2,035
High risk	93	66	–	–	159
Default	–	–	89	1	90
Without rating	1,597	337	5	1	1,940
Balance sheet impairment allowance	(17)	(69)	(36)	–	(122)
Carrying amount	7,604	826	58	2	8,490

Bank

2020 HRK millions	Stage 1	Stage 2	Stage 3	POCI	Total
Off - balance sheet exposure					
Low risk	4,018	219	–	–	4,237
Medium risk	1,677	251	–	–	1,928
High risk	90	65	–	–	155
Default	–	–	90	1	91
Without rating	1,586	336	5	1	1,928
Balance sheet impairment allowance	(17)	(69)	(36)	–	(122)
Carrying amount	7,354	802	59	2	8,217

48. Risk Management (continued)

Credit risk (continued)

Quality analysis of credit portfolio (continued)

Group

2019 HRK millions	Stage 1	Stage 2	Stage 3	POCI	Total
Off - balance sheet exposure					
Low risk	3,244	75	–	–	3,319
Medium risk	3,272	109	–	–	3,381
High risk	246	30	–	–	276
Default	–	–	69	2	71
Without rating	1,870	2	4	2	1,878
Balance sheet impairment allowance	(71)	(1)	(28)	(1)	(101)
Carrying amount	8,561	215	45	3	8,824

Bank

2019 HRK millions	Stage 1	Stage 2	Stage 3	POCI	Total
Off - balance sheet exposure					
Low risk	3,196	61	–	–	3,257
Medium risk	3,133	109	–	–	3,242
High risk	245	30	–	–	275
Default	–	–	69	2	71
Without rating	1,863	2	4	2	1,871
Balance sheet impairment allowance	(70)	(2)	(28)	(1)	(101)
Carrying amount	8,367	200	45	3	8,615

48. Risk Management (continued)

Credit risk (continued)

Collateral valuation

The Bank accepts real estate, movable property, deposits and guarantees as collateral. Real estate and movable property must be appraised by a certified court appraiser in accordance with the Valuation Act and other mandatory regulations. Value appraisal for the Bank is made by Raiffeisen Consulting, the Bank's real estate appraisal company, and its external contractors.

The collaterals undergoes a valuation process within the bank, performed by specially trained staff of the Credit Control and Collateral Management. In addition to the collateral valuation process, eligibility is determined for each security instrument in accordance with local and group regulations. All collaterals are subject to revaluation.

The frequency of collateral valuation depends on the type of collateral:

Collateral evaluation period	Type of collateral
at least every six months	Financial collateral
yearly	Commercial property
yearly	Residential property
monthly	Claims
yearly	Other

The revaluation method depends on the type of collateral and the exposure. For real estate which secures exposures of natural persons, statistical revaluation is performed, and for real estate which secures exposures of legal entities an internal desk top check is performed.

Movable property is revalued on a straight line basis according to the remaining lifecycle of the movable property.

Considering the earthquakes that hit the territory of the Republic of Croatia, extraordinary measures of the real estate portfolio revaluation were conducted. All real estate which suffered damage from the earthquakes were reported for inspection to the Civil Protection, who, after the static analysis, assigns the real estate usability label, the so-called sticker. The Bank inspected its portfolio in Zagreb on the basis of real estate type, year of construction, proximity to epicentre. For selected real estates, control of the usability label was conducted in the ZG_Potres application. The red sticker was found for 77 real estates and their respective values were reduced to 0. The orange sticker was found for 300 real estates – these are currently in the process of on-site inspections and creation of new value appraisals.

In Sisak the Civil Protection/ structural engineers are conducting real estate inspections and issuing usability labels. The bank expects that the official data will be available from the end of March, when it will apply the same working procedure as in Zagreb.

48. Risk Management (continued)

Credit risk (continued)

Collateral valuation (continued)

The table below show the market value of collateral at 31 December 2020 and 31 December 2019 for the collateral which is used to secure all Group's and Bank's assets and off-balance exposures to credit risk. The market value is presented without any impairment. The market value is calculated in accordance with the directives applicable in the bank for value appraisal, revaluation etc.

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Type of collateral				
Commercial property	5,972	5,841	5,903	5,774
Cash deposits	273	263	271	261
Securities	6	179	6	179
Guarantess and similar instruments	2,473	2,513	2,472	2,512
Insurance policies	–	1	–	1
Funds	8	2	8	2
Movable property	1,321	1,412	521	612
Residential property	10,522	9,670	9,356	8,335
Total	**20,575**	**19,881**	**18,537**	**17,676**

The table shows the exposure of the Bank and the Group at 31 December 2020 and 31 December 2019 that were rated by external rating agencies

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Eksterni rating – bilančna i vanbilančna izloženost				
A	18	15	18	15
A–	6,171	406	6,171	376
A+	343	455	343	455
AA	78	263	78	254
AA–	404	547	404	547
AA+	406	791	406	791
AAA	534	324	534	285
B	98	1	97	1
B+	–	99	–	98
BB+	132	93	132	93
BBB	–	10		–
BBB–	6,296	5,303	4,837	4,235
BBB+	206	310	156	310
Unrated	30,863	34,022	29,246	32,309
Ukupno	**45,549**	**42,639**	**42,422**	**39,769**

Source: Standard&Poor's

48. Risk Management (continued)

Credit risk (continued)

First class collaterals

The Bank holds the first-class collaterals against individual exposures. The following table set outs principal types of collateral per different types of exposures

	% of loan exposure which is subject to collateral	Type of collateral
Loans to individuals		
Housing loans	100%	Residential property
Non purpose loans	–	–
Credit cards	–	–
Current account overdrafts	–	–
Loans to micro clients	–	–
Collateralised loans to micro clients	100%	Commercial property
Uncollateralised loans to micro clients	–	
Loans to corporates	33%	Commercial property

Housing loans to private individuals

2020 LTV HRK millions	Group	Bank
<40%	759	675
40%–60%	951	882
60%–80%	1,584	1,468
80%–90%	1,000	888
>90%	1,163	1,002
n/a	367	143
	5,824	5,058
2019 LTV HRK millions	Group	Bank
<40%	649	549
40%–60%	786	718
60%–80%	1,209	1,089
80%–90%	737	633
>90%	1,248	1,056
n/a	336	148
	4,965	4,193

The value of received collaterals for housing loans is based on the estimated value of the real estate on the loan approval date. The collateral value is updated once a year in a revaluation process. For defaulted customers, the collateral value is based on an assessment made when the facility is transferred within the scope of competence of the Collections and Workout.

48. Risk Management (continued)

Credit risk (continued)

When presenting DPD delay, only the due portion of the debt is taken into account,and amounts not due are presented within item without delays.

Group

2020 HRK millions	Stage 1	Stage 2	Stage 3	POCI	Total
Balance sheet exposure					
Without delay	27,986	7,138	170	61	35,355
Delay <30 days	400	1,039	67	16	1,522
Delay >30 days	–	74	102	8	184
Total	**28,386**	**8,251**	**339**	**85**	**37,061**

Bank

2020 HRK millions	Stage 1	Stage 2	Stage 3	POCI	Total
Balance sheet exposure					
Without delay	25,585	6,779	128	61	32,553
Delay <30 days	369	1,025	66	16	1,476
Delay >30 days	–	70	79	8	157
Total	**25,954**	**7,874**	**273**	**85**	**34,186**

Group

2019 HRK millions	Stage 1	Stage 2	Stage 3	POCI	Total
Balance sheet exposure					
Without delay	26,797	5,158	60	66	32,081
Delay <30 days	517	920	52	43	1,532
Delay >30 days	–	77	119	6	202
Total	**27,314**	**6,155**	**231**	**115**	**33,815**

Bank

2019 HRK millions	Stage 1	Stage 2	Stage 3	POCI	Total
Balance sheet exposure					
Without delay	24,332	5,114	37	66	29,549
Delay <30 days	434	919	50	43	1,446
Delay >30 days	–	56	97	6	159
Total	**24,766**	**6,089**	**184**	**115**	**31,154**

48. Risk Management (continued)

Credit risk (continued)

The development of the Group's and the Bank's balance sheet exposure to credit risk and allowance for expected credit losses as at 31 December 2020 is presented below:

Group

(HRK millions)	Stage 1	Stage 2	Stage 3	POCI	Total
On balance exposure Gross book value at 01. January	27,513	6,351	906	257	35,027
New Approvals	17,916	1,139	48	70	19,173
Derecognition (does not include write-off)	(11,958)	(606)	(82)	(38)	(12,684)
Transfer to Stage 1	248	(234)	(14)	–	–
Transfer to Stage 2	(3,003)	3,055	(52)	–	–
Transfer to Stage 3	(277)	(189)	466	–	–
POCI	–	–	(1)	1	–
Amounts recovered during the year	(1,935)	(958)	(126)	(39)	(3,058)
Write-off	–	(1)	(172)	(13)	(186)
Effects of exchange differences	8	–	3	–	11
At 31. December	28,512	8,557	976	238	38,283

Bank

(HRK millions)	Stage 1	Stage 2	Stage 3	POCI	Total
On balance exposure Gross book value at 01. January	24,953	6,283	834	256	32,326
New Approvals	16,950	1,069	48	70	18,137
Derecognition (does not include write-off)	(11,428)	(597)	(64)	(38)	(12.127)
Transfer to Stage 1	225	(213)	(12)		–
Transfer to Stage 2	(2,653)	2,705	(52)	–	–
Transfer to Stage 3	(225)	(175)	400	–	–
POCI	–	–	(1)	1	–
Amounts recovered during the year	(1,753)	(898)	(108)	(39)	(2,798)
Write-off	–	(1)	(172)	(13)	(186)
Effects of exchange differences	8	–	3	–	11
At 31. December	26,077	8,173	876	237	35,363

48. Risk Management (continued)

Credit risk (continued)

Group

(HRK millions)	Stage 1	Stage 2	Stage 3	POCI	Total
Expected credit losses at 01. January	199	196	675	142	1,212
Derecognition (does not include write-off)	(94)	(15)	(111)	(14)	(234)
Transfer to Stage 1	16	(7)	(9)	–	–
Transfer to Stage 2	(24)	58	(34)	–	–
Transfer to Stage 3	(2)	(14)	16	–	–
POCI	–	–	(1)	1	–
Increase/(decrease) of impairment allowance	31	89	208	37	365
Write-off	–	(1)	(108)	(13)	(122)
Effects of exchange differences	–	–	1	–	1
At 31. December	126	306	637	153	1,222

Bank

(HRK millions)	Stage 1	Stage 2	Stage 3	POCI	Total
Expected credit losses at 01. January	187	194	650	141	1,172
Derecognition (does not include write-off)	(94)	(15)	(108)	(14)	(231)
Transfer to Stage 1	15	(7)	(8)	–	–
Transfer to Stage 2	(22)	56	(34)	–	–
Transfer to Stage 3	(2)	(14)	16	–	–
POCI	–	–	(1)	1	–
Increase/(decrease) of impairment allowance	39	86	194	37	356
Write-off	–	(1)	(107)	(13)	(121)
Effects of exchange differences	–	–	1	–	1
At 31. December	123	299	603	152	1,177

Comparative information for 31 December 2019 has not been presented, as it is not practical.

The above table is in connection to Note 33 Impairment losses, as follows: in the table, total impairment loss of the Group of HRK 155 million (Bank: HRK 149 million) (Note 33) is the sum of rows charge (release) of provisions of HRK 364 million (Bank: HRK 356 million) and derecognition – not including write-offs (Group: HRK 234 million and Bank: HRK 231 million). Additionally, also the amount of HRK 25 million for the Group (Bank: HRK 24 million) must be included in connection to portfolio sales profit, which is presented within Write-offs.

The tables present gross exposures and and allowance for expected loan losses at 31 December 2019 and 31 December 2020 by stages of financial asseets, whereby items Transition to stage 1, 2 or 3 present gross exposures and allowance for expected losses which were migrated to different asset stage in akeeping with applicable the accounting policies. For the Private Individual and Micro segment, the increased share of Stage 2 in the total portfolio is mainly a result of the forward-looking approach that the Bank applied for the cash loan portfolio in 2019 and for the portfolio affected by coronavirus pandemic in 2020. Increase in the share of non-purpose loans was halted in 2020, for the most part as a direct consequence of the COVID-19 pandemic (lowered demand and adjusted lending

48. Risk Management (continued)

Credit risk (continued)

criteria), but also due to a continuous rise in housing loans. Monitoring of the exposures that migrated to Stage 2 in 2019 (unsecured loans that were not in compliance with the CNB's Recommendation on actions in granting non-housing consumer loans at the moment of underwriting) found deterioration to a larger extent than for the remaining part of the non-purpose loans portfolio, and therefore, in the new wave of lockdown and prolongation of the moratorium periods, exposures remained in Stage 2 also in the first quarter of 2021.

The Forward looking approach for clients affected by the coronavirus is clarified in more detail in the part concerning the COVID-19 pandemic.

An overview of restructured balance sheet exposures by portfolio segment and by restructuring at 31 December 2020 and 31 December 2019 is given below:

Amount of balance sheet exposures with forbearance measures						
			31 December 2020			31 December 2019
Group HRK Million	perfoming exposures with forbearance measures	non-performing exposures with forbearance measures	Total	perfoming exposures with forbearance measures	non-performing exposures with forbearance measures	Total
Individuals	214	39	253	114	56	170
Companies and similar entities	125	123	248	132	55	187
	339	162	501	246	111	357

Amount of balance sheet exposures with forbearance measures						
			31 December 2020			31 December 2019
Bank HRK million	perfoming exposures with forbearance measures	non-performing exposures with forbearance measures	Total	perfoming exposures with forbearance measures	non-performing exposures with forbearance measures	Total
Individuals	189	38	227	108	53	161
Companies and similar entities	88	69	157	130	46	176
	277	107	384	238	99	337

48. Risk Management (continued)

Credit risk (continued)

The COVID-19 pandemic had an adverse impact on the business activities of a particular segment of legal entities and of private individuals, potentially resulting in liquidity difficulties to settle their financial liabilities. Aiming at reduction in long-term adverse impacts on the economy, the bank implemented a number of measures within the frameworks imposed by the Croatian National Bank, the EBA guidelines, and similar measures were applied by other credit institutions in the market.

From the beginning of April, the bank terminated the new measures of forced collection and, in keeping with the statutory changes to the Execution Act in April and with the Act on Intervention Measures in Enforcement and Insolvency Proceedings for Duration of Special Circumstances, the calculation of the default interest up until 18 October 2020.

From the beginning of April until the end of September 2020, the bank allowed its clients to contract moratoria for loans for a period of up to 6 months. Clients realising income from tourism activities or realising most of their income during the summer were allowed a moratorium for a period of up to 12 months.
Moratoria themselves have not caused reclassification of exposures into restructuring or reclassification of exposures into the default status. However, for all exposures, the Bank regularly assessed the probability of default of clients.
In addition to the above, during the moratoria, the Bank analysed credit risk exposure on the basis of the available data on exposures and information collected from the customers on the capacity to continue their respective exposure repayment, and, where repayment was impossible, the Bank agreed with the respective client on adequate restructuring measures at the client's request.

Active COVID moratoriums (in accordance with EBA guidelines)	30 September 2020		31 December 2020	
	No of accounts in the moratorium	Exposure HRK millions	No of accounts in the moratorium	Exposure HRK millions
Individuals	3,914	494	446	55
Micro	1,276	181	179	37
Other companies	326	1,062	64	624
	5,516	**1,737**	**689**	**716**

Internal models of credit risk parameters were adjusted in such a way that changes in the repayment of exposure due to the agreed moratorium do not in themselves cause a change in credit risk of exposure.

In order to determine impairments due to increased credit risk and to adjust the criteria in the process of credit exposure approval and credit risk monitoring in a timely manner, the Bank conducted vulnerability assessments of individual industries and and recovery possibilities due to the adverse consequences of COVID-19 on the industries, and in accordance with this, it classified exposures to clients by the respective client's industry or the respective client's employer industry into risk categories. The industries that the RBI evaluated as high-risk industries on the basis of the Industry Matrix approach are hotel activities, resort and shopping mall financing, financing operating activities of hotels, resorts and passenger lines; airline companies, airport services and printing. At 31 December 2020, the Bank had 5.57% exposure of the total corporate segment against the tourism sector or HRK 650 million. The most significant part of the mentioned exposure refers to hotel activities and accompanying facilities in the amount of HRK 520 million. At 31 December, the Bank had 5.21% of total corporate segment exposure in the status of moratorium. The most significant part of the moratoria refers to the hotel sector, with a share of 72% in total moratoria for the reporting period Exposures to clients in higher-risk categories were migrated into Stage 2, or into A2 risk category, and impairment was determined on the basis of lifetime expected credit losses.

At the same time, since April, and due to the uncertainty arising from the potential adverse impact on clients and their capacity to repay financial liabilities, the Bank has adjusted underwriting of credit exposures in order to define and mitigate risks in time.

In December 2020, Croatia was hit by a devastating earthquake with epicentre in the Sisak-Moslavina County, causing casualties and material damage to constructions in towns and villages. Aiming at reduction of long-term negative consequences, the bank stopped activation of new forced collection measures as a temporary support measure to clients affected by the earthquake until the possibility of contracting moratoria for loans is enabled.

48. Risk Management (continued)

Credit risk (continued)

Concentration of credit risk

Concentration of credit risk by geographic region and industry

The Group and Bank have a diversified portfolio within Croatia covering all sectors of the economy. The majority of commercial lending is to companies and individuals domiciled in the Republic of Croatia. The Group and Bank have the following gross credit risk concentration by geographic region and industry:

HRK millions	2020 Group Balance sheet exposure	2020 Group Off-balance sheet exposure	2019 Group Balance sheet exposure	2019 Group Off-balance sheet exposure	2020 Bank Balance sheet exposure	2020 Bank Off-balance sheet exposure	2019 Bank Balance sheet exposure	2019 Bank Off-balance sheet exposure
Geographic region:								
Croatia	35,546	8,555	31,533	8,873	32,646	8,282	28,956	8,664
Rest of EU	2,017	48	2,099	38	1,997	48	2,012	38
Non EU	720	9	1,395	14	720	9	1,358	14
Total	38,283	8,612	35,027	8,925	35,363	8,339	32,326	8,716
Impairment allowance	(1,222)	(122)	(1,212)	(101)	(1,177)	(122)	(1,172)	(101)
	37,061	8,490	33,815	8,824	34,186	8,217	31,154	8,615

Concentration of credit risk by industry:

	Group 2020 %	Group 2019 %	Bank 2020 %	Bank 2019 %
Individuals	31	32	31	32
Financial services	22	18	24	19
Trade	9	10	9	9
Central and local government	16	15	14	13
Construction	4	5	5	5
Food and drink industry	2	3	2	3
Non-metal industry	4	4	4	4
Electronics	2	3	2	3
Wood and paper industry	–	1	–	1
Craft and services	7	7	7	8
Other business activities	3	2	2	3
Total credit risk	100	100	100	100

48. Risk Management (continued)

Credit risk (continued)

Concentration of credit risk (continued)

Concentration of risk assets related to risk rating, including balance sheet and off-balance sheet exposure:

Rating	2020 Group			2019 Group		
HRK millions	Total exposure	Impairment allowances	Net exposure	Total exposure	Impairment allowances	Net exposure
A1	36,133	143	35,990	35,214	265	34,949
A2	9,452	375	9.077	7,513	209	7,304
B1	186	33	153	153	23	130
B2	384	168	216	210	98	112
B3	146	119	27	194	168	26
C	354	353	1	409	409	–
POCI	240	153	87	261	143	118
	46,895	**1,344**	**45,551**	**43,954**	**1,315**	**42,639**

Rating	2020 Bank			2019 Bank		
HRK millions	Total exposure	Impairment allowances	Net exposure	Total exposure	Impairment allowances	Net exposure
A1	33,448	140	33,308	32,404	253	32,151
A2	9,044	368	8,676	7,469	207	7,262
B1	135	28	107	122	19	103
B2	357	157	200	201	93	108
B3	141	116	25	190	163	27
C	338	338	–	396	396	–
POCI	239	152	87	260	142	118
	43,702	**1,299**	**42,403**	**41,042**	**1,273**	**39,769**

Liquidity risk

One of the more important functions that banks have in the financial market is maturity transformation. The need for maturity transformation arises as a consequence of the fact that depositors want quick and short-term access to their deposited funds, while, on the other hand, the Bank's clients want access to financing through long-term loans. This results in a continuing reporting mismatch between inflows and outflows that the Bank generates over certain time bands (liquidity gap). In order to manage these mismatches, or gaps, the Bank enters into transactions with other members of the financial market, taking into account not only the contractual maturity of assets and liabilities but also their experiential mismatches. Liquidity gaps result in the Bank being exposed to liquidity risk, which arises in the form of a risk that the Bank will not be able to finance (refinance) its positions on acceptable terms at appropriate maturities and in the form of a risk that the Bank will not be able to effectively liquidate its assets within the appropriate timeframe.

The Group continuously assesses liquidity risk by identifying and monitoring changes in maturity gaps between inflows and outflows and changes in available funding required to achieve defined business targets and strategic objectives. In addition, the Group maintains a portfolio of liquid assets which can be used as a source of new funding if required. Liquidity risk is managed by aligning assets and liabilities, setting up market and credit limits, achieving appropriate liquidity ratios, maintaining sufficient liquidity buffer, conducting stress tests based on different scenarios and liquidity contingency plan.

48. Risk Management (continued)

Liquidity risk (continued)

These measures, estimates and analyses are regularly discussed at Asset and Liability Committee meetings.

The Group has aligned its business operations with the legal provisions governing liquidity risk and with group and internal regulations governing liquidity reserve maintenance.

Special consideration is given to Basel III liquidity risk measures:
- Liquidity Coverage Ratio (LCR) - a liquidity coverage ratio over a 30-day stress period, which is monitored on a daily basis and reported to the regulator on a monthly basis,
- Net Stable Funding Ratio (NSFR) - a structural indicator of liquidity risk exposure, which is calculated and reported quarterly

LCR and NSFR were maintained above regulatory and internal limits (defined internal limits are: LCR 110% ; NSFR 100%).

Million HRK	31 December 2020	31 December 2019
Liquidity coverage ratio (LCR)	**175%**	**139%**
Liquidity buffer	11,634.4	9,088.9
Net cash outflows	6,646.4	6,517.2

LCR on a consolidated basis at 31 December 2020 was 184%.

In addition, the Bank reports its liquidity risk exposure profile in supplementary liquidity report (ALMM) in detail on a monthly basis.

For internal purposes, the Group additionally measures and monitors liquidity risk through a system of measures aimed at assessing the Bank's liquidity position and its ability to meet future obligations, both in normal day-to-day activities (going concern scenario) and in crises and times of stress (time-to-wall). Stress test assessment is performed on a daily basis at the Group level to determine the required level of liquidity reserves.

Faced with higher market fluctuations and uncertainty caused by the COVID-19 pandemic, in March 2020 the Bank declared the first stage of the liquidity crisis and the Contingency Committee (CoCo) held daily meetings with close monitoring of the movements of outflows (deposits, cash), activating loan moratoria, monitoring the movement of the market value of liquid assets and ensuring the availability of additional liquidity through repo and other money market transactions. As an additional precautionary mechanism, additional daily reporting to the CNB on the movement of liquidity ratios and the daily movement of client deposits by segment was introduced in March. By the end of the first lockdown, with the calming down of the market situation, conditions were created to lift off the liquidity crisis and the CNB reporting was brought to the weekly level.

Adverse developments were not significant and the Bank /Group managed to maintain a high level of liquidity during the crisis period without experiencing any significant deposit outflows and negative impact on both regulatory and internal liquidity ratios. By the end of the year, the liquidity level increased further and the Bank's surplus liquidity was around EUR 700 million at 31 December.

Short-term liquidity gap is analysed through excess liquidity and the survival horizon under stress. The analysis covers all balance sheet and off-balance sheet items.
The cumulative liquidity gap between assets and liabilities across time bands is managed by a system of limits set on an individual and consolidated basis.

48. Risk Management (continued)

Liquidity risk (continued)

EUR million			2020			2019
	7 days	30 days	1 year	7 days	30 days	1 year
Liquidity gap (GC)	1,217	1,204	1,159	715	762	911

Additional control and restriction of liquidity risk exposure is achieved by monitoring the target loan-to-deposit ratios for certain members of the Group, taking into account Basel III requirements.

Special consideration is given to defining the Group's funding plans that include a wide variety of funding structures to mitigate funding liquidity risks. Funds are raised using a broad range of instruments including deposits, borrowings, and share capital. Different funding sources are coordinated and optimized.

The Bank monitors the concentration of funding sources through regular reporting to the ALCO on the share of the top 10 depositors from each segment in the total deposit amount. The Bank has established limits on deposit concentration with restrictions on deposits of Top 1 and Top 10 corporate depositors and Top 1, Top 10 and Top 100 retail deposits.

Through regulatory liquidity reporting with additional liquidity metrics, the Bank monitors and reports on each individual client with the total deposit/funding amount of more than 1% of the Bank's total liabilities as its share of the Bank's total liabilities. The share of those sources of financing in the Bank's total liabilities was 8.9% at 31 December 2020.

Regards to internal reporting and liquidity risk monitoring, the Bank defined an internal limit for the concentration of funding sources and all depositors with amounts greater than the set limit are considered a higher risk and they are assigned a higher probability of outflows in relation to a comparable customer segment through internal liquidity measures.

48. Risk Management (continued)

Maturity analysis

The residual maturity of the Group's assets and liabilities and equity as at 31 December 2020 and 31 December 2019 is presented in the tables below:

The items with an undefined maturity date are included in the category over 5 years, the reserve requirement in the category up to one month and not according to the maturity of the related liabilities. Demand deposits from retail and corporate customers are shown in the category up to one month although the Bank's experience is that a large part of these deposits has a much longer maturity and that maturity mismatches in the category up to one year would have been eliminated if their maturity was presented in accordance with expected rather than contractual maturity, and liquid financial assets at fair value through profit or loss for which there is an active secondary market in the category up to one month.

Group 2020 HRK millions	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and current accounts with banks	8,289	–	–	–	–	8,289
Obligatory reserve with the Croatian National Bank	1,598	–	–	–	–	1,598
Financial assets at fair value through profit or loss	682	16	953	–	–	1,651
Placements with and loans to other banks	187	25	–	–	–	212
Loans and advances to customers	739	1,233	2,999	9,602	5,665	20,238
Investment securities	78	387	798	4,834	424	6,521
Property, plant, equipment and investment property	–	–	–	–	967	967
Right of use assets	–	–	2	20	5	27
Intangible assets	–	–	–	–	348	348
Deferred tax assets	–	–	–	67	–	67
Tax prepayment	6	4	25	7	–	42
Other assets	84	4	30	25	24	167
Total assets	**11,663**	**1,669**	**4,807**	**14,555**	**7,433**	**40,127**
Liabilities and equity						
Financial liabilities at fair value through profit or loss	198	–	2	–	–	200
Deposits from banks	267	–	–	–	–	267
Deposits from companies and other similar entities	12,460	31	89	89	60	12,729
Deposits from individuals	11,453	969	2,559	1,386	43	16,410
Borrowings	772	56	367	1,517	122	2,834
Provisions for liabilities and charges	3	–	60	388	–	451
Lease liabilities	–	–	2	21	7	30
Other liabilities	337	105	161	318	748	1,669
Subordinated liabilities	–	3	–	377	151	531
Equity attributable to the equity holders of the parent	–	–	–	–	5,006	5,006
Total liabilities and equity	**25,490**	**1,164**	**3,240**	**4,096**	**6,137**	**40,127**
Maturity gap	**(13,827)**	**505**	**1,567**	**10,459**	**1,296**	**–**

48. Risk Management (continued)

Maturity analysis (continued)

Group 2019 HRK millions	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and current accounts with banks	5,125	–	–	–	–	5,125
Obligatory reserve with the Croatian National Bank	1,969	–	–	–	–	1,969
Financial assets at fair value through profit or loss	664	4	829	–	–	1,497
Placements with and loans to other banks	95	454	–	5	–	554
Loans and advances to customers	1,566	1,120	2,943	9,019	5,219	19,867
Investment securities	259	645	1,282	3,828	87	6,101
Property, plant, equipment and investment property	–	–	–	–	985	985
Right of use assets	–	–	–	24	13	37
Intangible assets	–	–	–	–	303	303
Deferred tax assets	–	–	–	104	–	104
Tax prepayment	–	–	6	51	–	57
Other assets	114	3	32	40	56	245
Total assets	**9,792**	**2,226**	**5,092**	**13,071**	**6,663**	**36,844**
Liabilities and equity						
Financial liabilities at fair value through profit or loss	80	–	1	–	–	81
Deposits from banks	1,171	–	–	–	–	1,171
Deposits from companies and other similar entities	10,871	20	58	54	15	11,018
Deposits from individuals	9,945	1,143	3,062	1,347	46	15,543
Borrowings	341	109	440	951	154	1,995
Provisions for liabilities and charges	1	–	53	256	4	314
Lease liabilities	–	–	2	21	14	37
Other liabilities	459	20	85	219	437	1,220
Subordinated liabilities	3	–	–	372	149	524
Equity attributable to the equity holders of the parent	–	–	–	–	4,941	4,941
Total liabilities and equity	**22,871**	**1,292**	**3,701**	**3,220**	**5,760**	**36,844**
Maturity gap	**(13,079)**	**934**	**1,391**	**9,851**	**903**	**–**

48. Risk Management (continued)

Maturity analysis (continued)

Bank 2020 HRK millions	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and current accounts with banks	8,277	–	–	–	–	8,277
Obligatory reserve with the Croatian National Bank	1,598	–	–	–	–	1,598
Financial assets at fair value through profit or loss	565	1	151	–	–	717
Placements with and loans to other banks	56	1	–	36	–	93
Loans and advances to customers	685	1,168	2,732	9,171	5,205	18,961
Investment securities	23	386	752	4,568	208	5,937
Investments in subsidiaries	–	–	–	–	384	384
Property, plant, equipment and investment property	–	–	–	–	527	527
Right of use assets	–	–	2	20	130	152
Intangible assets	–	–	–	–	314	314
Deferred tax assets	–	–	–	56	–	56
Tax prepayment	6	4	25	–	–	35
Other assets	65	–	–	24	24	113
Total assets	**11,275**	**1,560**	**3,662**	**13,875**	**6,792**	**37,164**
Liabilities and equity						
Financial liabilities at fair value through profit or loss	199	-	-	-	-	199
Deposits from banks	424	-	-	-	-	424
Deposits from companies and other similar entities	12,720	30	85	72	60	12,967
Deposits from individuals	11,432	929	2,380	578	42	15,361
Borrowings	752	28	119	1,048	119	2,066
Provisions for liabilities and charges	-	-	43	388	-	431
Lease liabilities	-	-	2	19	131	152
Other liabilities	255	-	14	16	-	285
Subordinated liabilities	-	3	-	377	151	531
Equity	-	-	-	-	4,748	4,748
Total liabilities and equity	**25,782**	**990**	**2,643**	**2,498**	**5,251**	**37,164**
Maturity gap	**(14,507)**	**570**	**1,019**	**11,377**	**1,541**	**–**

48. Risk Management (continued)

Maturity analysis (continued)

Bank 2019 HRK millions	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and current accounts with banks	5,109	–	–	–	–	5,109
Obligatory reserve with the Croatian National Bank	1,969	–	–	–	–	1,969
Financial assets at fair value through profit or loss	568	1	113	–	–	682
Placements with and loans to other banks	81	423	–	–	37	541
Loans and advances to customers	1,511	1,050	2,706	8,275	4,914	18,456
Investment securities	254	449	1,283	3,622	51	5,659
Investments in subsidiaries	–	–	–	–	384	384
Property, plant, equipment and investment property	–	–	–	–	501	501
Right of use assets	–	–	–	29	153	182
Intangible assets	–	–	–	–	268	268
Deferred tax assets	–	–	–	97	–	97
Tax prepayment	–	–	–	51	–	51
Other assets	101	–	–	20	56	177
Total assets	**9,593**	**1,923**	**4,102**	**12,094**	**6,364**	**34,076**
Liabilities and equity						
Financial liabilities at fair value through profit or loss	80	-	-	-	-	80
Deposits from banks	1,303	-	-	-	-	1,303
Deposits from companies and other similar entities	11,043	22	54	36	15	11,170
Deposits from individuals	9,924	1,098	2,782	608	46	14,458
Borrowings	360	31	131	392	144	1,058
Provisions for liabilities and charges	-	-	36	256	4	296
Lease liabilities	-	-	-	29	153	182
Other liabilities	307	-	9	15	-	331
Subordinated liabilities	3	-	-	372	149	524
Equity	-	-	-	-	4,674	4,674
Total liabilities and equity	**23,020**	**1,151**	**3,012**	**1,708**	**5,185**	**34,076**
Maturity gap	**(13,427)**	**772**	**1,090**	**10,386**	**1,179**	**–**

48. Risk Management (continued)

Contractual maturity analysis

The table below provides an analysis of the expected outflows of financial liabilities at 31 December 2020 and 31 December 2019.

Group 2020 HRK millions	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
Liabililties							
Financial liabilities at fair value through profit or loss	198	2	12	37	29	278	200
Deposits from banks	267	–	–	–	–	267	267
Deposits from companies and other similar entities	12,460	31	89	91	63	12,734	12,729
Deposits from individuals	11,454	971	2,564	1,416	44	16,449	16,410
Borrowings	772	58	374	1,547	122	2,873	2,834
Lease liabilities	–	–	4	35	17	56	30
Other financial liabilities	194	–	–	–	–	194	194
Subordinated liabilities	–	13	27	425	179	644	531
Total liabilities	**25,345**	**1,075**	**3,070**	**3,551**	**454**	**33,495**	**33,195**

Group 2019 HRK millions	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
Liabililties							
Financial liabilities at fair value through profit or loss	81	–	3	1	–	85	81
Deposits from banks	1,171	–	–	–	–	1,171	1,171
Deposits from companies and other similar entities	10,871	50	58	63	85	11,127	11,018
Deposits from individuals	10,061	1,146	3,069	1,380	49	15,705	15,543
Borrowings	341	112	454	975	158	2,040	1,995
Lease liabilities	–	–	1	21	16	38	37
Other financial liabilities	204	–	–	–	–	204	204
Subordinated liabilities	3	10	28	430	205	676	524
Total liabilities	**22,732**	**1,318**	**3,613**	**2,870**	**513**	**31,046**	**30,573**

48. Risk Management (continued)

Contractual maturity analysis (continued)

Bank 2020 HRK millions	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
Liabililties							
Financial liabilities at fair value through profit or loss	199	2	9	37	29	276	199
Deposits from banks	424	–	–	–	–	424	424
Deposits from companies and other similar entities	12,720	30	85	74	63	12,972	12,967
Deposits from individuals	11,433	930	2,383	586	43	15,375	15,361
Borrowings	752	28	119	1,058	119	2,076	2,066
Lease liabilities	–	–	4	33	141	178	152
Other financial liabilities	159	–	–	–	–	159	159
Subordinated liabilities	–	12	25	422	179	638	531
Total liabilities	**25,687**	**1,002**	**2,625**	**2,210**	**574**	**32,098**	**31,859**

Bank 2019 HRK millions	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
Liabililties							
Financial liabilities at fair value through profit or loss	81	–	2	–	–	83	80
Deposits from banks	1,303	–	–	–	–	1,303	1,303
Deposits from companies and other similar entities	11,043	52	54	45	85	11,279	11,170
Deposits from individuals	10,040	1,101	2,783	615	49	14,588	14,458
Borrowings	360	31	131	393	144	1,059	1,058
Lease liabilities	–	–	–	29	171	200	182
Other financial liabilities	190	–	–	–	–	190	190
Subordinated liabilities	3	9	26	425	205	668	524
Liabililties	**23,020**	**1,193**	**2,996**	**1,507**	**654**	**29,370**	**28,965**

48. Risk Management (continued)

Financial assets available for future financing

Assets are considered encumbered if they have been pledged or if they are subject to any form of arrangement to secure, collateralise or enhance any on-balance or off-balance sheet transaction from which the Group cannot freely withdraw (for instance, assets pledged for funding purposes). Assets pledged that are subject to any restrictions in withdrawal, such as assets that require preapproval before withdrawal, or replacement by other assets, are considered as encumbered.

The Group's unencumbered assets are balance sheet assets which have not been:

- pledged or
- transferred without being derecognised or
- otherwise encumbered.

The Group's total encumbered and unencumbered assets recognised in the statement of financial position at 31 December 2020 and 31 December 2019 are presented in the following table.

Group 2020 HRK millions	Carrying amount of encumbered asset	Carrying amount of non-encumbered asset	Total
Asset			
Cash and current accounts with banks	945	7,344	8,289
Obligatory reserve with the Croatian National Bank	1,598	–	1,598
Placements with and loans to other banks	19	193	212
Investment securities	1,786	4,735	6,521
Loans and advances to customers	–	20,238	20,238
Other assets	–	3,269	3,269
	4,348	**35,779**	**40,127**

Bank 2020 HRK millions	Carrying amount of encumbered asset	Carrying amount of non-encumbered asset	Total
Asset			
Cash and current accounts with banks	945	7,332	8,277
Obligatory reserve with the Croatian National Bank	1,598	–	1,598
Placements with and loans to other banks	19	74	93
Investment securities	1,786	4,151	5,937
Loans and advances to customers	–	18,961	18,961
Other assets	–	2,298	2,298
	4,348	**32,816**	**37,164**

48. Risk Management (continued)

Financial assets available for future financing (continued

Group 2019 HRK millions	Carrying amount of encumbered asset	Carrying amount of non-encumbered asset	Total
Asset			
Cash and current accounts with banks	1,006	4,119	5,125
Obligatory reserve with the Croatian National Bank	1,969	–	1,969
Placements with and loans to other banks	62	492	554
Investment securities	821	5,280	6,101
Loans and advances to customers	–	19,867	19,867
Other assets	–	3,228	3,228
	3,858	32,986	36,844

Bank 2019 HRK millions	Carrying amount of encumbered asset	Carrying amount of non-encumbered asset	Total
Asset			
Cash and current accounts with banks	1,006	4,103	5,109
Obligatory reserve with the Croatian National Bank	1,969	–	1,969
Placements with and loans to other banks	62	479	541
Investment securities	821	4,838	5,659
Loans and advances to customers	–	18,456	18,456
Other assets	–	2,342	2,342
	3,858	30,218	34,076

48. Risk Management (continued)

Market risk

Market risk is the risk of experiencing losses due to adverse changes in market prices, i.e. risk that changes in market prices, such as interest rates, foreign exchange rates and others could affect the Group's income or the value of its holdings of financial instruments. Market risk estimates are based on changes in exchange rates, interest rates, credit spreads, equity and commodity prices, and other market parameters. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Market risk management of the Group and the Bank is conducted in accordance with the laws, decisions and directives of domestic and foreign regulators and with prescribed internal policies and procedures which are regularly reviewed by risk management units.

RBA Group, being part of RBI Group, uses a comprehensive and consistent risk management approach for both the trading book and non-trading book. The following values are measured and limited on a daily basis within the market risk management system:

- Value-at-Risk (confidence level 99%, one-day holding period)

Value-at-risk (VaR) is the most important instrument for measuring market risks in normal situation. It expresses the maximum expected loss that the bank is willing to accept at a certain point of time. The VaR risk measure is a statistically defined estimate of the maximum amount of potential loss on the existing portfolio, to a predefined level of confidence level and for a certain holding period until positions could be closed. The Group uses a combination of a hybrid Monte Carlo and historical methods for VaR calculation. This methodology has been developed internally in the RBI Group to monitor the interest rate risk, foreign exchange risk, price risk, and the credit spread risk on the basis of a one-day holding period and a confidence level of 99%. This confidence level is used for internal monitoring. VaR Sensitivity presents a relation between sensitivities of risk factors and VaR change and is used for daily monitoring of VaR and risk management.

The quality of the VaR model is continuously monitored by back-testing and by distributional test which is performed once a year.

- Value-at-Risk Hist (confidence level 99%, holding period 20 days)

Value-at-Risk Hist (VaRHist) is a variation of VaR, with an adjustment in the use of the historical series of data on risk factors measured and the period of holding the position. Through this measure, equally probable previous years' historical data are included, and 20-day overlapping returns on positions are observed. This simulation is suitable for measuring market risks in the non-trading book where assumptions are for longer periods of holding positions and a significant impact of market changes over a longer period of time as compared to trading book positions with a limited holding period.

- Stress tests

Value-at-risk number expresses the maximum loss that will not be exceeded at a predefined confidence level under normal market conditions, but does not provide additional information on potential impact that extraordinary market conditions may have on the portfolio of the Bank/Group. So, in order to take these events into account as well, the Group carries out daily stress tests. In this way potential crisis situations and their impact on the current positions are simulated. Stress testing is used to assess the effect of market risk on the Group's portfolio, total positions and limits in extraordinary conditions (market shocks).

Stress testing is conducted on a daily basis, and the results are included in the regular daily reports.

- Position limits and limit to measures of sensitivity (to changes in exchange rates, interest rates, etc.)

The use of position limits eliminates concentration in normal business conditions. Position limits are the main tool to manage risk in extreme and illiquid market conditions.

In addition to the limit system defined by asset position, type and class, currency and issuer which ensures portfolio diversification, the concentration of positions is further penalized through prudential valuation adjustment, where the amount of additional valuation adjustment for concentrated positions is deducted from the total amount of capital.

The additional adjustment was necessary as there are frequent situations where the size of the position to which the quoted price on the market applies is unknown and market participants assume that the size of their position will not cause a difference between the current price and the quoted price. This view is formalised in Article 14 of Commission

48. Risk Management (continued)

Market risk (continued)

Delegated Regulation regarding prudential valuation, which defines the steps an institution must take when determining a position that is large enough to cause a spread between the transaction price and the quoted price. Once the concentrated position is identified, the Bank determines the number of working days required to exit the concentrated position. Where the prudent exit period exceeds 10 working days, the Bank estimates the CP AVA taking into account the difference between the quoted price and the position price, and treats it as an additional capital requirement based on the VaR methodology.

- Stop–loss limits

These limits ensure traders' discipline in measuring proprietary trading positions and substantially limit losses rather than allowing them to accumulate.

High-water mark year-to-date stop loss limits are applied to the cumulative profit and losses on a year-to date basis. S/L limits have to be defined and applied for all positions classified under IFRS 9 as FVTOCI, HFT_FVTPL or FVTPL_DES.

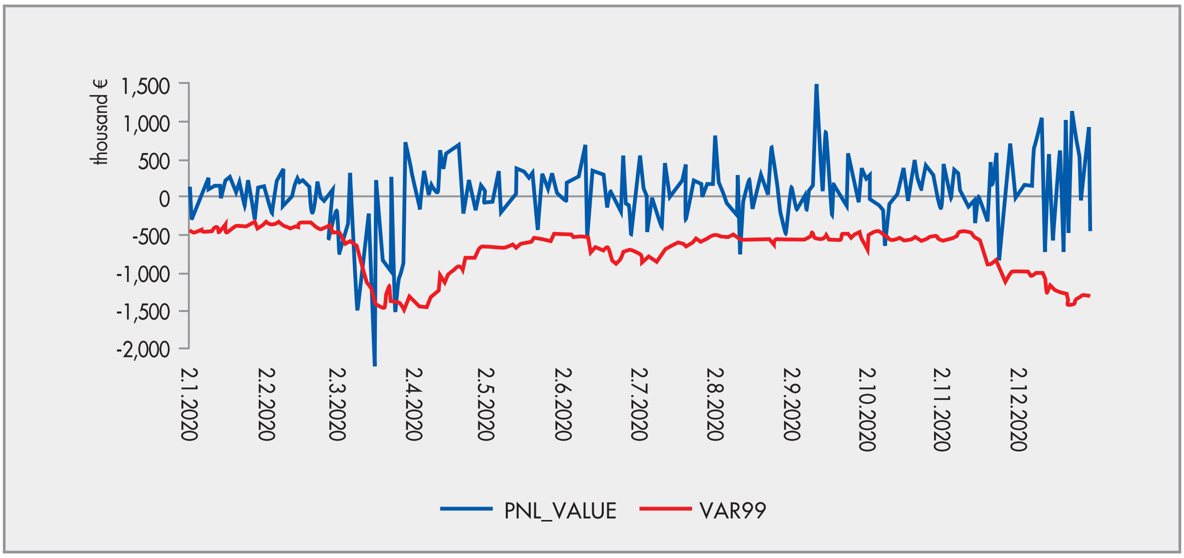
The limit resets to zero at the beginning of each calendar year, as the loss has to be calculated versus the maximum profit in the year-to-date period.

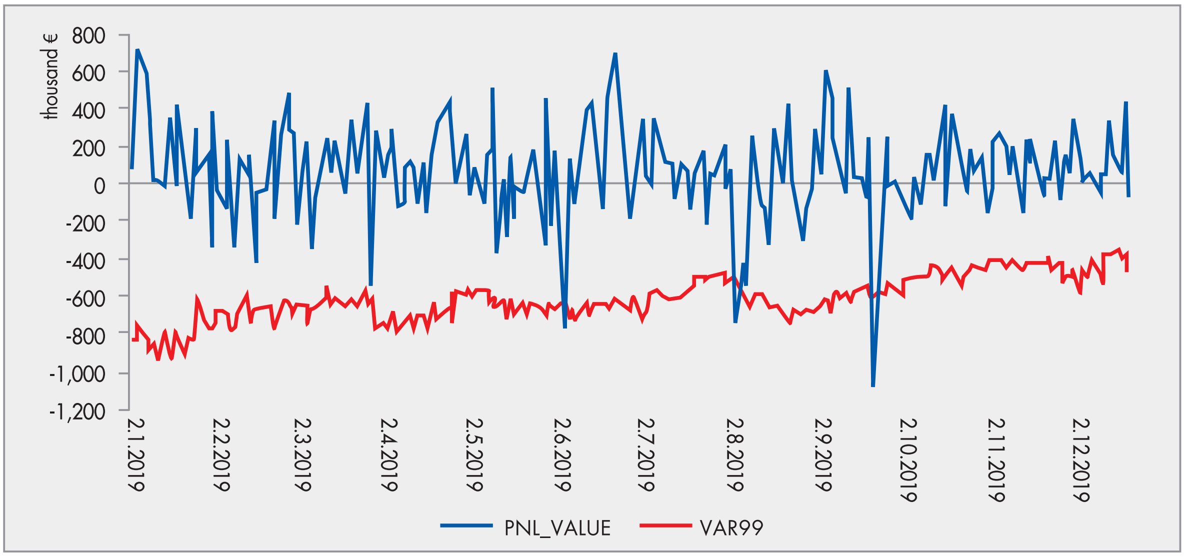
The following table presents the Value-at-Risk for 2020 and 2019:

HRK millions	December 2020	December 2019	Average	min	max
Interest rate risk					
– trading book	0.91	0.65	1.31	0.40	3.96
– banking book	2.59	0.54	1.90	0.52	6.88
Currency risk	0.12	0.67	0.66	0.04	2.67
Credit Spread Risk	9.40	2.97	4.73	2.38	10.89
Price risk	0.00	0.14	0.02	0.00	0.15
Total VaR	**9.60**	**3.46**	**5.29**	**2.42**	**10.24**

48. Risk Management (continued)

Market risk (continued)





48. Risk Management (continued)

Market risk (continued)

The efficiency of VaR model is periodically tested with backtesting procedures. Backtesting methods comprise comparison of 1-day VaR figures with appropriate (hypothetical) statement of comprehensive income figures as seen on the next working day (i.e. over the horizon for which the VaR figure was calculated). Backtesting breach is recorded on date on which (hypothetical) statement of comprehensive income is negative and its absolute value is higher than the VaR calculated for that date (i.e. when the hypothetical loss is greater than the VaR). The high number of backtesting breaches detected during a certain period, in an amount that is higher than the one expected considering the confidence level chosen during the calculation of VaR figures, can indicate that there are certain deficiencies in the VaR model.

As the figure shows, during 2020 ten backtesting breaches was recorded, which is more than the expected number of breaches considering the selected statistical materiality. A larger number of breaches occurred during March 2020 as a result of turbulence in financial markets triggered by the COVID-19 crisis.
The market value of the securities in the Bank's portfolio fluctuated due to swings in capital markets during the first and second quarter of 2020. Through regular Contingency Committees and ALCO meetings, the Bank monitored the movements of debt securities portfolios, and equity positions were closed during March 2020. In addition, as of March 2020, the Bank reports to the CNB on the impact of the change in securities prices on both profit and loss account and on other comprehensive income.

Interest rate risk

Interest rate risk is reflected as negative impact of interest rates on the present value of future cash flows, and hence the net interest income and other cash flows are sensitive to interest rate changes.

The primary sources of interest rate risk are as follows:
- repricing risk is a result of a timing differences in the maturity (for fix-rate) and repricing mismatch (for floating-rate) of assets and liabilities as well as off-balance-sheet positions;
- yield curve risk arises when unanticipated shifts of the yield curve have adverse effect on a bank's income or underlying economic value;
- basis risk arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics (except the type of interest rate);
- Optionality risk.

Risk management activities are aimed at optimizing net interest income, given market interest rate levels, consistent with the Group's business strategies. To achieve its risk management objectives, the Group also uses interest rate derivatives.

Interest rate risk in trading book

The following two tables show the largest present value changes for the trading book (BPV per currencies for which this change is material) for 2020 and 2019:

BPV / Currency in HRK	EUR	USD	HRK
31 December 2020	(171,187.00)	(16,192.40)	(46,246.11)
Average	(120,662.02)	(12,285.43)	(122,578.20)
Minimum	(176,780.10)	(32,030.23)	(275,568.93)
Maximum	(20,504.66)	(5,991.19)	(36,366.94)

BPV / Currency in HRK	EUR	USD	HRK
31 December 2019	10,406.94	(10,738.16)	(239,046.09)
Average	12,498.59	(16,006.64)	(233,603.07)
Minimum	(4,334.63)	(32,892.71)	(267,249.92)
Maximum	121,462.89	9,965.65	(115,565.47)

Total BPV for trading book at 31 December 2020 was HRK 234.2 thousand as compared to 31 December 2019 when it was HRK 260.7 thousand.

48. Risk Management (continued)

Interest rate risk in trading book (continued)

The European Commission decided to postpone LIBOR discontinuation from 31 December 2021 to 31 December 2023, with an option of further extension of this decision. Therefore the termination of LIBOR currently has no significant impact on the bank.

For credit operations, fallback clauses for the benchmark rate are embedded in accordance with legal regulations (for legal entities they are directly embedded in contracts that are due after 2021, and for natural persons the fallback is referenced in general terms and conditions). The LIBOR related portfolio maturing after 2021 is not material (<EUR 2mn) and is mostly indexed to CHF and, only to a small extent, to USD. At the Croatian Banking Association („HUB"), consultations are planned with the regulator, which is expected announce which rate may be used for the CHF loans.

As for the derivatives transactions, the master agreement with the parent company has already been transferred to €STR. As the ISDA fallback protocol has been published, the Bank has analysed it and intends to adhere to it to address other relevant master agreements.

System application support has already been implemented in the Wall Street system in Treasury FO for new overnight rates, which are also loaded into the Lotus notes base. No significant IT engagement is expected so far to support new rates, only a system parametrization may be required.
The Bank actively monitors market developments and relevant regulatory decisions concerning the termination of IBOR rates.

Interest rate risk in non-trading book

Asset-liability risk management activities are conducted in the context of the Group's sensitivity to interest rate changes. Decisions are based on various interest income analyses and simulations that ensure proper interest rate sensitivity in line with expected changes in market rates and overall risk appetite.

The following two tables show the largest present value changes for the non-trading book (BPV per currencies for which this change is material) for 2020 and 2019:

BPV / Currency in HRK	HRK	EUR	USD
31 December 2020	369,929.48	146,325.01	10,936.65
Average	(280,007.21)	(407,787.77)	(19,823.53)
Minimum	(689,927.73)	(729,468.29)	(69,571.68)
Maximum	407,247.21	184,609.68	10,936.65

BPV / Currency in HRK	HRK	EUR	USD
31 December 2019	(514,434.24)	(319,364.64)	(50,353.26)
Average	(333,801.73)	65,725.89	(21,792.14)
Minimum	(563,502.86)	(336,147.06)	(112,453.03)
Maximum	(417,901.47)	1,297,591.89	13,113.44

Total BPV for non-trading book at 31 December 2020 was HRK 530.9 thousand as compared to 31 December 2019 when it was HRK 887.81 thousand.

Interest rate risk in the banking book is measured not only by using the Value-at-Risk method but also by traditional tools such as interest rate gap analysis. In measuring interest rate risk exposures through sensitivity analysis of economic value, the bank applies the methodology set out in the Decision on Governance System, which requires measurement of the effect of a parallel shift of reference curves by a standard regulatory 200 basis points shock.

48. Risk Management (continued)

Interest rate risk in non-trading book (continued)

In HRK	31 December 2020	31 December 2019
EUR	81,373	70,140
HRK	27,051	82,062
Other	(11,409)	1,196
Total	97,015	153,398
%	2.63%	3.60%

The Group also measures exposure to interest rate risk by considering the effect on net interest income, in accordance with EBA guidelines on management of the interest rate risk.

In thousand HRK	31 December 2020	31 December 2020
Net interest income	190,587	151,900

The measurement of the impact on net interest income and the valuation of the Bank's interest rate book instrument is carried out in predefined scenarios in accordance with the EBA guidelines, and additional scenarios defined by the Group's chief macroeconomists. Interest sensitivity analysis (ISI) is performed for the Bank, Raiffeisen stambena štedionica d.d. and Raiffeisen Leasing d.o.o. to measure the total result against a stable scenario in a 24-month period.

The impact on net interest income is limited by the amount of regulatory capital. In calculating the effect of changes in interest rates, the Bank also includes effects based on models developed for positions without contractual maturity, and the effects of modelled impact of embedded options of asset and liability positions, such as loan prepayments and early withdrawals of fixed term deposits.

The impact of the 200 basis points shift on net interest income at 31 December 2019 and 31 December 2020 is presented in the following table:

ISI result as at 31 December 2020 HRK millions	+200 bp	+200 bp	–200 bp	–200 bp
	HRK	FCY	HRK	FCY
Effect on net interest income	76.73	(105.67)	(389.07)	(164.63)
Valuation effect	(29.46)	5.76	30.44	(7.93)
Total	47.28	(99.90)	(358.63)	(172.56)

ISI result as at 31 December 2019 HRK millions	+200 bp	+200 bp	–200 bp	–200 bp
	HRK	FCY	HRK	FCY
Effect on net interest income	72.72	(96.28)	(326.51)	(172.35)
Valuation effect	(32.54)	(0.64)	33.27	(2.05)
Total	40.18	(96.92)	(293.24)	(174.40)

48. Risk Management (continued)

Interest rate risk in non-trading book (continued)

Equity price risk

Equity price risk is the possibility that equity prices will fluctuate, affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment. The primary exposure to equity prices arises from equity securities measured at fair value through profit and loss.

Equity Delta is the indicator of the Bank's exposure to equity price risk arising from positions in equity securities and equity derivatives held for trading. The Bank has established equity delta limits per position in a single instrument and a total equity delta limit as well as VaR limit for equity positions in trading book portfolio.

For the monitoring of its equity portfolio the Bank analyses the equity portfolio's sensitivity through Equity delta limits and VaR limits.
At 31 December 2020, the Bank/Group had no positions in equity securities.

Exchange rate risk

The Group is exposed to currency risk/exchange rate risk which denotes the risk that one suffers losses due to open foreign exchange position.

Foreign currency exposure arises from foreign-currency denominated credit, deposit-taking, investment and trading activities. It is monitored daily in accordance to legislation and internally set limits, for each currency and for the total statement of financial position denominated in or linked to foreign currency.

The Group manages its currency risk by setting principles and limits for foreign currency exposures and by monitoring these limits (including stop-loss limits). The Group directs its business activities towards trying to minimize the gap between assets and liabilities denominated in or linked to foreign currency, and maintaining daily business activities within daily allowed open limits per currency.
The Group is primarily exposed to EUR. In order to protect itself against currency risk, Group uses derivative financial instruments.

As a consequence of the turmoil in financial markets caused by the COVID-19 crisis, the EUR/HRK exchange rate (to which the Bank/Group is most significantly exposed) oscillated significantly in the first and early second quarter of 2020 in the range of HRK 7.48 to HRK 7.63/EUR. The Bank reacted promptly to exchange rate fluctuations through transactions on the foreign exchange market and maintained the open foreign exchange position within internally defined limits.

48. Risk Management (continued)

Exchange rate risk (continued)

Currency analysis

Group 2020 HRK millions	EUR	EUR linked	CHF	CHF linked	Other foreign currencies	Total foreign currencies	Domestic currency	Total currencies
Assets								
Cash and current accounts with banks	1,122	3	28	–	93	1,246	7,043	8,289
Obligatory reserve with the Croatian National Bank	–	–	–	–	–	–	1,598	1,598
Financial assets at fair value through profit or loss	81	709	–	–	238	1,028	623	1,651
Placements with and loans to other banks	18	–	–	–	–	18	194	212
Loans and advances to customers	2,308	8,164	–	8	9	10,489	9,749	20,238
Investment securities	1,983	1,381	–	–	1,131	4,495	2,026	6,521
Property, plant, equipment and investment property	–	–	–	–	–	–	967	967
Right of use assets	–	–	–	–	–	–	27	27
Intangible assets	–	–	–	–	–	–	348	348
Deferred tax assets	–	–	–	–	–	–	67	67
Tax prepayment	–	–	–	–	–	–	42	42
Other assets	5	8	1	–	3	17	150	167
Total assets	**5,517**	**10,265**	**29**	**8**	**1,474**	**17,293**	**22,834**	**40,127**
Liabilities and equity								
Financial liabilities at fair value through profit or loss	63	–	1	–	13	77	123	200
Deposits from banks	123	–	12	–	19	154	113	267
Deposits from companies and other similar entities	3,405	22	23	–	527	3,977	8,752	12,729
Deposits from individuals	9,045	788	353	–	1,350	11,536	4,874	16,410
Borrowings	1,556	168	–	–	–	1,724	1,110	2,834
Provisions for liabilities and charges	27	2	–	–	1	30	421	451
Lease liabilities	1	–	–	–	–	1	29	30
Other liabilities	30	302	–	–	11	343	1,326	1,669
Subordinated liabilities	531	–	–	–	–	531	–	531
Equity attributable to the equity holders of the parent	–	–	–	–	–	–	5,006	5,006
Total liabilities and equity	**14,781**	**1,282**	**389**	**–**	**1,921**	**18,373**	**21,754**	**40,127**
Currency gap	**(9,264)**	**8,983**	**(360)**	**8**	**(447)**	**(1,080)**	**1,080**	**–**

48. Risk Management (continued)

Exchange rate risk (continued)

Currency analysis (continued)

Group 2019 HRK millions	EUR	EUR linked	CHF	CHF linked	Other foreign currencies	Total foreign currencies	Domestic currency	Total currencies
Assets								
Cash and current accounts with banks	132	–	24	–	89	245	4,880	5,125
Obligatory reserve with the Croatian National Bank	–	–	–	–	–	–	1,969	1,969
Financial assets at fair value through profit or loss	356	224	1	–	152	733	764	1,497
Placements with and loans to other banks	83	–	210	–	211	504	50	554
Loans and advances to customers	2,639	7,494	–	9	139	10,281	9,586	19,867
Investment securities	1,936	1,430	–	–	1,339	4,705	1,396	6,101
Property, plant, equipment and investment property	–	–	–	–	–	–	985	985
Right of use assets	–	1	–	–	–	1	36	37
Intangible assets	–	–	–	–	–	–	303	303
Deferred tax assets	–	–	–	–	–	–	104	104
Tax prepayment	–	–	–	–	–	–	57	57
Other assets	7	13	1	–	2	23	222	245
Total assets	**5,153**	**9,162**	**236**	**9**	**1,932**	**16,492**	**20,352**	**36,844**
Liabilities and equity								
Financial liabilities at fair value through profit or loss	53		–	–	15	68	13	81
Deposits from banks	446	–	11	–	136	593	578	1,171
Deposits from companies and other similar entities	2,919	31	15	–	467	3,432	7,586	11,018
Deposits from individuals	8,586	854	318	–	1,403	11,161	4,382	15,543
Borrowings	991	387	–	–	177	1,555	440	1,995
Provisions for liabilities and charges	27	4	–	–	2	33	281	314
Lease liabilities	–	37	–	–	–	37	–	37
Other liabilities	362	12	–	–	2	376	844	1,220
Subordinated liabilities	488	–	–	–	–	488	36	524
Equity attributable to the equity holders of the parent	–	–	–	–	–	–	4,941	4,941
Total liabilities and equity	**13,872**	**1,325**	**344**	**–**	**2,202**	**17,743**	**19,101**	**36,844**
Currency gap	**(8,719)**	**7,837**	**(108)**	**9**	**(270)**	**(1,251)**	**1,251**	**–**

48. Risk Management (continued)

Exchange rate risk (continued)

Currency analysis (continued)

Bank 2020 HRK millions	EUR	EUR linked	CHF	CHF linked	Other foreign currencies	Total foreign currencies	Domestic currency	Total currencies
Assets								
Cash and current accounts with banks	1,122	–	28	–	93	1,243	7,034	8,277
Obligatory reserve with the Croatian National Bank	–	–	–	–	–	–	1,598	1,598
Financial assets at fair value through profit or loss	74	154	–	–	238	466	251	717
Placements with and loans to other banks	18	–	–	–	–	18	75	93
Loans and advances to customers	2,308	6,725	–	8	9	9,050	9,911	18,961
Investment securities	1,983	982	–	–	1,131	4,096	1,841	5,937
Investments in subsidiaries	–	–	–	–	–	–	384	384
Property, plant, equipment and investment property	–	–	–	–	–	–	527	527
Right of use assets	–	–	–	–	–	–	152	152
Intangible assets	–	–	–	–	–	–	314	314
Deferred tax assets	–	–	–	–	–	–	56	56
Tax prepayment	–	–	–	–	–	–	35	35
Other assets	5	–	1	–	3	9	104	113
Total assets	**5,510**	**7,861**	**29**	**8**	**1,474**	**14,882**	**22,282**	**37,164**
Liabilities and equity								
Financial liabilities at fair value through profit or loss	63	–	1	–	12	76	123	199
Deposits from banks	123	–	12	–	19	154	270	424
Deposits from companies and other similar entities	3,405	–	23	–	527	3,955	9,012	12,967
Deposits from individuals	9,045	2	353	–	1,350	10,750	4,611	15,361
Borrowings	870	168	–	–	–	1,038	1,028	2,066
Provisions for liabilities and charges	27	2	–	–	1	30	401	431
Lease liabilities	–	33	–	–	–	33	119	152
Other liabilities	30	6	–	–	11	47	238	285
Subordinated liabilities	531	–	–	–	–	531	–	531
Equity	–	–	–	–	–	–	4,748	4,748
Total liabilities and equity	**14,094**	**211**	**389**	**–**	**1,920**	**16,614**	**20,550**	**37,164**
Currency gap	**(8,584)**	**7,650**	**(360)**	**8**	**(446)**	**(1,732)**	**1,732**	**–**

48. Risk Management (continued)

Exchange rate risk (continued)

Currency analysis (continued)

Bank 2019 HRK millions	EUR	EUR linked	CHF	CHF linked	Other foreign currencies	Total foreign currencies	Domestic currency	Total currencies
Assets								
Cash and current accounts with banks	132	–	24	–	89	245	4,864	5,109
Obligatory reserve with the Croatian National Bank	–	–	–	–	–	–	1,969	1,969
Financial assets at fair value through profit or loss	47	124	1	–	61	233	449	682
Placements with and loans to other banks	83	–	210	–	211	504	37	541
Loans and advances to customers	2,639	6,164	–	9	139	8,951	9,505	18,456
Investment securities	1,882	1,194	–	–	1,339	4,415	1,244	5,659
Investments in subsidiaries	–	–	–	–	–	–	384	384
Property, plant, equipment and investment property	–	–	–	–	–	–	501	501
Right of use assets	–	–	–	–	–	–	182	182
Intangible assets	–	–	–	–	–	–	268	268
Deferred tax assets	–	–	–	–	–	–	97	97
Tax prepayment	–	–	–	–	–	–	51	51
Other assets	7	–	1	–	2	10	167	177
Total assets	**4,790**	**7,482**	**236**	**9**	**1,841**	**14,358**	**19,718**	**34,076**
Liabilities and equity								
Financial liabilities at fair value through profit or loss	52	–	–	–	15	67	13	80
Deposits from banks	462	–	11	–	136	609	694	1,303
Deposits from companies and other similar entities	2,922	–	15	–	467	3,404	7,766	11,170
Deposits from individuals	8,586	2	318	–	1,403	10,309	4,149	14,458
Borrowings	366	187	–	–	177	730	328	1,058
Provisions for liabilities and charges	27	4	–	–	2	33	263	296
Lease liabilities	0	41	–	–	–	41	141	182
Other liabilities	39	6	–	–	2	47	284	331
Subordinated liabilities	524	–	–	–	–	524	–	524
Equity	–	–	–	–	–	–	4,674	4,674
Total liabilities and equity	**12,978**	**240**	**344**	**–**	**2,202**	**15,764**	**18,312**	**34,076**
Currency gap	**(8,188)**	**7,242**	**(108)**	**9**	**(361)**	**(1,406)**	**1,406**	**–**

48. Risk Management (continued)

Operational risk

Operational risk is defined as the risk of financial losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk, but excludes strategic and reputational risk.
With the aim of efficient operational risk management, the Group built system based on standards and principles defined in EU Directives and Regulations, the Credit Institutions Act and the CNB Decisions, Basel Committee documents and RBI Group Directives.

The Group's Operational Risk Management Framework consists of processes, structures and controls for the governance, identification, measurement, management, monitoring, capital computation and attribution, risk control and mitigation of loss resulting from inadequate or failed internal processes, people and systems or from external events. It is structured to increase transparency of operational risks across the Group, strengthen management of operational risk exposures and ensure full compliance with regulatory requirements.

Roles and responsibilities

The Group fosters an open environment and culture, while all employees of the Group, through their individual roles and responsibilities, contribute to maintaining an effective Operational Risk Management Framework. Awareness of the culture of risk management is continuously executed through education of all participants of the process and improvement of the reporting system.
System of responsibilities for managing operational risk is based on three lines of defence which contribute in maintaining an effective Operational Risk Management framework.

- The first line of defence is the risk originating units whose business activities give rise to risk and consequently these are the risk originating units and they actively manage with own operational risk.
- The second line of defence provides an independent assessment of operational risk, oversight and challenges the first line of defence and is comprised of the Management Board member responsible for risks, the Committee for management of the operational risk and controls and Control of the operating risks. The Committee oversees the activities in relation to operating risks, aligns suggestions for overcoming of the risks and provides ecommendations for management of the operating risk,
- The third line of defence is Internal Audit, it reviews effectiveness and suitability of the general risk management processes.

Risk identification, measurement, management and reporting

Operational Risk is managed within the Risk Management cycle, which encompasses the identification, measurement, management and reporting of risk.
Operational risks in the Group are identified on a proactive and regular basis within: products, processes, systems and external factors.
Operational Risk measurement can be both quantitative and qualitative in nature and include the following instruments:

- Risk assessments serve to increase operational risk awareness, identify operational risks and mitigate identified operational risks.
- Early Warning Indicators provide an early warning signal for potential issues or changes in Operational Risk Profile that may warrant management action.
- Event Data Collection and analysis of internal operational risk events provides meaningful information for measuring the impact of operational risk events and the effectiveness of the internal control environment.
- Scenario Analysis is a process by which the Group considers the impact of extreme, but plausible events on its operations and assigns likelihood and severity estimations to the range of possible outcomes and enables starting of measures to overcome risk that result from tail events.

Operational risk management strategies are defined through management framework, risk appetite and operational risk management measures to prevent operational risk events and reduce operational risk losses.

Risk mitigation represents managing the risk exposure, by taking the one of the following actions: risk avoidance, risk reduction, risk transfer and risk acceptance by informed decision. The Group defined triggers within risk identification tools which result in mandatory mitigation actions, however the development of mitigation actions is conducted as part of everyday business activities whenever they are identified.

Reporting supports the Operational Risk Management cycle by ensuring constant and timely information flow to the relevant decision making bodies. In this way, operational risk reporting supports risk transparency and the integration of Operational Risk Management activities into day-to-day business operations.

48. Risk Management (continued)

Operational risk (continued)

Risk identification, measurement, management and reporting (continued)

The Group uses the standardized approach for calculation of regulatory capital requirement for operational risk. As part of the recording of operational risk events, the Bank and the Group members captured losses caused by the COVID-19 pandemic within category Business disruption and technology system failures, in accordance with the criteria defined in the EBA Report on the implementation of selected COVID-19 policies.

49. Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Financial instruments at fair value through profit or loss and at fair value through other comprehensive income are measured at fair value. Loans and receivables and held-to-maturity assets are measured at amortised cost less impairment.

The carrying amount of cash and current accounts with banks, placements with banks, deposits from banks and deposits from companies and similar entities, reflect their fair value due to the short-term maturity.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Loans and advances

The valuation method that applies to simple, plain-vanilla transactions are executed through discounted cash flow, which means that the generated future cash flows will be discounted with the appropriate discount rate that will reflect the current market situation and an additional add-on corresponding to the specifics of the individual sub-portfolios.

Bank and customer deposits

For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at date of reporting. 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 value of long-term relationships with depositors is not taken into account in estimating fair values.

Borrowings

Most of the Group's long-term debt has no quoted market price and fair value is estimated as the present value of future cash flows, discounted at interest rates available at date of reporting to the Group for new debt of similar type and remaining maturity.

The following table analyses financial instruments that have been measured at fair value after initial recognition, classified into three levels, depending on the availability of fair value indicators (the table below excludes accrued interest):

- Level 1 of available observable indicators - fair value indicators are derived from (non-adjusted) prices quoted on active markets for similar assets and similar liabilities;
- Level 2 of available observable indicators - fair value indicators are derived from other data, other than quoted prices from Level 1, related to direct observation of assets or liabilities, ie their prices, or are obtained indirectly, ie derived from price; and
- Level 3 Indicator - Indicators derived using valuation methods in which asset data or liabilities that are not based on observable market data (inexhaustible input data) are used as input data).

49. Fair value of financial instruments (continued)

Group		Fair value			
2020 HRK millions	Carrying amount	Level 1	Level 2	Level 3	Total fair value
Cash and current accounts with banks	8,289	–	–	8,289	8,289
Obligatory reserve with the Croatian National Bank	1,598	–	–	1,598	1,598
Financial assets at fair value through profit or loss					
Financial assets for trading					
Debt securities	409	396	13		409
Equity securities					
Derivative financial assets	141	–	141	–	141
Financial assets mandatorily at fair value through profit or loss					
Equity securities	19	–	19	–	19
Financial assets designated at fair value through profit or loss					
Debt securities	1,003	371	632	–	1,003
Equity securities	1	1	–	–	1
Investment in investment funds	78	78	–	–	78
Placements with and loans to other banks	212	-	-	212	212
Loans and advances to customers	20,238	–	–	19,250	19,250
Investment securities at FVOCI					
Debt securities	4,781	4,348	433	–	4,781
Equity securities	10	7	1	2	10
Investment securities at amortised cost					
Debt securities	1,730	1,584	168	–	1,752
Other financial assets	61	–	–	61	61
	38,570	**6,785**	**1,407**	**29,412**	**37,604**
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	200	–	200	–	200
Deposits from banks	267	–	–	267	267
Deposits from companies and other similar entities	12,729	–	–	12,736	12,736
Deposits from individuals	16,410	–	–	16,404	16,404
Borrowings	2,834	–	–	2,930	2,930
Lease liabilities	30	–	–	30	30
Other financial liabilities	194	–	–	194	194
Subordinated liabilities	531	–	–	557	557
	33,195	**–**	**200**	**33,118**	**33,318**

49. Fair value of financial instruments (continued)

Group		Fair value			
2019 HRK millions	Carrying amount	Level 1	Level 2	Level 3	Total fair value
Cash and current accounts with banks	5,125	-	-	5,125	5,125
Obligatory reserve with the Croatian National Bank	1,969	-	-	1,969	1,969
Financial assets at fair value through profit or loss					
Financial assets for trading					
Debt securities	500	500	-	-	500
Equity securities	6	6	-	-	6
Derivative financial assets	52		52	-	52
Financial assets mandatorily at fair value through profit or loss					
Debt securities	880	676	204	-	880
Equity securities	1	1	-	-	1
Investment in investment funds	57	57	-	-	57
Fair value hedge	1	-	1	-	1
Placements with and loans to other banks	554	-	-	554	554
Loans and advances to customers	19,867	-	-	20,322	20,322
Investment securities at FVOCI					
Debt securities	5,253	5,253	-	-	5,253
Equity securities	50	10	38	2	50
Investment securities at amortised cost	798	823	-	-	823
Other financial assets	58	-	-	58	58
	35,171	**7,326**	**295**	**28,030**	**35,651**
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	81	-	81	-	81
Deposits from banks	1,171	-	-	1,171	1,171
Deposits from companies and other similar entities	11,018	-	-	11,060	11,060
Deposits from individuals	15,543	-	-	15,518	15,518
Borrowings	1,995	-	-	2,037	2,037
Lease liabilities	37	-	-	37	37
Other financial liabilities	204	-	-	204	204
Subordinated liabilities	524	-	-	558	558
	30,573	**-**	**81**	**30,585**	**30,666**

49. Fair value of financial instruments (continued)

Bank 2020 HRK millions	Carrying amount	Level 1	Fair value Level 2	Level 3	Total fair value
Cash and current accounts with banks	8,277	-	-	8,277	8,277
Obligatory reserve with the Croatian National Bank	1,598	-	-	1,598	1,598
Financial assets at fair value through profit or loss					
Financial assets for trading					
Debt securities	409	396	13	-	409
Equity securities	-	-	-	-	-
Derivative financial assets	157	-	157	-	157
Financial assets mandatorily at fair value through profit or loss					
Equity securities	19	-	19	-	19
Financial assets designated at fair value through profit or loss					
Debt securities	132	65	67	-	132
Placements with and loans to other banks	93	-	-	93	93
Loans and advances to customers	18,961	-	-	19,215	19,215
Investment securities at FVOCI					
Debt securities	4,509	4,126	383	-	4,509
Equity securities	10	7	1	2	10
Investment securities at amortised cost					
Debt securities	1,418	1,418	-	-	1,418
Investments in subsidiaries	384	-	-	384	384
Other financial assets	33	-	-	33	33
	36,000	**6,012**	**640**	**29,602**	**36,254**
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	198	-	198	-	198
Fair value of OTC spot transactions	1	-	1	-	1
Deposits from banks	424	-	-	424	424
Deposits from companies and other similar entities	12,967	-	-	12,976	12,976
Deposits from individuals	15,361	-	-	15,364	15,364
Borrowings	2,066	-	-	2,156	2,156
Lease liabilities	152	-	-	152	152
Other financial liabilities	159	-	-	159	159
Subordinated liabilities	531	-	-	557	557
	31,859	**-**	**199**	**31,788**	**31,987**

49. Fair value of financial instruments (continued)

Bank 2019 HRK millions	Carrying amount	Fair value Level 1	Level 2	Level 3	Total fair value
Cash and current accounts with banks	5,109	-	-	5,109	5,109
Obligatory reserve with the Croatian National Bank	1,969	-	-	1,969	1,969
Financial assets at fair value through profit or loss					
Financial assets for trading					
Debt securities	500	500	-	-	500
Equity securities	6	6	-	-	6
Derivative financial assets	62	-	62	-	62
Financial assets designated at fair value through profit or loss					
Debt securities	113	73	40	-	113
Fair value hedge	1	-	1	-	1
Placements with and loans to other banks	541	-	-	541	541
Loans and advances to customers	18,456	-	-	18,850	18,850
Investment securities at FVOCI	–	–	–	–	–
Debt securities	5,086	5,086	-	-	5,086
Equity securities	50	10	38	2	50
Investment securities at amortised cost	523	527	–	–	527
Investments in subsidiaries	384	-	-	384	384
Other financial assets	36	-	-	36	36
	32,836	**6,202**	**141**	**26,891**	**33,234**
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	80	–	80	–	80
Fair value of OTC spot transactions	-	-	-	-	-
Deposits from banks	1,303	-	-	1,303	1,303
Deposits from companies and other similar entities	11,170	-	-	11,213	11,213
Deposits from individuals	14,458	-	-	14,455	14,455
Borrowings	1,058	-	-	1,067	1,067
Lease liabilities	182	-	-	182	182
Other financial liabilities	190	-	-	190	190
Subordinated liabilities	524	-	-	558	558
	28,965	**-**	**80**	**28,968**	**29,048**

49. Fair value of financial instruments (continued)

The following table shows adjustment between initial and final balance for measurement of fair value in Level 3 within the hierarchy of fair values:

Group/Bank	Trading instruments	Financial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income
	Equity instruments	Debt securities issued by companies	Equity securities
At 1 January 2019	–	–	1
Gains and losses in other comprehensive income	–	–	1
At 31 December 2019	–	–	2
Gains and losses in other comprehensive income	–	–	–
At 31 December 2020	–	–	2

Changes in financial assets are related to changes in market conditions that were primarily brought about by the COVID-19 and the oil crisis in global markets during 2020. The improvement in credit ratings affected the narrower credit spreads of Croatian government bonds. The change resulting from the Bank's internal decision is the reclassification of Optima Telekom bond from Level 3 assets to Level 2 assets.

Bank	Komitent	Financial instrument	Fair value	Currency	Valuation Method	Significant valuation parameters not publicly available
Equity instruments	FORTENOVA GROUP STAK STICHTING	AGRO1000271D	46,877	HRK	Expert opinion-> nominal price is EUR 1 and "market value" of 1 GDR is EUR 0.002	
Debt securities	FORTENOVA GROUP TOPCO B.V.	AGRO1000271C	192,242	HRK	Expert opinion-> nominal price is EUR 1 and "market value" of 1 convertible bond is EUR 0.002.	
Equity instruments	SKDD D.D.	HRSDA0RA0007	52,991	HRK	Valuation is based on discounted CF based on median value for P/S, P/E and EV/EBITDA in comparison to fundamentals for SKK for last year with additional haircut for liquidity	P/E P/S EV/EBITDA liquidity haircut 21% private company haircut 10%
Equity instruments	HROK D.O.O.	HRUDIO000007	2,034,972	HRK	Valuation is based on discounted CF based on median value for P/S, P/E and EV/EBITDA in comparison to fundamentals for HROK for last year with additional haircut for liquidity	P/E P/S EV/EBITDA liquidity haircut 21% private company haircut 10%

During 2020 the Optima Telekom bond was reclassified from Level 3 asset to Level 2 asset. The reclassification decision was made on the basis of business indicators and certain stock market transactions.
For securities classified in Level 3 assets, changes in valuation inputs that are not directly available would mean:

49. Fair value of financial instruments (continued)

- Fortenova Group securities whose market value is based on expert judgment – given the impossibility of marketability of these securities, we consider that no changes at fair value are possible at this time. If they occur in the future, the Bank would achieve an increase in the value of these instruments as they are currently reduced to the minimum
- Securities valued on the basis of discounted amounts:
  - Increase in valuation inputs that are not directly available would mean a decrease in the fair value of the specific instrument
  - Decrease in valuation inputs that are not directly available would mean an increase in the fair value of the specific instrument

50. Capital management

From 1 January 2014 credit institutions in Croatia are obliged to calculate and report prudential requirements according to Capital Requirements Regulation (EU) No 575/2013 ("CRR"), Directive 2013/36/EU, implementing technical standards and other relevant regulations prescribed by European Banking Authority ("EBA") and local regulator, the Croatian National Bank ("CNB").

The Group's and the Bank's regulatory capital requirements are based on Basel III methodology.

The Group, in accordance with the regulatory requirements of CNB and EBA regulations, comprises Raiffeisenbank Austria and its subsidiaries that form a group of credit institutions. For the purpose of regulatory capital calculation the Group consists of: Raiffeisenbank Austria d.d., Raiffeisen stambena štedionica d.d, Raiffeisen Leasing d.o.o. and Raiffeisen Consulting d.o.o.. (2019: Raiffeisenbank Austria d.d., Raiffeisen stambena štedionica d.d, Raiffeisen Leasing d.o.o., Raiffeisen Consulting d.o.o.).

The regulatory capital of the Bank and the Group consists of Common Equity Tier 1 ("CET1"), Additional Tier 1 and Tier 2 ("T2") capital. CET1 includes ordinary shares and related share premium, retained earnings, reserves, deductions for intangible assets, fair value change of financial instruments at fair value through other comprehensive income and value adjustment for prudent valuations and goodwill from acquisition of 100% of stake in Raiffeisen Leasing d.o.o.. Additional Tier 1 capital is related to the issued bond without maturity. T2 capital includes qualifying subordinated liabilities.

Prescribed minimal capital ratios (in accordance with Article 92 of Regulation (EU) No. 575/2013) are:

- Common Equity Tier 1 capital ratio of 4.5% of the total risk exposure amount
- Tier 1 capital ratio of 6% of the total risk exposure amoun
- Total capital ratio of 8% of the total risk exposure amount.

Additionally, in accordance with Article 129 and 133 of Directive 2013/36/EU and Articles 117 and 130 of CNB's Credit Institutions Act, the Group and the Bank are also obliged to maintain the following capital buffers:

- capital conservation buffer of 2.5% of the total risk exposure amount
- systemic risk buffer in the amount of 1.5% of the total risk exposure amount.
- other systemically important institution buffer in the amount of 2% of the total risk exposure amount.

The primary objective of the capital management strategy is to ensure that capital adequacy requirements are met at all times and that sufficient capital is available to support the bank's business strategy. The basis of the capital management strategy are the business plans of the Bank and the Group and risk appetite. Other important factors taken into account when managing the capital position are the expectations and requirements of external stakeholders (such as regulators, investors, shareholders, rating agencies).

The capital ratios of the Bank and the Group are continuously kept above the prescribed and defined rates. In addition to the minimum prescribed capital requirements under Pillar I (P1R), the Bank and the Group also maintain the capital requirements under Pillar II (P2R) defined by the regulator in the supervisory review and evaluation process (SREP), as well as all the prescribed capital buffers.

In order to increase the resilience of the financial system and maintain financial stability in the Republic of Croatia, on 15 January 2021 the CNB Decision was adopted on a temporary restriction of profit distribution until 31.12.2021. Pursuant to this Decision, the Bank may not:

- make a dividend distribution or create an obligation related to dividend distribution
- redeem or purchase own shares or other capital instruments of the credit institution referred to in Article 26 paragraph 1 point (a) of Regulation (EU) No 575/2013
- make a repayment of the amounts paid up in connection with capital instruments referred to in Article 26 paragraph 1 point (a) of Regulation (EU) No 575/2013
- make a distribution of items referred to in Article 26 paragraph 1 points (b) to (f) of Regulation (EU) No 575/2013
- award variable remuneration to identified staff

50. Capital management (continued)

Therefore, profits earned in 2020 will remain undistributed..

Pursuant to the CNB Decision of 20 March 2020, the Bank distributed net profit earned in 2019 financial year net of allocation on AT1 instrument into retained earnings. This solution was the result of the CNB's reaction to the disruptions in the economy due to the coronavirus pandemic, with the aim of maintaining the security and stability of credit institutions and the financial stability of the system in general, further to the announcements by the European Banking Authority (EBA) and announcements of the European Central Bank.

HRK millions	Group 2020	Group 2019	Bank 2020	Bank 2019
Regulatory capital				
Tier 1 capital				
Common Equity Tier 1 ("CET1") capital				
Issued share capital	3,621	3,621	3,621	3,621
Share premium	12	12	12	12
Retained earnings (excluding profit for the period)	708	197	456	29
Net profit for the period	-	-	-	-
Legal, statutory and other reserves	181	173	172	173
Accumulated other comprehensive income	65	107	63	104
Deductions, in accordance with the CNB regulations				
Intangible assets	(202)	(273)	(199)	(268)
Value adjustment due to prudent valuations	(12)	(10)	(11)	(9)
Goodwill	(27)	(27)	–	–
Deductions for investments in banks and financial institutions	(23)	(23)	(23)	(23)
Total Common Equity Tier 1 capital	**4,323**	**3,777**	**4,091**	**3,639**
Additional TIER 1 capital	**297**	**297**	**297**	**297**
Tier 2 capital	**257**	**328**	**257**	**328**
Total Own Funds	**4,877**	**4,402**	**4,645**	**4,264**
Total risk-weighted assets	**20,647**	**21,942**	**19,544**	**20,543**
Hereof:				
Credit risk, counterparty and dilution risks and free deliveries	17,877	18,518	16,935	17,436
Position, foreing exchange and commodities risk	306	777	303	714
Operational risk	2,428	2,604	2,244	2,345
Credit valuation adjustment	36	27	62	48
Capital adequacy ratio	**23.62%**	**20.06%**	**23.77%**	**20.76%**

In 2020, the capital adequacy ratio of the Group and the Bank was above the prescribed minimum.

51. Events after reporting period

There were no significant events after the reporting date.

This is an English translation of the statutory financial statements issued in Croatian. 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 financial statements takes precedence over translation.

Appendix I

Supplementary schedules for the Croatian National Bank

Pursuant to the Croatian Accounting Law (Official Gazette 78/15, 134/15, 120/16, 116/18) the Croatian National Bank issued the Decision on the Structure and Content of Annual Financial Statements of Credit Institutions (Official Gazette 42/18) and the Decision on Amendments to the Decision on the Structure and Content of the Annual Financial Statements of Credit Institutions (Official Gazette 122/2020). The following tables present financial statements (schedules) prepared in accordance to the above mentioned Decisions.

Statement of financial position (Balance sheet)

HRK millions	Group 2020	Group 2019
Assets		
1. Cash and cash equivalents, central bank receivables and other demand deposits (from 2 to 4)	8,308	5,203
2. Cash in hand	*1,401*	*1,242*
3. Cash receivables from central banks	*6,744*	*3,790*
4. Other demand deposits	*163*	*171*
5. Financial assets for trading (from 6 to 9)	551	558
6. Derivatives	*142*	*52*
7. Equity instruments	–	*6*
8. Debt securities	*409*	*500*
9. Loans and advances	–	–
10. Non-trading financial assets mandatorily at fair value through profit or loss (from 11 to 13)	19	–
11. Equity instruments	*19*	–
12. Debt securities	–	–
13. Loans and advances	–	–
14. Financial assets at fair value through profit or loss (15+16)	132	114
15. Debt securities	*132*	*114*
16. Loans and advances	–	–
17. Financial assets at fair value through other comprehensive income (from 18 to 20)	4,741	5,303
18. Equity instruments	*10*	*50*
19. Debt securities	*4,731*	*5,253*
20. Loans and advances	–	–
21. Financial assets at amortised cost (22 + 23)	23,382	22,997
22. Debt securities	*1,475*	*689*
23. Loans and advances	*21,907*	*22,308*
24. Derivatives – hedge accounting	–	1
25. Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	14
26. Investments in subsidiaries, joint ventures and associates	268	263
27. Tangible assets	994	1,024
28. Intangible assets	345	300
29. Tax assets	107	157
30. Other assets	101	170
31. Non-current assets and disposal groups classified as held for sale	5	–
TOTAL ASSETS (1. + 5. + 10. + 14. + 17. + 21. + from 24. to 31.)	38,971	36,104

Appendix I

Supplementary schedules for the Croatian National Bank (continued)

Statement of financial position (Balance sheet) (continued)

HRK millions	Group 2020	Group 2019
Liabilities		
33. Financial liabilities for trading (from 34 to 38)	175	64
34. Derivatives	*175*	*64*
35. Short positions	–	–
36. Depostis	–	–
37. Debt securities issued	–	–
38. Other financial liabilities	–	–
39. Financial liabilities designated at fair value through profit or loss (from 40 to 42)	–	–
40. Depostis	–	–
41. Debt securities issued	–	–
42. Other financial liabilities	–	–
43. Financial liabilities at amortised cost (from 44 to 46)	33,170	30,402
44. Deposits	*32,941*	*30,334*
45. Debt securities issued	–	–
46. Other financial liabilities	*229*	*68*
47. Derivatives – Hedge accounting	23	16
48. Fair value changes of the hedged items in portfolio hedge ofinterest rate risk	–	–
49. Provisions	477	328
50. Tax liabilities	–	–
51. Share capital repayable on demand	–	–
52. Other liabilities	115	342
53. Liabilities included in disposal groups classified as held for sale	–	–
54. TOTAL LIABILITIES (33. + 39. + 43. + from 47. to 53.)	**33,960**	**31,152**
Equity		
55. Share capital	3,621	3,621
56. Share premium	12	12
57. Equity instruments issued other than capital	297	297
58. Other equity	–	–
59. Accumulated other comprehensive income	65	110
60. Retained earnings	708	299
61. Revaluation reserves	–	–
62. Other reserves	181	192
63. (–) Treasury shares	–	–
64. Profit or loss attributable to owners of the parent	127	421
65. (–) Interim dividends	–	–
66. Minority interests (Non-controlling interests)	–	–
67. TOTAL EQUITY (from 55. to 66.)	**5,011**	**4,952**
68. TOTAL LIABILITIES AND EQUITY (54. + 67.)	**38,971**	**36,104**

Appendix I

Supplementary schedules for the Croatian National Bank (continued)

Statement of financial position (Balance sheet) (continued)

HRK millions	Bank 2020	Bank 2019
Assets		
1. Cash and cash equivalents, central bank receivables and other demand deposits (from 2 to 4)	8,308	5,170
2. Cash in hand	*1,401*	*1,242*
3. Cash receivables from central banks	*6,744*	*3,790*
4. Other demand deposits	*163*	*138*
5. Financial assets for trading (from 6 to 9)	566	568
6. Derivatives	*157*	*62*
7. Equity instruments	–	*6*
8. Debt securities	*409*	*500*
9. Loans and advances	–	–
10. Non-trading financial assets mandatorily at fair value through profit or loss (from 11 to 13)	56	37
11. Equity instruments	*19*	–
12. Debt securities	–	–
13. Loans and advances	*37*	*37*
14. Financial assets at fair value through profit or loss (15+16)	132	113
15. Debt securities	*132*	*113*
16. Loans and advances	–	–
17. Financial assets at fair value through other comprehensive income (from 18 to 20)	4,520	5,136
18. Equity instruments	*10*	*50*
19. Debt securities	*4,510*	*5,086*
20. Loans and advances	–	–
21. Financial assets at amortised cost (22 + 23)	22,020	21,409
22. Debt securities	*1,420*	*523*
23. Loans and advances	*20,600*	*20,886*
24. Derivatives – hedge accounting	–	1
25. Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	14
26. Investments in subsidiaries, joint ventures and associates	384	384
27. Tangible assets	678	683
28. Intangible assets	314	268
29. Tax assets	91	148
30. Other assets	83	145
31. Non-current assets and disposal groups classified as held for sale	–	–
32. TOTAL ASSETS (1. + 5. + 10. + 14. + 17. + 21. + from 24. to 31.)	37,170	34,076

Appendix I

Supplementary schedules for the Croatian National Bank (continued)

Statement of financial position (Balance sheet) (continued)

HRK millions	Bank 2020	Bank 2019
Liabilities		
33. Financial liabilities for trading (from 34 to 38)	176	64
34. Derivatives	*176*	*64*
35. Short positions	–	–
36. Depostis	–	–
37. Debt securities issued	–	–
38. Other financial liabilities	–	–
39. Financial liabilities designated at fair value through profit or loss (from 40 to 42)	–	–
40. Depostis	–	–
41. Debt securities issued	–	–
42. Other financial liabilities	–	–
43. Financial liabilities at amortised cost (from 44 to 46)	31,673	28,692
44. Deposits	*31,348*	*28,510*
45. Debt securities issued	–	–
46. Other financial liabilities	*325*	*182*
47. Derivatives – Hedge accounting	23	16
48. Fair value changes of the hedged items in portfolio hedge of interest rate risk		–
49. Provisions	459	312
50. Tax liabilities	–	–
51. Share capital repayable on demand	–	–
52. Other liabilities	86	306
53. Liabilities included in disposal groups classified as held for sale	–	–
54. TOTAL LIABILITIES (33. + 39. + 43. + from 47. to 53.)	**32,417**	**29,390**
Equity		
55. Share capital	3,621	3,621
56. Share premium	12	12
57. Equity instruments issued other than capital	297	297
58. Other equity	–	–
59. Accumulated other comprehensive income	63	104
60. Retained earnings	456	29
61. Revaluation reserves	–	–
62. Other reserves	172	185
63. (–) Treasury shares	–	–
64. Profit or loss attributable to owners of the parent	132	438
65. (–) Interim dividends	–	–
66. Minority interests (Non-controlling interests)	–	–
67. TOTAL EQUITY (from 55. to 66.)	**4,753**	**4,686**
68. TOTAL LIABILITIES AND EQUITY (54. + 67.)	**37,170**	**34,076**

Appendix I

Supplementary schedules for the Croatian National Bank (continued)

Income Statement

HRK millions	Group 2020	Group 2019
1. Interest income	941	1,009
2. (Interest expense)	(102)	(122)
3. (Expenses on share capital repayable on demand)	–	–
4. Dividend income	56	85
5. Fee and commission income	511	798
6. (Fee and commission expense)	(255)	(457)
7. Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(11)	6
8. Gains or (-) losses on financial assets and liabilities held for trading, net	91	140
9. Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	6	(2)
10. Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	1	10
11. Gains or (-) losses from hedge accounting, net	(1)	(3)
12. Exchange differences [gain or (-) loss], net	29	(9)
13. Gains or (-) losses on derecognition of non-financial assets, net	10	(19)
14. Other operating income	85	100
15. (Other operating expense)	(15)	(73)
16. TOTAL OPERATING INCOME, NET (1. to 15.)	**1,346**	**1,463**
17. (Administrative expense)	(699)	(666)
18. (Cash contributions to resolution funds and deposit guarantee schemes)	(66)	(55)
19. (Depreciation)	(141)	(138)
20. Modification gains or (-) losses, net	8	(8)
21. (Rezervacije ili (–) ukidanje rezervacija)	(132)	(129)
22. (Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	(150)	(24)
23. (Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	–	–
24. (Impairment or (-) reversal of impairment on non-financial assets)	–	–
25. Negative goodwill recognised in profit or loss	–	–
26. Share of the profit or (-) loss of investments in subsidaries, joint ventures and associates accounted for using the equity method	4	(22)
27. Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(2)	–
28. PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS (16. to 27.)	**168**	**421**

Appendix I

Supplementary schedules for the Croatian National Bank (continued)

Income Statement (continued)

HRK millions	Group 2020	Group 2019
29. (Tax expense or (-) income related to profit or loss from continuing operations)	(41)	–
30. PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS (28. + 29.)	**127**	**421**
31. Profit or (-) loss after tax from discontinued operations (32 – 33)	–	–
32. Profit or (-) loss before tax from discontinued operations	–	–
33. (Tax expense or (-) income related to discontinued operations)	–	–
34. PROFIT OR (-) LOSS FOR THE YEAR	**127**	**421**
35. Attributable to minority interest [non-controlling interests]	–	–
36. Attributable to owners of the parent	127	421

Appendix I

Supplementary schedules for the Croatian National Bank (continued)

Statement of comprehensive income

HRK millions	Group 2020	Group 2019
1. PROFIT OR (-) LOSS FOR THE YEAR	**127**	**421**
2. Other comprehensive income (3 + 15)	(43)	37
3. Items that will not be reclassified to profit or loss (from 4 to 10 + 13 + 14)	(24)	17
4. Tangible assets	–	–
5. Intangible assets	–	–
6. Actuarial gains or (-) losses on defined benefit pension plans	–	–
7. Non-current assets and disposal groups held for sale	–	–
8. Share of other recognised income and expense of entities accounted for using the equity method	–	–
9. Fair value changes of equity instruments measured at fair value through other comprehensive income	(25)	18
10. Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	–	–
11. Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	–	–
12. Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	–	–
13. Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	–	–
14. Items that are or may be reclassified to profit or loss	1	(1)
15. Items that may be reclassified to profit of loss (from 16 to 23)	**(19)**	**20**
16. Hedges of net investments in foreign operations (effective portion)	–	–
17. Foreign currency translation	–	–
18. Cash flow hedges (effective portion)	–	–
19. Hedging instruments (not designated elements)	–	–
20. Debt instruments at fair value through other comprehensive Income	(18)	25
21. Non-current assets and disposal groups held for sale		–
22. Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates		–
23. Income tax relating to items that may be reclassifies to profit or (-) loss	(1)	(5)
24. Total comprehensive income for the year (1 + 2; 25 + 26)	**84**	**458**
25. Attributable to minority interest (non-controlling interest)	–	–
26. Attributable to owners of the parent	84	458

Appendix I

Supplementary schedules for the Croatian National Bank (continued)

Income statement

HRK millions	Bank 2020	Bank 2019
1. Interest income	876	932
2. (Interest expense)	(78)	(93)
3. (Expenses on share capital repayable on demand)	–	–
4. Dividend income	56	85
5. Fee and commission income	509	795
6. (Fee and commission expense)	(254)	(454)
7. Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(11)	6
8. Gains or (-) losses on financial assets and liabilities held for trading, net	98	147
9. Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	6	–
10. Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	1	10
11. Gains or (-) losses from hedge accounting, net	(1)	(3)
12. Exchange differences [gain or (-) loss], net	30	(11)
13. Gains or (-) losses on derecognition of non-financial assets, net	11	(20)
14. Other operating income	27	37
15. (Other operating expense)	(14)	(69)
16. TOTAL OPERATING INCOME, NET (1. to 15.)	**1,256**	**1,362**
17. (Administrative expense)	(641)	(605)
18. (Cash contributions to resolution funds and deposit guarantee schemes)	(63)	(52)
19. (Depreciation)	(111)	(106)
20. Modification gains or (-) losses, net	9	(8)
21. (Provisions or (-) reversal of provisions)	(132)	(129)
22. (Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	(145)	(26)
23. (Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	–	–
24. (Impairment or (-) reversal of impairment on non-financial assets)	–	–
25. Negative goodwill recognised in profit or loss	–	–
26. Share of the profit or (-) loss of investments in subsidaries, joint ventures and associates accounted for using the equity method	–	–
27. Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	–	–

Appendix I

Supplementary schedules for the Croatian National Bank (continued)

Income statement (continued)

HRK millions	Bank 2020	Bank 2019
28. PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS (16. to 27.)	173	436
29. (Tax expense or (-) income related to profit or loss from continuing operations)	(41)	2
30. PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS (28. + 29.)	132	438
31. Profit or (-) loss after tax from discontinued operations (32 – 33)	–	–
32. Profit or (-) loss before tax from discontinued operations	–	–
33. (Tax expense or (-) income related to discontinued operations)	–	–
34. PROFIT OR (-) LOSS FOR THE YEAR	132	438
35. Attributable to minority interest [non-controlling interests]		
36. Attributable to owners of the parent	132	438

Appendix I

Supplementary schedules for the Croatian National Bank (continued)

Statement of comprehensive income

HRK millions	Bank 2020	Bank 2019
1. PROFIT OR (-) LOSS FOR THE YEAR	**132**	**438**
2. Other comprehensive income (3 + 15)	(41)	39
3. Items that will not be reclassified to profit or loss (from 4 to 10 + 13 + 14)	(24)	17
4. Tangible assets	–	–
5. Intangible assets	–	–
6. Actuarial gains or (-) losses on defined benefit pension plans	–	–
7. Non-current assets and disposal groups held for sale	–	–
8. Share of other recognised income and expense of entities accounted for using the equity method	–	–
9. Fair value changes of equity instruments measured at fair value through other comprehensive income	(25)	18
10. Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	–	–
11. Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	–	–
12. Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	–	–
13. Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	–	–
14. Items that are or may be reclassified to profit or loss	1	(1)
15. Items that may be reclassified to profit of loss (from 16 to 23)	**(17)**	**22**
16. Hedges of net investments in foreign operations (effective portion)	–	–
17. Foreign currency translation	–	–
18. Cash flow hedges (effective portion)	–	–
19. Hedging instruments (not designated elements)	–	–
20. Debt instruments at fair value through other comprehensive Income	(16)	27
21. Non-current assets and disposal groups held for sale	–	–
22. Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	–	–
23. Income tax relating to items that may be reclassifies to profit or (-) loss	(1)	(5)
24. Total comprehensive income for the year (1 + 2; 25 + 26)	**91**	**477**
25. Attributable to minority interest (non-controlling interest)	–	–
26. Attributable to owners of the parent	91	477

Appendix I

Supplementary schedules for the Croatian National Bank (continued)

Statement of cash flows – indirect method

HRK millions	Group 2020	Group 2019
Operating activities under indirect method		
9. Profit/(loss) before tax	**168**	**421**
Adjustments:		
10. Impairment losses	307	134
11. Depreciation and amortization	141	138
12. Unrealised (gains)/losses on securities at fair value through profit or loss	11	(6)
13. (Gains)/losses from sale of tangible assets	–	(20)
14. Other non cash items	(916)	(949)
Changes in assets and liabilities due to operating activities		
15. Deposits with the Croatian National Bank	–	–
16. Deposits with banking institutions and loans to financial institutions	(11)	33
17. Loans and advances to other clients	(81)	(2,507)
18. Securities and other financial instruments at fair value through other comprehensive income	–	–
19. Securities and other financial instruments held for trading	26	326
20. Securities and other financial instruments at fair value through profit or loss which are not actively traded	(21)	(17)
21. Securities and other financial instruments mandatorily at FVTPL	(19)	–
22. Securities and other financial instruments at amortized cost	–	–
23. Other assets from operating activities	80	(16)
24. Deposits from financial institutions	(906)	576
25. Transaction accounts of other clients	2,986	1,605
26. Savings deposits of other clients	–	–
27. Time deposits of other clients	(340)	(1,372)
28. Derivative financial liabilities and other traded liabilities	118	40
29. Other liabilities	(50)	60
30. Interest received	830	958
31. Dividend received	–	–
32. Interest paid	(102)	(127)
33. (Income tax paid)	(11)	(35)
34. Net inflow/(outflow) of cash from operating activities (from 1. to 33.)	**2,210**	**(758)**

Appendix I

Supplementary schedules for the Croatian National Bank (continued)

Statement of cash flows – indirect method (continued)

HRK millions	Group 2020	Group 2019
Investing activities		
35. Cash receipts from/(payments to acquire) tangible and intangible assetse	(156)	(122)
36. Cash receipts from the disposal of/(payments for the investment in) subsidiaries, associates and joint ventures	–	–
37. Cash receipts from sales of/(cash payments to acquire) securities and other investment securities	(291)	(186)
38. Dividends received	56	85
39. Other receipts/(payments) from investing activities	98	22
40. Net cash flow from investing activities (from 35. to 39.)	**(293)**	**(201)**
Financing activities		
41. Net increase/(decrease) in loans received from financing activities	815	86
42. Net increase/(decrease) of debt securities issued	–	–
43. Net increase/(decrease) of Tier 2 capital instruments	–	2
44. Increase of share capital	–	–
45. (Dividends paid)	–	(354)
46. Other receipts/(payments) from financing activities	(57)	–
47. Net cash flow from financing activities (from 41. to 46.)	**758**	**(266)**
48. Net increase/(decrease) in cash and cash equivalents (34. + 40. + 47.)	**2,675**	**(1,225)**
49. Cash and cash equivalents at the beginning of the year	**5,638**	**6,829**
50. Effect of foreign exchange differences on cash and cash equivalents	(5)	34
51. Cash and cash equivalents at the end of the year (48. + 49. + 50.)	**8,308**	**5,638**

Appendix I

Supplementary schedules for the Croatian National Bank (continued)

Statement of cash flows – indirect method (continued)

HRK millions	Bank 2020	Bank 2019
Operating activities under indirect method		
9. Profit/(loss) before tax	173	436
Adjustments:		
10. Impairment losses	302	157
11. Depreciation and amortization	111	106
12. Unrealised (gains)/losses on securities at fair value through profit or loss	11	(6)
13. (Gains)/losses from sale of tangible assets	–	(20)
14. Other non cash items	(891)	(902)
Changes in assets and liabilities due to operating activities		
15. Deposits with the Croatian National Bank	–	–
16. Deposits with banking institutions and loans to financial institutions	(4)	49
17. Loans and advances to other clients	(200)	(2,468)
18. Securities and other financial instruments at fair value through other comprehensive income	–	–
19. Securities and other financial instruments held for trading	32	319
20. Securities and other financial instruments at fair value through profit or loss which are not actively traded	(23)	76
21. Securities and other financial instruments mandatorily at FVTPL	(18)	(2)
22. Securities and other financial instruments at amortized cost	–	–
23. Other assets from operating activities	73	23
24. Deposits from financial institutions	(881)	622
25. Transaction accounts of other clients	2,997	1,547
26. Savings deposits of other clients	–	–
27. Time deposits of other clients	(295)	(1,406)
28. Derivative financial liabilities and other traded liabilities	119	40
29. Other liabilities	(38)	13
30. Interest received	815	908
31. Dividend received	–	–
32. Interest paid	(68)	(97)
33. (Income tax paid)	(4)	(28)
34. Net inflow/(outflow) of cash from operating activities (from 1. to 33.)	2,211	(633)

Appendix I

Supplementary schedules for the Croatian National Bank (continued)

Statement of cash flows – indirect method (continued)

HRK millions	Bank 2020	Bank 2019
Investing activities		
35. Cash receipts from/(payments to acquire) tangible and intangible assets	(157)	(142)
36. Cash receipts from the disposal of/(payments for the investment in) subsidiaries, associates and joint ventures	–	–
37. Cash receipts from sales of/(cash payments to acquire) securities and other investment securities	(336)	(251)
38. Dividends received	56	85
39. Other receipts/(payments) from investing activities	–	8
40. Net cash flow from investing activities (from 35. to 39.)	**(437)**	**(300)**
Financing activities		
41. Net increase/(decrease) in loans received from financing activities	994	61
42. Net increase/(decrease) of debt securities issued	–	
43. Net increase/(decrease) of Tier 2 capital instruments	–	2
44. Increase of share capital	–	–
45. (Dividends paid)	–	(354)
46. Other receipts/(payments) from financing activities	(69)	–
47. Net cash flow from financing activities (from 41. to 46.)	**925**	**(291)**
48. Net increase/(decrease) in cash and cash equivalents (34. + 40. + 47.)	**2,699**	**(1,224)**
49. Cash and cash equivalents at the beginning of the year	**5,614**	**6,805**
50. Effect of foreign exchange differences on cash and cash equivalents	(5)	33
51. Cash and cash equivalents at the end of the year (48. + 49. + 50.)	**8,308**	**5,614**

Appendix I

Supplementary schedules for the Croatian National Bank (continued)

Statement of changes in equity

Group 2020 (All amounts in HRK million)	Share capital	Share premium	Equity instru-ments issued other than share capial	Other equity instru-ments	Accumu lated other compre hensive income	Retained earnings	Revalu ation reserves	Other reserves	Treasury shares	Profit or (-) loss attribu-table to owners of the parent	Interim divi-dends	Accumu lated other compre hensive income	Other items	Total
1. Opening balance [before restatement]	3,621	12	–	297	110	299	–	192	–	421	–	–	–	4,952
2. Correction of errors	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Changes of accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Opening balance [current period] (1 + 2 + 3)	3,621	12	–	297	110	299	–	192	–	421	–	–	–	4,952
5. Issuance of ordinary shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6. Issuance of preference shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7. Issuance of other equity instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	–
8. Exercise of expiration of other equity instruments issued	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9. Conversion of debt to equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10. Capital reduction	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11. Dividends	–	–	–		–	–	–	–	–	–	–	–	–	–
12. Purchase of treasury shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13. Sale or cancelattion of treasury shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14. Reclassification of financial instruments from equity to liability	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15. Reclassification of financial instruments from liability to equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
16. Transfer between components of owner's instruments	–	–	–	–	–	386	–	–	–	(421)	–	–	–	(35)
17. Equity increase or (-) decrease resulting from business combination	–	–	–	–	–	–	–	–	–	–	–	–	–	–
18. Share based payments	–	–	–	–	–	–	–	–	–	–	–	–	–	–
19. Other increase or (–) decrease of owner's instruments	–	–	–	–	–	23	–	(11)	–	–	–	–	–	12
20. Total comprehensive income for the year	–	–	–	–	(45)	–	–	–	–	127	–	–	–	82
21. Closing balance [current period] (from 4 to 20)	3,621	12	–	297	65	708	–	181	–	127	–	–	–	5,011

Appendix I

Supplementary schedules for the Croatian National Bank (continued)

Statement of changes in equity

Bank 2020 (All amounts in HRK million)	Share capital	Share premium	Equity instruments issued other than share capial	Other equity instruments	Accumulated other comprehensive income	Retained earnings	Revaluation reserves	Other reserves	Treasury shares	Profit or (-) loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Other items	Total
1. Opening balance [before restatement]	3,621	12	–	297	104	29	–	185	–	438	–	–	–	4,686
2. Correction of errors	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Changes of accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Opening balance [current period] (1 + 2 + 3)	3,621	12	–	297	104	29	–	185	–	438	–	–	–	4,686
5. Issuance of ordinary shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6. Issuance of preference shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7. Issuance of other equity instruments	–	–		–	–	–	–	–	–	–	–	–	–	–
8. Exercise of expiration of other equity instruments issued	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9. Conversion of debt to equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10. Capital reduction	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11. Dividends	–	–	–		–	–	–	–	–	–	–	–	–	–
12. Purchase of treasury shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13. Sale or cancelattion of treasury shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14. Reclassification of financial instruments from equity to liability	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15. Reclassification of financial instruments from liability to equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
16. Transfer between components of owner's instruments	–	–	–	–	–	403	–	–	–	(438)	–	–	–	(35)
17. Equity increase or (–) decrease resulting from business combination	–	–	–	–	–	–	–	–	–	–	–	–	–	–
18. Share based payments	–	–	–	–	–	–	–	–	–	–	–	–	–	–
19. Other increase or (–) decrease of owner's instruments	–	–	–	–	–	–	–	(13)	–	–	–	–	–	(13)
20. Total comprehensive income for the year	–	–	–	–	41	24	–	–	–	132	–	–	–	115
21. Closing balance [current period] (from 4 to 20)	3,621	12	–	297	63	456	–	172	–	132	–	–	–	4,753

Appendix I

Supplementary schedules for the Croatian National Bank (continued)

Statement of changes in equity

Group 2019 (All amounts in HRK million)	Share capital	Share premium	Equity instruments issued other than share capial	Other equity instruments	Accumulated other comprehensive income	Retained earnings	Revaluation reserves	Other reserves	Treasury shares	Profit or (-) loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Other items	Total
1. Opening balance [before restatement]	3,621	12	–	–	73	336	–	190	–	283	–	–	–	**4,515**
2. Correction of errors	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Changes of accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Opening balance [current period] (1 + 2 + 3)	3,621	12	–	–	73	336	–	190	–	283	–	–	–	**4,515**
5. Issuance of ordinary shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6. Issuance of preference shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7. Issuance of other equity instruments	–	–	–	297	–	–	–	–	–	–	–	–	–	297
8. Exercise of expiration of other equity instruments issued	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9. Conversion of debt to equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10. Capital reduction	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11. Dividends	–	–	–	–	–	(354)	–	–	–	–	–	–	–	(354)
12. Purchase of treasury shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13. Sale or cancelattion of treasury shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14. Reclassification of financial instruments from equity to liability	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15. Reclassification of financial instruments from liability to equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
16. Transfer between components of owner's instruments	–	–	–	–	–	283	–	–	–	(283)	–	–	–	–
17. Equity increase or (–) decrease resulting from business combination	–	–	–	–	–	–	–	–	–	–	–	–	–	–
18. Share based payments	–	–	–	–	–	–	–	–	–	–	–	–	–	–
19. Other increase or (–) decrease of owner's instruments	–	–	–	–	–	34	–	2	–	–	–	–	–	36
20. Total comprehensive income for the year	–	–	–	–	37	–	–	–	–	421	–	–	–	458
21. Closing balance [current period] (from 4 to 20)	3,621	12	–	297	110	299	–	192	–	421	–	–	–	**4,952**

Appendix I

Supplementary schedules for the Croatian National Bank (continued)

Statement of changes in equity

Bank 2019 (All amounts in HRK million)	Share capital	Share premium	Equity instruments issued other than share capial	Other equity instruments	Accumulated other comprehensive income	Retained earnings	Revaluation reserves	Other reserves	Treasury shares	Profit or (-) loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Other items	Total
1. Opening balance [before restatement]	3,621	12	–	–	65	136	–	182	–	219	–	–	–	4,235
2. Correction of errors	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Changes of accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Opening balance [current period] (1 + 2 + 3)	3,621	12	–	–	65	136	–	182	–	219	–	–	–	4,235
5. Issuance of ordinary shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6. Issuance of preference shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7. Issuance of other equity instruments	–	–	–	297	–	–	–	–	–	–	–	–	–	297
8. Exercise of expiration of other equity instruments issued	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9. Conversion of debt to equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10. Capital reduction	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11. Dividends	–	–	–	–	–	(354)	–	–	–	–	–	–	–	(354)
12. Purchase of treasury shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13. Sale or cancelattion of treasury shares	–	–	–	–	–	–	–	–		–	–	–	–	–
14. Reclassification of financial instruments from equity to liability	–	–	–	–	–	–	–	–		–	–	–	–	–
15. Reclassification of financial instruments from liability to equity	–	–	–	–	–	–	–	–		–	–	–	–	–
16. Transfer between components of owner's instruments	–	–	–	–	–	219	–	–	–	(219)	–	–	–	–
17. Equity increase or (–) decrease resulting from business combination	–	–	–	–	–	–	–	–	–	–	–	–	–	–
18. Share based payments	–	–	–	–	–	–	–	–	–	–	–	–	–	–
19. Other increase or (–) decrease of owner's instruments	–	–	–	–	–	28	–	3	–	–	–	–	–	31
20. Total comprehensive income for the year	–	–	–	–	39	–	–	–	–	438	–	–	–	477
21. Closing balance [current period] (from 4 to 20)	3,621	12	–	297	104	29	–	185	–	438	–	–	–	4,686

Appendix II

Reconciliation of the statutory financial statements with the supplementary schedules for the Croatian National Bank

Statement of financial position

- The difference in total assets and total liabilities relates to other consolidating companies, which, according to the CNB Decision, are consolidated according to the equity method.

- Differences in the presentation of individual positions of financial assets in the statement of financial position according to the statutory requirements for accounting of banks in the Republic of Croatia and the schedules prepared according to the CNB Decision arise from the current technical capabilities of IT systems for the calculation of provisions for Stage 1 and Stage 2. Overall provisions for expected credit losses are identical, but their allocations across individual items are different.

- In statements under the CNB Decision, guarantee deposits and credit line are presented under position "Other demand deposits" and in in the statement under the statutory requirements for accounting of banks in the Republic of Croatia they are presented within position "Financial assets measured at amortised cost".

- Positions „Obligatory reserve with the Croatian National Bank", „Placements and loans to other banks" and „Loans and advances to customers" are disclosed separately and investment securities at amortized cost are within the position "Investment securities" in the statement prepared according to statutory requirements for accounting of banks in the Republic of Croatia, whereas, in the reports according to the CNB Decision they are presented under "Financial assets at amortised cost". Furthermore, in the statements under the CNB Decision the item "Financial assets at amortised cost" includes fees and other amounts stated at amortized cost, whereas in the report prepared according to statutory requirements for accounting of banks in the Republic of Croatia this amount is stated under "Other assets".

- Position "Financial assets at fair value through profit or loss" is disclosed as one category in the statement prepared according to statutory requirements for accounting of banks in the Republic of Croatia, while the reports under the CNB Decision separately present the items "Financial assets held for trading", "Financial assets at fair value through profit or loss " and "Non-trading financial assets mandatorily at fair value through profit or loss".

- Items "Right of use assets" and "Property, plant, equipment and real estate investments" in the statement according to statutory requirements for accounting of banks in the Republic of Croatia are presented separately, while in the reports according to the CNB Decision they are stated as category "Tangible assets" .

- Items "Deposits from banks", "Deposits from companies and other similar entities", "Deposits from individuals", "Borrowings" and "Subordinated liabilities" are presented separately in the statement according to statutory requirements for accounting of banks in the Republic of Croatia, whereas in the statements according to the CNB Decision they are presented as one category "Financial liabilities at amortised cost. "

- In the schedules according to the CNB Decision, other long-term benefits for employees are stated in the item "Provisions", while in the report according to statutory requirements for accounting of banks in the Republic of Croatia they are reported within item "Other liabilities".

Income statement

- In the statement prepared according to legal requirements for accounting of banks in the Republic of Croatia, changes in contractual cash flows are disclosed in Interest income, while according to the CNB Decision they are presented in Modification gains or losses".

- Dividend income stated in the schedules prepared in accordance with the CNB Decision was generated from the company which is not fully consolidated under the CNB Decision, whereas it must be consolidated and consequently eliminated under the statutory accounting requirements for banks in the Republic of Croatia.

- According to legal requirements for accounting for banks in the Republic of Croatia, income and expense from the sale of tangible assets reduced the item "Other operating expenses", while in the reports according to the CNB Decision they were shown under the item " Gains or (-) losses on derecognition of non-financial assets, net".

Appendix II

Reconciliation of the statutory financial statements with the supplementary schedules for the Croatian National Bank

Income statement (continued)

- According to legal requirements for accounting for banks in the Republic of Croatia, gains net of losses on foreign exchange trading are reported in „Net gain on trading and foreign exchange differences from translation of monetary assets and liabilities", whereas in the schedules prepared according to the CNB Decision they are stated within „Gains or (-) losses on financial assets and liabilities held for trading, net".

- Items "Administrative expenses", "Depreciation", "Other operating expenses" and "Cash contributions to resolution funds and deposit guarantee schemes" in the statement prepared according to the CNB Decision are disclosed separately, while in the report according to the statutory requirements for accounting of banks in the Republic of Croatia they are presented in category "Operating expenses".

- In the schedules prepared in accordance with the CNB Decision, income from previous period interest written down is reported in „(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)", whereas in the statements according to legal requirements for accounting for banks in the Republic of Croatia they increase the item „Interest income".

Statement of changes in equity

- Item Other reserves in the statement prepared according to the CNB Decision consists of the capital and legal reserves, and in the statement prepared according to the statutory requirements for accounting of banks in the Republic of Croatia, these items are disclosed separately.

- In the statement prepared according to the statutory requirements current year profit are reported in item „Current year undistributed profits", whereas in the statement prepared according to the CNB Decision they are presented within item „Profit or (-) loss attributable to owners of the parent ".

Statement of cash flows

- The difference between the positions of Statement of cash flows on a consolidated basis relates to companies that are not part of prudential consolidation, which are consolidated using the equity method.

Supplementary financial statements expressed in EUR and USD

Supplementary financial statements of the Group and Bank are given only for illustration and not represent part of the audited financial statements.

Statement of financial position and statement of comprehensive income reported in the audited financial statements, are translated into EUR and USD usig the following exchange rates at each year end:

31 December 2020
1 EUR = HRK 7.536898
1 USD = HRK 6.139039

31 December 2019
1 EUR = HRK 7.442580
1 USD = HRK 6.64991

Consolidated statement of financial position
As at 31 December

Group	2020	2020	2019	2019
Assets	EUR millions	USD millions	EUR millions	USD millions
Cash and current account with banks	1,100	1,350	689	771
Obligatory reserve with the Croatian National Bank	212	260	265	296
Financial assets at fair value through profit or loss	219	269	201	225
Placements with and loans to other banks	28	35	74	83
Loans from and advances to customers	2,685	3,297	2,669	2,988
Investment securities	865	1,062	819	917
Property, plant, equipment and property investments	128	157	132	148
Right of use assets	4	5	5	6
Intangible assets	46	57	41	45
Deferred tax asset	9	11	14	16
Tax prepayment	6	7	8	9
Other assets	22	27	33	37
Total assets	**5,324**	**6,537**	**4,950**	**5,541**

Supplementary financial statements expressed in EUR and USD

Consolidated statement of financial position
As at 31 December

Group Liabilities	2020 EUR millions	2020 USD millions	2019 EUR millions	2019 USD millions
Financial liabilities at fair value through profit or loss	27	33	11	12
Deposits from banks	35	44	157	176
Deposits from companies and other similar entities	1,689	2,073	1,480	1,657
Deposits from individuals	2,177	2,673	2,089	2,337
Borrowings	376	462	268	300
Provisions for liabilities and charges	60	73	42	47
Lease liabilities	4	5	5	6
Other liabilities	222	273	164	184
Subordinated liabilities	70	86	70	79
Total liabilities	**4,660**	**5,722**	**4,286**	**4,798**
Equity				
Share capital	480	590	487	545
Share premium	2	2	2	2
Additional TIER 1 Capital	39	48	40	45
Capital reserve	–	–	–	–
Legal reserve	24	29	24	27
Fair value reserve	8	10	14	16
Retained earnings	94	115	97	108
Undistributed profit for the year	17	21	–	–
Total equity attributable to owners of the parent	**664**	**815**	**664**	**743**
Total liabilities and equity	**5,324**	**6,537**	**4,950**	**5,541**

Supplementary financial statements expressed in EUR and USD

Consolidated statement of comprehensive income
For the year ended 31 December

Group	2020 EUR millions	2020 USD millions	2019 EUR millions	2019 USD millions
Interest income calculated using the effective interest method	124	152	132	148
Other interest income	5	6	6	6
Interest expense	(13)	(16)	(17)	(19)
Net interest income	**116**	**142**	**121**	**135**
Fee and commission income	89	109	129	144
Fee and commission expense	(37)	(45)	(64)	(72)
Net fee and commission income	**52**	**64**	**65**	**72**
Net (loss) / gain from financial instruments at fair value	(8)	(8)	3	4
Net gain on trading and foreign exchange differences from translation of monetary assets and liabilities	22	27	19	21
Net losses from hedge accounting	–	–	–	–
Other operating income	110	134	66	74
Trading and other income	**124**	**153**	**88**	**99**
Operating income	**292**	**359**	**274**	**306**
Operating expenses	(229)	(282)	(194)	(217)
Impairment losses	(21)	(25)	(4)	(4)
Provisions for liabilities and charges	(18)	(22)	(17)	(20)
Profit before tax	**24**	**30**	**59**	**65**
Income tax expense	(7)	(9)	(2)	(2)
Profit for the year	**17**	**21**	**57**	**63**

Supplementary financial statements expressed in EUR and USD

Other comprehensive income

Group	2020 EUR millions	2020 USD millions	2019 EUR millions	2019 USD millions
Items that will not be reclassified to profit or loss				
Change in fair value of equity financial assets at fair value through other comprehensive income, net of tax and realised amounts	(3)	(4)	2	3
Items that are or may be reclassified to profit or loss				
Change in fair value of debt financial assets at fair value through other comprehensive income, net of tax and realised amounts	(3)	(4)	3	3
Other comprehensive (loss) / profit for the year, net of tax	(6)	(8)	5	6
Total comprehensive income for the year	11	13	62	69
Attributable to:				
Owners of the parent	17	21	57	63
Earnings per share attributable to the equity holders of the parent	EUR 5	USD 6	EUR 16	USD 17

Supplementary financial statements expressed in EUR and USD

Separate statement of financial position
As st 31 December

Bank Assets	2020 EUR millions	2020 USD millions	2019 EUR millions	2019 USD millions
Cash and current accounts with banks	1,098	1,348	686	768
Obligatory reserve with the Croatian National Bank	212	260	265	296
Financial assets at fair value through profit or loss	95	117	92	103
Placements with and loans to other banks	12	15	73	81
Loans and advances to customers	2,516	3,089	2,480	2,775
Investment securities	788	967	760	851
Investments in subsidiaries	51	63	52	58
Property, plant, equipment and investment property	70	86	67	75
Right of use assets	20	25	24	27
Intangible assets	42	51	36	40
Deferred tax assets	8	9	13	15
Tax prepayment	5	6	7	8
Other assets	14	18	24	27
Total assets	4,931	6,054	4,579	5,124

Supplementary financial statements expressed in EUR and USD

Separate statement of financial position (continued)
As st 31 December

Bank Liabilities	2020 EUR millions	2020 USD millions	2019 EUR millions	2019 USD millions
Financial liabilities at fair value through profit or loss	27	33	11	12
Deposits from banks	56	69	175	196
Deposits from companies and other similar entities	1,720	2,112	1,501	1,679
Deposits from individuals	2,038	2,502	1,943	2,174
Borrowings	274	337	142	159
Provisions for liabilities and charges	57	70	40	45
Lease liabilities	20	25	24	27
Other liabilities	38	46	44	50
Subordinated liabilities	71	87	70	79
Total liabilities	**4,301**	**5,281**	**3,950**	**4,421**
Equity				
Share capital	480	590	487	545
Share premium	2	2	2	2
Additional TIER 1 Capital	39	48	40	45
Capital reserve	–	–	–	–
Legal reserve	23	28	23	26
Fair value reserve	8	10	14	15
Retained earnings	61	74	63	70
Undistributed profit for the year	17	21	–	–
Total equity	**630**	**773**	**629**	**703**
Total liabilities and equity	**4,931**	**6,054**	**4,579**	**5,124**

Supplementary financial statements expressed in EUR and USD

Separate statement of comprehensive income
For the year ended 31 December

Bank	2020 EUR millions	2020 USD millions	2019 EUR millions	2019 USD millions
Interest income calculated using the effective interest method	114	140	120	134
Other interest income	3	4	3	4
Interest expense	(10)	(12)	(12)	(14)
Net interest income	**107**	**132**	**111**	**124**
Fee and commission income	68	82	107	119
Fee and commission expense	(34)	(41)	(61)	(68)
Net fee and commission income	**34**	**41**	**46**	**51**
Net (loss) / gain from financial instruments at fair value	(5)	(6)	2	2
Net gain on trading and foreign exchange differences from translation of monetary assets and liabilities	21	25	18	21
Net losses from hedge accounting	–	–	–	(1)
Other operating income	12	15	15	17
Trading and other income	**28**	**34**	**35**	**39**
Operating income	**169**	**207**	**192**	**214**
Operating expenses	(109)	(133)	(113)	(126)
Impairment losses	(20)	(24)	(3)	(4)
Provisions for liabilities and charges	(18)	(22)	(17)	(19)
Profit before tax	**22**	**28**	**59**	**65**
Income tax expense	(5)	(7)	0	0
Profit for the year	**17**	**21**	**59**	**65**

Supplementary financial statements expressed in EUR and USD

Separate statement of comprehensive income
For the year ended 31 December

Group	2020 EUR millions	2020 USD millions	2019 EUR millions	2019 USD millions
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Change in fair value of equity financial assets at fair value through other comprehensive income, net of tay and realised amounts	(3)	(4)	2	3
Items that are or may be reclassified to profit or loss				
Change in fair value of debt financial assets at fair value through other comprehensive income, net of tax and realised amounts	(3)	(4)	3	3
Other comprehensive (loss) / profit for the year, net of tax	(6)	(8)	5	6
Total comprehensive income for the year	11	13	64	71
Earnings per share attributable to the equity holders of the parent	EUR 5	USD 6	EUR 16	USD 18

Contacts

Branch network in Croatia

Raiffeisenbank Austria Plc.

Head office
Magazinska cesta 69
HR/10000 Zagreb
Tel: 01/4566 466
Fax: 01/4811 624
INFO telefon: 072 62 62 62
S.W.I.F.T.: RZBH HR2X
info@rba.hr
http://www.rba.hr
Osoba za kontakt:
Iva Bakija, Direktor ureda Uprave

Branch network

Zagreb
Dankovečka 1
Tel: 072 62 62 62
Fax: 01/4604 935

Froudeova 11
Tel: 072 62 62 62
Fax: 01/4604 856

Gundulićeva 7
Tel: 072 62 62 62
Fax: 01/4604 850

Ilica 253
Tel: 072 62 62 62
Fax: 01/4604 993

Jurišićeva 9
Tel: 072 62 62 62
Fax: 01/4604 960

Lanište 26
Tel: 072 62 62 62
Fax: 01/4604 833

Magazinska 69
Tel: 072 62 62 62
Fax: 01/4604 838

Pakoštanska 3a
Tel: 072 62 62 62
Fax: 01/4604 980

Petrinjska 59
Tel: 072 62 62 62
Fax: 01/4566 481

Radnička cesta 43
Tel: 072 62 62 62
Fax: 01/4604 981

Samoborska 258
Tel: 072 62 62 62
Fax: 01/4604 828

Ulica SR Njemačke 8
Tel: 072 62 62 62
Fax: 01/4604 937

Trg Ivana Kukuljevića 9
Tel: 072 62 62 62
Fax: 01/4604 886

Ulica grada Vukovara 37b
Tel: 072 62 62 62
Fax: 01/6324 051

Tel: 072 62 62 62
Fax: 01/4604 931

Slavonska avenija 11d (City Center one East)
Tel: 072 62 62 62

Bjelovar
Trg Eugena Kvaternika 9,
43000 Bjelovar
Tel: 043/343 500
Fax: 043/343 535

Čakovec
Trg Eugena Kvaternika 1,
40000 Čakovec
Tel: 040/640 600
Fax: 040/640 644

Dubrovnik
Vukovarska 17,
20000 Dubrovnik
Tel: 020/320 500
Fax: 020/320 546

Ivanićgrad
Savska 39,
10310 Ivanić Grad
Tel: 01/6174 925
Fax: 01/4604 879

Jastrebarsko
Ulica Franje Tuđmana 43,
10450 Jastrebarsko
Tel: 01/6174 780
Fax: 01/4604 855

Karlovac
Trg Milana Sufflaya 1,
47000 Karlovac
Tel: 047/547 500
Fax: 047/547 540

Koprivnica
Trg mladosti 16a,
48000 Koprivnica
Tel: 048/248 500
Fax: 048/248 530

Kutina
Kralja Petra Krešimira IV br. 6,
44320 Kutina
Tel: 044/844 500
Fax: 044/844 527

Ludbreg
Ulica kardinala Franje Kuharića 14,
42230 Ludbreg
Tel: 042/242 700
Fax: 042/242 710

Makarska
Trg Hrpina 5,
21300 Makarska
Tel: 021/521 200
Fax: 021/521 220

Metković
Splitska 1,
20350 Metković
Tel: 020/320 600
Fax: 020/320 615

Osijek
Trg Ante Starčevića 1,
31000 Osijek
Tel: 031/531 550
Fax: 031/531 570

Ulica hrvatske republike 14,
31000 Osijek
Tel: 031/531 500
Fax: 031/531 535

Poreč
Karla Huguesa 4,
52440 Poreč
Tel: 052/652 740
Fax: 052/652 755

Požega
Vukovarska 14,
34000 Požega
Tel: 034/434 500
Fax: 01/434 520

Prelog
Glavna ulica 26,
40323 Prelog
Tel: 040/640 500
Fax: 040/640 525

Pula
Ciscuttijeva 1,
52100 Pula
Tel: 052/652 660
Fax: 052/652 690

43. istarske divizije 2,
52100 Pula
Tel: 052/652 600
Fax: 052/652 651

Rijeka
Đure Šporera 2,
51000 Rijeka
Tel: 051/851 500

Eugena Kvaternika 30,
51000 Rijeka
Tel: 051/851 450
Fax: 051/851 465

Žabica 7,
51000 Rijeka
Tel: 051/851 600
Fax: 051/851 635

Rovinj
Trg brodogradilišta 1,
52210 Rovinj
Tel: 052/652 700
Fax: 052/652 715

Samobor
Perkovčeva 36,
10430 Samobor
Tel: 01/5575 550
Fax: 01/4604 972

Sesvete
Zagrebačka cesta 6,
10360 Sesvete
Tel: 072 62 62 62
Fax: 01/4604 939

Sisak
Stjepana i Antuna Radića 32,
44000 Sisak
Tel: 044/844 556
Fax: 044/844 587

Slavonski brod
Trg pobjede 7,
35000 Slavonski Brod
Tel: 035/235 050
Fax: 035/235 080

Split
Kvaternikova 32,
21000 Split
Tel: 021/521 000
Fax: 01/521 030

Svačićeva 10,
21000 Split
Tel: 021/521 040
Fax: 021/521 055

Ul. Domovinskog rata 29b,
21000 Split
Tel: 021/521 100
Fax: 021/521 163

Ulica Ruđera Boškovića 13,
21000 Split
Tel: 021/521 060
Fax: 021/521 090

Sveta Nedelja
Dr. Franje Tuđmana 6,
10431 Sveta Nedelja
Tel: 01/6174 620
Fax: 01/4604 829

Sveti Ivan Zelina
Bacakova 2D,
10380 Sveti Ivan Zelina
Tel: 01/5575 030
Fax: 01/4604 956

Šibenik
Trg Dražena Petrovića 9,
22000 Šibenik
Tel: 022/222 000
Fax: 022/222 025

Trogir
Ulica kneza Trpimira 9,
21220 Trogir
Tel: 021/521 170
Fax: 021/521 180

Umag
Obala Josipa Broza Tita 4, 5
2470 Umag
Tel: 052/652 720
Fax: 052/652 735

Varaždin
Franjevački trg 5,
42000 Varaždin
Tel: 042/242 600
Fax: 042/242 650

Zagrebačka 13,
42000 Varaždin
Tel: 042/242 520
Fax: 042/242 545

Velika gorica
Zagrebačka 44,
10410 Velika Gorica
Tel: 072 62 62 62
Fax: 01/4604 953

Vinkovci
Trg dr. Franje Tuđmana 2,
32100 Vinkovci
Tel: 032/432 500
Fax: 032/432 535

Virovitica
Ljudevita Gaja 2,
33000 Virovitica
Tel: 033/833 500
Fax: 033/833 530

Vrbovec
Trg Petra Zrinskog 5a,
10340 Vrbovec
Tel: 01/6174 411
Fax: 01/4604 933

Vukovar
Ulica dr. Franje Tuđmana 12,
32000 Vukovar
Tel: 032/432 400
Fax: 032/432 425

Zabok
Matije Gupca 90,
49210 Zabok
Tel: 049/449 500
Fax: 049/449 520

Zadar
Ante Starčevića 5a,
23000 Zadar
Tel: 023/723 000
Fax: 023/723 030

Ulica bana Josipa Jelačića 1,
23000 Zadar
Tel: 023/723 100
Fax: 023/723 155

Zaprešić
Ante Starčevića 11a,
10290 Zaprešić
Tel: 01/5575 450
Fax: 01/4604 930

Rijeka Matulji
Šmogorska 1,
51 211 Matulji
Tel: 051/851 400

Raiffeisen Group in Croatia

Raiffeisen stambena štedionica d.d.
Ulica grada Vukovara 37b
HR/10000 Zagreb
Tel: 01/6006 100
Fax: 01/6006 199
www.raiffeisenstambena.hr
stambena.stednja@raiffeisenstambena.hr

Raiffeisen Leasing d.o.o.
Radnička cesta 43
HR/10000 Zagreb
Tel: 01/6595 000
Fax: 01/6595 050
www.rl-hr.hr
leasing@rl-hr.hr

Raiffeisen društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondovima d.d.
Petrinjska 59
HR/10000 Zagreb
Tel: 0800 0900
Fax: 01/6003 927
www.rmf.hr
mojamirovina@rmf.hr

Raiffeisen mirovinsko osiguravajuće društvo d.o.o.
Heinzelova 44
HR/10000 Zagreb
Phone: +385-1-5581 720
Fax: +385-1-3091 127
www.rmod.hr
mirovina@rmf.hr

Raiffeisen Invest d.o.o.
Petrinjska 59
HR/10000 Zagreb
+385-1-6003 700
+385-1-6003 777
Fax: +385-1-6112 767
www.rbainvest.hr
rbainvest@rbainvest.hr

Raiffeisen Consulting d.o.o.
Magazinska cesta 69
HR/10000 Zagreb
Tel: 01/6174 357
01/6174 356, 358
Fax: 01/4604 895
izlog.limun.hr
rc@rba.hr

Associated members of Raiffeisen Group in Croatia

UNIQA osiguranje d.d.
Planinska 13a
HR/10000 Zagreb
Tel. 01/6324 200
Faks 01/6324 250
www.uniqa.hr
info@uniqa.hr

Addresses and contacts for Raiffeisen Bank International Group members

Raiffeisen Bank International AG

Austria
Am Stadtpark 9
1030 Vienna
Tel: +43-1-71 707-0
SWIFT/ BIC: RZBATWW
www.rbinternational.com
ir@rbinternational.com
communications@rbinternational.com

CEE banking network

Albania
Raiffeisen Bank Sh.A.
European Trade Center
Bulevardi „Bajram Curri"
1000 Tirana
Tel: +355-4-23 81 381
SWIFT/BIC: SGSBALTX
www.raiffeisen.al

Belarus
Priorbank JSC
V. Khoruzhey St. 31 A
220002 Minsk
Tel: +375-17-28 9-9090
SWIFT/BIC: PJCBBY2X
www.priorbank.by

Bosnia and Herzegovina
Raiffeisen Bank d.d.
Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Tel: +387-33-75 50 10
SWIFT/BIC: RZBABA2S
www.raiffeisenbank.ba

Bulgaria
Raiffeisenbank (Bulgaria) EAD
55 Nikola I. Vaptzarov Blvd.
Business Center EXPO 2000 PHAZE III
1407 Sofia
Tel: +359-2-91 985 101
SWIFT/BIC: RZBBBGSF
www.rbb.bg

Croatia
Raiffeisenbank Austria d.d.
Magazinska cesta 69
10000 Zagreb
Tel: +385-72-626 262
SWIFT/BIC: RZBHHR2X
www.rba.hr

Czech Republic
Raiffeisenbank a.s.
Hvězdova 1716/2b
14078 Prague 4
Tel: +420-412 440 000
SWIFT/BIC: RZBCCZPP
www.rb.cz

Hungary
Raiffeisen Bank Zrt.
Váci út 116-118
1133 Budapest
Tel: +36-1-48 444-00
SWIFT/BIC: UBRTHUHB
www.raiffeisen.hu

Kosovo
Raiffeisen Bank Kosovo J.S.C.
Robert Doll St. 99
10000 Pristina
Tel: +383-38-222 222
SWIFT/BIC: RBKOXKPR
www.raiffeisen-kosovo.com

Romania
Raiffeisen Bank S.A.
Calea Floreasca 246C
014476 Bucharest
Tel: +40-21-30 610 00
SWIFT/BIC: RZBRROBU
www.raiffeisen.ro

Russia
AO Raiffeisenbank
St. Troitskaya17/1
129090 Moscow
Tel: +7-495-721 99 00
SWIFT/BIC: RZBMRUMM
www.raiffeisen.ru

Serbia
Raiffeisen banka a.d.
Djordja Stanojevica 16
11070 Novi Beograd
Tel: +381-11-32 021 00
SWIFT/BIC: RZBSRSBG
www.raiffeisenbank.rs

Slovakia
Tatra banka, a.s.
Hodžovo námestie 3
81106 Bratislava 1
Tel: +421-2-59 19-1000
SWIFT/BIC: TATRSKBX
www.tatrabanka.sk

Ukraine
Raiffeisen Bank Aval JSC
Vul Leskova 9
01011 Kiev
Tel: +38-044-490 8888
SWIFT/BIC: AVALUAUK
www.aval.ua

Leasing companies

Austria
Raiffeisen-Leasing
GmbH
Mooslackengasse 12
1190 Vienna
Tel: +43-1-71 601-0
www.raiffeisen-leasing.at

Albania
Raiffeisen Leasing Sh.a.
European Trade Center
Bulevardi „Bajram Curri"
1000 Tirana
Tel: +355-4-22 749 20
www.raiffeisen-leasing.al

Belarus
„Raiffeisen-Leasing" JLLC
V. Khoruzhey 31 A
220002 Minsk
Tel: +375-17-28 9-9394
www.rl.by

Bosnia and Herzegovina
Raiffeisen Leasing d.o.o. Sarajevo
Zmaja od Bosne bb.
71000 Sarajevo
Tel: +387-33-254 340
www.rlbh.ba

Bulgaria
Raiffeisen Leasing Bulgaria OOD
32A Cherni Vrah Blvd. Fl.6
1407 Sofia
Tel: +359-2-49 191 91
www.rlbg.bg

Croatia
Raiffeisen Leasing d.o.o.
Radnicka cesta 43
10000 Zagreb
Tel: +385-1-65 9-5000
www.raiffeisen-leasing.hr

Czech Republic
Raiffeisen-Leasing s.r.o.
Hvězdova 1716/2b
14000 Prague 4
Tel: +420-2-215 116 11
www.rl.cz

Hungary
Raiffeisen Corporate Lízing Zrt.
Váci út 116-118
1133 Budapest
Tel: +36-1-486 5177
www.raiffeisenlizing.hu

Kosovo
Raiffeisen Leasing Kosovo LLC
Rr. UCK p.n.222
10000 Pristina
Tel: +383-38-222 222-340
www.raiffeisenleasing-kosovo.com

Romania
Raiffeisen Leasing IFN S.A.
Calea Floreasca 246 D
014476 Bucharest
Tel: +40-21-30 644 44
www.raiffeisen-leasing.ro

Russia
OOO Raiffeisen-Leasing
Smolenskaya-Sennaya Sq. 28
119121 Moscow
Tel: +7-495-72 1-9980
www.raiffeisen-leasing.ru

Serbia
Raiffeisen Leasing d.o.o.
Djordja Stanojevica 16
11070 Novi Beograd
Tel: +381-11-220 7400
www.raiffeisen-leasing.rs

Slovakia
Tatra-Leasing s.r.o.
Hodžovo námestie 3
811 06 Bratislava
Tel: +421-2-5919-3168
www.tatraleasing.sk

Slovenia
Raiffeisen Leasing d.o.o.
Letališka cesta 29a
1000 Ljubljana
Tel: +386-8-281-6200
www.raiffeisen-leasing.si

Ukraine
LLC Raiffeisen Leasing Aval
Stepan Bandera Av. 9
Build. 6 Office 6-201
04073 Kiev
Tel: +38-044-590 24 90
www.rla.com.ua

Branches and representative offices - Europe

France
RBI Representative Office Paris
9-11 Avenue Franklin D. Roosevelt
75008 Paris
Tel: +33-1-45 612 700

Germany
RBI Frankfurt Branch
Wiesenhüttenplatz 26
60329 Frankfurt
Tel: +49-69-29 921 924

Poland
RBI Poland Branch
Ul. Grzybowska 78
00-844 Warsaw
Tel: +48-22-578 56 00

Sweden
RBI Representative Office
Nordic Countries
Drottninggatan 89, 14th Floor
11360 Stockholm
Tel: +46-8-440 5086

UK

RBI London Branch
Tower 42, Leaf C 9th Floor
25 Old Broad Street
London EC2N 1HQ
Tel: +44-20-79 33-8000

Branches and representative offices – Asia

China

RBI Beijing Branch
Beijing International Club
Suite 200, 2nd Floor
Jianguomenwai Dajie 21
100020 Beijing
Tel: +86-10-65 32-3388

RBI Representative Office Zhuhai
Room 2404, Yue Cai Building
No. 188, Jingshan Rd, Jida,
Zhuhai, Guangdong Province
519015, P.R. China
Tel: +86-756-32 3-3500

India

RBI Representative Office Mumbai
501, Kamla Hub, Gulmohar Rd, Juhu
Mumbai 400049
Tel: +91-22-26 230 657

Korea

RBI Representative Office Korea
#1809 Le Meilleur Jongno Town
24 Jongno 1 ga
Seoul 110-888
Tel: +82-2-72 5-7951

Singapore

RBI Singapore Branch
50 Raffles Place
#31-03 Singapore Land Tower
Singapore 048623
Tel: +65-63 05-6000

Vietnam

RBI Representative Office
Ho-Chi-Minh-City
35 Nguyen Hue Str.,
Harbour View Tower
Room 601A, 6th Floor, Dist. 1
Ho-Chi-Minh-City
Tel: +842-8-38 214 718,
+842-8-38 214 719

Selected specialist companies

Austria

Kathrein Privatbank Aktiengesellschaft
Wipplingerstraße 25
1010 Vienna
Tel: +43-1-53 451-300
www.kathrein.at

Raiffeisen Bausparkasse Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-54 646-0
www.bausparen.at

Raiffeisen Centrobank AG
Tegetthoffstraße 1
1010 Vienna
Tel: +43-1-51 520-0
www.rcb.at

Raiffeisen Factor Bank AG
Mooslackengasse 12
1190 Vienna
Tel: +43-1-219 74 57-0
www.raiffeisen-factorbank.at

Raiffeisen Kapitalanlage-Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-71 170-0
www.rcm.at

Raiffeisen Wohnbaubank Aktiengesellschaft
Mooslackengasse 12
1190 Vienna
Tel: +43-1-717 07-0
www.raiffeisen-wohnbaubank.at

Valida Holding AG
Mooslackengasse 12
1190 Vienna
Tel: +43-1-31 648-0
www.valida.att

Notes

ISSN: 1332-3016
Publisher: Raiffeisenbank Austria d.d. Zagreb

Raiffeisen
BANK