One Bank, One Team, One UniCredit.

Capital and balance sheet management
Transform
Enhanced service model
Ethics and Respect
Team 23
Compliance
Grow and strengthen client franchise
Process optimisation
Sustainable results
Sustainability
Paperless bank
Growth engines
Customer experience
Disciplined risk management
"Go-to" bank for SMEs
"Do the right thing!"

2019

Annual Report

Banking that matters. | UniCredit Bank

2019

Annual Report

Banking that matters. UniCredit Bank

This version of the 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 our financial reports and the accompanying audit report takes precedence over this translation.

Report of the President of the Board

“We have been able to maintain the growing trend of all indicators of the Bank's operations and are aware of the responsibility we have as drivers of change in our market.”

Amina Mahmutović
President of the Board

Dear clients, shareholders and business partners,

It is my pleasure to present to you the business results that UniCredit Bank d.d. (the "Bank") achieved in 2019. We are extremely proud of our achievements, reflecting our strong focus on our clients' needs and superior customer experience.

In 2019, we maintained our leading position in Bosnia and Herzegovina by all the most significant financial criteria, and the results of our efforts were confirmed by numerous respectable awards. We highlight the title of the market leader in Bosnia and Herzegovina for trade finance awarded by Euromoney, as well as the Golden BAM Award for the largest assets and total capital we have won for the sixth consecutive year. In addition to these awards, we were also awarded the best mobile banking application (mba) award, which confirms our commitment to developing digital services. We are proud to point out that for the eleventh consecutive year, we are among the 10 most desirable employers in Bosnia and Herzegovina, according to the choice of the portal posao.ba. We are truly pleased to be recognized, not only as leaders in banking, but also as a company that values and continuously invests in its employees.

Our achievements say that the market has recognized us as a reliable partner for everything that matters to our customers. The Bank concluded the financial year with by far the largest net profit in its history. We generated KM 101.1 million, which is KM 3.8 million more than in the previous year. This result has been achieved through stable and reliable operations, which our clients reward with their trust, but also a solid culture of risk management, which has resulted in improving the quality of the Bank's portfolio and maintaining an adequate level of coverage for value adjustments. Continuous growth and development in various segments are a guarantee of the Bank's continued success. In 2019, the net loan to deposit ratio was 70.4%. The Bank's assets increased to KM 6,570.7 million. With the corresponding growth of 5.1% compared to 2018, total net loans amounted to KM 3,552.9 million, while the growth of loans in the entire BiH market was 6.7%. There was also an increase in customer deposits of 13.8%, and in this segment we end 2019 with the amount of KM 5,046.9 million, while the growth of deposits in the entire BiH market was 9.6%. With a capital balance of KM 852.1 million, the Bank confirmed its high capitalization through the capital adequacy ratio, which amounted to 18.0%, which confirms the stability and security of operations with the Bank.

The past year has also brought many challenges, from adjusting legislation to changing the habits of our clients. We have been able to maintain the growing trend of all indicators of the Bank's operations and are aware of the responsibility we have as drivers of change in our market.

We place a special focus on digitalisation, and with the development of digital services, we will monitor the new needs of our clients. We are aware that customer care, with dedicated employees and responsible risk management are the recipe for superior results. Therefore, it is important to continuously invest in the education of our employees, who represent the Bank's most valuable resource.

In line with the strategic plan of our Team 23 Group, UniCredit Bank favors long-term sustainability over short-term results, positioning itself as a stable and long-term partner. Our Bank's special strength lies in its affiliation with the UniCredit Group, which, in addition to its professional knowledge and experience, provides our clients with a unique international reach.

We are aware that being a market leader carries a special obligation towards the society in which we operate. In line with our role in the local community, the Bank has been nurturing corporate social responsibility from year to year as a strategic commitment. Through humanitarian activities and support for cultural, artistic and sports projects, we have been a partner to numerous individuals and organizations over the past year, who enrich our daily lives with their activities. Last year, we launched the project “Playing is important to us”, which, in cooperation with the RSG Group and with the selection of our fellow citizens, we have built a play space for our youngest citizens in three BiH cities: Tuzla, Neum and Travnik. We are happy that as One Bank, One Team, One UniCredit, we realize numerous activities for the benefit of children. Together, we want to build a better tomorrow for all of us, and this is the guiding principle for the year ahead.

On behalf of the Bank's Management Board and on my personal behalf, I would like to thank all clients and business partners for their trust. Special thanks are due to our employees, a team of highly dedicated professionals, who are working hard every day to further enhance each segment of the Bank's business.

I hope that our activities will justify your confidence in the year ahead.

Sincerely yours

Amina Mahmutović
President of the Board

One Bank, One UniCredit.

Our strategy is clear and long-term: UniCredit is a simple successful Pan European Commercial Bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to its extensive and growing client franchise.

Economic Environment in Bosnia and Herzegovina

Macroeconomic review of the year 2019

After global economic growth expanded in mid-2018, there was a slowdown in 2019 with mild signs of stabilization looking towards the end of the year. The main reasons for the turnaround in 2019 are deterioration in global manufacturing activity and investment, further fueled by increased political uncertainty amid repeated escalation of trade tensions and developments related to Brexit. A weak recovery in global economic activity is predicted, which will have an impact on the growth of advanced economies but also a slow recovery in developing economies. Given continued inflationary pressures and weak euro area growth dynamics, monetary policy remained highly flexible over the long term to support underlying inflationary pressures and inflation trends over the medium term.

For all Central and Eastern European countries, 2019 proved to be better than expected, with Russia evading new sanctions and Turkey managing to get out of recession faster than expected. In the EU and Central and Eastern Europe, greater resilience has stemmed from solid domestic demand, with private consumption and investment continuing to rise above potential. Exports were lagging in all countries, but with significant investment projects and fiscal relief in certain countries, they managed to maintain an adequate level of growth. In EU-CEE 2020, it will further highlight the gap between strong domestic demand and weak exports. Poor exports will continue to have a negative impact on industrial production.

For Bosnia and Herzegovina, economic growth in 2019 was repeatedly adjusted to the last forecast of 2.6% under the influence of reduced external demand. The slowdown in 2019 mainly reflects weaker external demand and worsening economic growth of major trading partners but also the effects of slower investment activity in the country. Growth is expected to be driven mainly by personal consumption in 2020, as exports are likely to remain reduced due to weak economic activity in major trading partners, and investment is likely to only slightly increase due to ongoing political uncertainty.

The effect of slowing down the external environment is already spilling over to industrial production, which saw a decline of -5.5% in 2019. One of the main reasons for such a large decline in industrial production can be found in the lack of production of a significant oil refinery in the country, due to its renewal and modernization, which will last certainly through 2020, as well as the complete cessation of work of a significant strategic production company Aluminij in the majority state ownership, which is still waiting to find a new potential investor.

Exports of the economy particularly weakened during the third quarter of -16.5%, pulling cumulative exports into deeply negative territory -3.4%. Cumulative growth in imports decreased to only 1.2% compared to the previous year (compared to 4.5% in the first half of the year). The current account deficit is likely to increase significantly due to weakening exports, but should mainly be covered by foreign direct investment and other foreign financing.

The registered unemployment rate was declining much faster than expected, partly due to increased emigration abroad, but it is still at a high level of 33.3%. Due to the increase in real disposable household income in the context of relatively low inflation, personal consumption continued its strong growth. Recent data continue to point to a further increase in household disposable income, given continued employment growth, real wages and foreign remittances.

Consumer prices have been low in Bosnia and Herzegovina since the beginning of the year and at the end of the year they are 0.3%. The level of oil prices on the world market, food and important domestic factors such as excise duties on individual products have a significant impact on the consumer prices in Bosnia and Herzegovina.

BiH recorded a steady increase in foreign direct investment, and in the first nine months of 2019, an additional KM 861 million was recorded. Despite increased investment, Bosnia and Herzegovina continues to deteriorate its positioning in the World Bank's "Doing Business 2020" report, and is currently ranked 90th out of 190 economies, the worst-ranked country in the region. Unlocking the potential of the private sector remains a major challenge for BiH. Private sector growth is weak and insufficient to improve labor market outcomes, constrained by a high tax burden on labor and a poor business environment.

Total public debt in the first nine months of 2019 was 31.9% of the GDP. This percentage places Bosnia and Herzegovina in the category of moderately indebted countries. Despite relatively good fiscal results in earlier years, public finance today are still characterized by structural rigidity on the spending side, reflected in high current spending and poor targeting of social assistance benefits.

Almost 15 months after the general elections (October 2018), a state-level government was formed, but there is still no agreement on the Government of the Federation of Bosnia and Herzegovina, which remains uncertain due to disagreement over changes to the electoral law. In such a political environment, it is not surprising that the EU Commission in its Opinion on Bosnia and Herzegovina's application for EU membership of 29 May 2019 (European Commission – PRESS PUBLICATIONS – Press Release – Key findings of the Opinion on Bosnia and Herzegovina's EU membership application and analytical report) did not recommend the European Parliament and the Council to offer a candidate status to the country.

Political uncertainty threatens the growth of investment activity, as it is largely dependent on foreign financing, which in turn depends on continued IMF funding under the Extended Fund Facility program. So far, under the extended arrangement between BiH and the IMF, two tranches of around KM 150 million per tranche have been paid into the entity's accounts, and the total value of the loan program, which was stopped in June 2018, amounts to about KM 1.1 billion. The delay in continuing IMF financing has resulted in a delay in investment activity as this relies heavily on foreign financing, which, in turn, is contingent on continued IMF financing.

In March 2019, Standard and Poor's upgraded Bosnia and Herzegovina's outlook for a B rating, from a stable to a positive outlook, which is the first improvement since 2012. Moody's Investors Service credit rating has remained unchanged since 2018 with a "B3 with stable outlook".

Expectations

Growth will be driven mainly by consumption, as exports will remain reduced due to weak economic activity in the main trading partners, and investment will only increase slightly due to ongoing political uncertainty.

Despite the suspension of IMF funding, Bosnia and Herzegovina's fiscal position is likely to remain stable. Even after a state-level government was formed, political development and the deterioration of the external environment still pose a potential risk of negative impact.

Banking Sector in 2019

According to the preliminary reports, the banking sector in Bosnia and Herzegovina made a profit before tax of KM 337 million. This is an increase of KM 15 million (+4.6%) compared to the same period of the previous year, largely driven by significantly reduced costs of loan provisions and increased fees and commissions. The return on average equity was thus at 11.1%, improving from 9.6% in 2018.

However, many challenges are shared by the banking sector in BiH with the banking sectors of other countries. The low inflation rate in the euro area delays the growth of EURIBOR, which also delays the increase in interest rates on loans to the BiH banking sector. Low interest rates are designed to encourage borrowing but limit the ability of a bank to borrow at profitable rates, putting additional pressure on margins. It is this impact that is reflected in the further decline in the sector's interest income. Total revenues thus increased (+2.5%), and in their structure the share of net income from fees and commissions increased while net interest income decreased.

The capital adequacy of the banking sector, which is continuously maintained above the regulatory limit, has further increased to 18.1% in the period I-XI 2019, which is satisfactory capitalization at the sector level.

The structure of the sector has not changed significantly. The two banks dominate in terms of assets and carry over 30% of the total loan portfolio of the market, while 16 banks in the market have less than KM 1 billion in total assets. The number of banks in the market remained the same (23 banks), the number of employees in the banking sector decreased to 9,739 and the number of branches to 825.

The year was marked by an increase in loans of 6.7%, with the Retail having an increase of 8.0% and Corporate 5.5%. Retail recorded continuous growth throughout the year, where growth was mainly generated by consumer loans, while housing loans recorded weak growth. Corporate recorded a better growth than in the previous year due to increase loans to the public enterprise sector, and loans to private companies continued to grow (4.9%).

In the period I-XI 2019, the share of non-performing loans was reduced to the level of 7.7% (end of 2018: 8.8%). The coverage of non-performing loans remained almost unchanged at 78%.

Retail deposits increased by +9.0%, with higher growth recorded by short-term deposits (+15.9%) and term deposits slightly increased (4.9%). The reduced propensity to deposit is a consequence of a declining trend in interest rates. On the other hand, the strong growth in demand deposits was also positively influenced by higher household incomes. Corporate deposits recorded an increase of 10.3%, where private enterprises recorded an increase of 8.8% and public enterprises and government institutions 13.6%.

Banking Sector in 2019 (continued)

In 2019, the Central Bank of Bosnia and Herzegovina adjusted the amount of the fee rate on surplus reserve above the required reserve with the new European Central Bank (ECB) deposit rate. The rate has been further reduced from -0.40% to -0.50% so far. The fee rate on the obligatory reserve has remained unchanged. The average amount of the obligatory reserve continued to grow in 2019 compared to the end of the previous year. Banks invest a portion of their assets in securities, mostly issued by the FBiH and RS, which has resulted in an increase in securities in banks' balances. During 2019, KM 20 million of treasury bills was issued by the FBiH Government, while the RS Government had a treasury bills issue of KM 40 million. The entity governments had significantly more bonds issues in 2019, of which the FBiH Government had KM 200 million, while the RS Government had issued KM 244 million of bonds.

Expectations

A precondition for further development of the banking sector is a stable political environment in the country and ensuring that further investment activities are carried out. The banking sector's positive trends are expected to continue in 2020 despite continued low market rates, through increased lending volumes and efforts by banks to offset the rise in non-interest income. The proportion of non-performing loans should continue its downward trajectory.

Team 23

Our new plan is called Team 23, in recognition of the outstanding work done together for Transform 2019. Team 23 is based on four strategic pillars:

- Grow and strengthen client franchise
- Transform and maximise productivity
- Disciplined risk management & controls
- Capital and balance sheet management

Business description

UniCredit Bank d.d. (hereinafter the "Bank") is a licensed commercial bank headquartered in Bosnia and Herzegovina, and it is a part of UniCredit Group.

The Bank provides the full set of banking and financial services, including corporate banking, retail banking, financial institutions, international operations, investment banking services, and financial leasing services.

The Bank's associate as of 31 December 2019 are presented in the table below:

Associate consolidated using equity method

Legal entity	Address	Headquarters country	Area of operations	Equity owned by the Bank %
UniCredit Broker d.o.o. Sarajevo – in liqudation	Obala Kulina bana 15 Sarajevo	Bosnia and Herzegovina	Brokering companies in insurance	49%

Map of the Branch Network

Retail Segment

Organisation

The retail segment offers a wide range of products and services to individual clients and small business banking clients, and manages the branch network and direct channels of distribution.

The business network is divided into 10 regions, which are further split into branches located throughout Bosnia and Herzegovina, and as of the end of 2019, there were 74 branches.

Business in 2019

The Bank's special focus is on managing the customer experience that customers have recognized and confirmed by the increased level of satisfaction expressed in the 2019 survey.

Clients recognize the Bank as a reliable partner, and during 2019 a significant increase in the volume of loans and deposits was recorded.

Throughout 2019, the Bank has continuously worked to streamline the product range to our customers' needs, with a particular emphasis on improving and streamlining the process.

As part of the card business, the year was marked by activities related to the activation and promotion of card use at retail outlets, as well as the attraction of new card users, all through specially designed campaigns with benefits for card users. The Bank paid particular attention to contracting, advertising and offering benefits to customers at points of sale.

The year was also marked by a strengthening of the segment of innovative contactless forms of payment – contactless payment service with mobile phone, which is based on modern technology of contactless payment with mobile phone.

Annual growth in the acceptance of card transactions continues to record an upward trend in merchants who have agreed to accept cards with the Bank. The trend of increasing the number of points of sale, which enable purchases to be made in installments without interest and fees for the card user, continued, and their number exceeds 5,300.

Throughout 2019, the growth in sales and use of MODULA product and service packages, the first package on the BiH market, continues to allow its customers the freedom to choose the package, depending on the client's needs and habits.

In addition to the basic set of products and services (current account, contactless Debit Mastercard and m-ba mobile banking), the client selects and adds the remaining products and services, thus achieving considerable annual savings over the prices of their individual use.

In addition to upgrading existing products, the Bank expanded its product range in 2019 by introducing a new product, Structured Deposit, and made it possible to contract overdrafts and limits on cards with an insurance policy for a customer segment over 65 years.

In accordance with the Bank's long-term strategy in the field of development and improvement of digital business channels, we strive to provide our clients with the highest quality digital business services and to continuously educate them about the benefits of digital channels.

The focus on raising the awareness of our clients about the benefits of doing business through mobile and Internet banking in 2019, realized through continuous sales and promotional activities, resulted in over 175,000 active users of electronic services at the end of the year, which is a significant increase compared to the previous year. It should be noted that in line with global trends, customers prefer mobile banking, which is supported by the fact that at the end of the year we had over 153,000 active users of mobile banking.

The Bank will, in accordance with the needs and habits of its clients, continue to develop and improve electronic services in the coming period as well.

Through the continuous process of optimization and improvement of the Bank's website, which has been continued throughout the past year, we strive to provide our customers with comfortable and easy navigation, that is, searching for desired information and content.

The Bank's ATM network has a total of 277 ATMs, of which at the end of the year we have 81 deposit-withdrawal ATMs in production. By increasing the number of these types of ATMs, we want to enable clients throughout the market to make payments to their current or transaction account at any time, in addition to basic ATM functionalities, which saves the time required to perform the same service at the counter in the branch.

In line with the trend from previous years, the modernization of Bank's business network was continued in accordance with modern standards of functionality and design, with the aim of providing our clients with efficient and ultimately comfortable business.

Corporate and Investment Banking Segment

Although Bosnia and Herzegovina also recorded FDI growth in 2019 and an improvement in the rating assigned by Standard and Poor's to level B from stable to positive, the first improvement since 2012, the year was marked by a slowdown in the domestic economy and a decrease in exports, and which is, among other things, a consequence of the discontinuation of production in companies that were significant generators of creating new value for the BiH economy.

The estimated increase in BPD is around 2.6%, but Bosnia and Herzegovina is still lagging behind other Western Balkans countries. According to a new "Doing Business" report, Bosnia and Herzegovina has further downgraded its rankings by ease of doing business, ranking 90th in the rankings. This placement still keeps it in the position of the worst-ranked country in the region, and shows that BiH is stagnant relative to its neighbors.

The market continues to be characterized by high liquidity and deposit growth as well as credit growth. The share of non-performing loans keeps a declining trend compared to the previous year, which is the result of credit growth, bad debt collection activities, and the result of the implementation of quality risk management methods.

Total corporate loans at the end of 2019 amounted to KM 1,737 thousand, and interest rates on client loans are at historically low levels, where macroeconomic forecasts keep them in the future. Despite the delay in the formation of the government at the state and federal level, and consequently the lack of capital projects, there was a significant increase in lending activity in financing public sector clients and private companies, thus confirming our position as one of the most important participants in the financing of projects at the state level. and especially in the part of investment loans that dominate the total volume of corporate loans.

In 2019, we reaffirmed our position as the leading bank in the market when it comes to dealing with corporate clients, achieving the set goals while maintaining market share.

The significant growth of the deposit base is confirmed by the high confidence on the part of our clients that we guarantee security and stability in our business operations. Deposits of corporate clients at the end of 2019 amounted to KM 1,937 thousand and increased by KM 306 million compared to 2018.

For many years, we have been maintaining the quality of business recognized by the profession and clients, and thus have been proclaimed Euromoney the market leader and best provider in cash management, and the market leader and best provider of Trade Finance services in BiH.

We want to continue to support our private and public sector clients as a market leader through a deeper knowledge and understanding of clients, identifying their needs, leveraging the expertise and global presence of UniCredit Group in the areas of all financial products and services.

Financial Overview and Business Performance

Overview of business operations of the Bank

In 2019, the Bank generated KM 114.4 million profit before taxation, which is the growth of KM 4.3 million (+3,9%) compared to the previous year.

Achieved results are primarily affected by somewhat lower total income (higherfees and commissions income, higher income from the sale of foreign currencies and exchange rates, with slightly lower interest income), higher operating expenses and lower total impairment and provisions expenses.

The Bank retained its leading position in the market and additionally solidified its position compared to competitors through continuous orientation to improvement of the quality of services, recognising and meeting clients' needs by focusing on simplifying products and improving process efficiency.

Income and expenses

Total income of the Bank for 2019 amounts to KM 249.9 million, which is KM 2.8 million less than the last year (-1.1%).

Total net interest income amounts to KM 162.2 million, comprising 64.9% of total income.

Net income from fees and commissions amounts to KM 70.4 million, representing 28.2% in the structure of total income. Net gains from sale of foreign currencies and exchange differences, and other income amount to KM 17 million and comprise 6.9% of total income.

Net interest income

The 2019 net interest income amounted to KM 162.2 million, which is the decrease (-1.6%) compared to previous year. Interest income slightly decreased (-0.6%) as a result of lower interest rates, despite a larger volume of loans. The increase of interest expenses (+6.6%) is an effect of a continuous growth of negative interest rates for funds with other banks and the Central Bank.

Net fee and commission Income

The net fee and commission income amounts to KM 70.4 million, with an annual growth of KM 0.1 million (+0.1%).

The increase in fees commission income is mainly a result of higher income from domestic and foreign payment transactions, fees for card operations, and fees for packages of products and Internet banking fees.

Net gains from FX transactions and FX differences on conversion of monetary assets and liabilities

Net gains from FX transactions and FX differences on conversion of monetary assets and liabilities in 2019 amounted to KM 15.1 million, displaying increase of KM 1.0 million compared to the previous year.

Other income

Other income amounts to KM 2.0 million and is by KM 1.2 million lower compared to the previous year.

Operating expenses

The 2019 total operating expenses amount to KM 127.5 million, which is higher by KM 3.3 million (+2.6%) compared to previous year.

Share of operating expenses in operating income is 51.0%.

Impairment losses and provisions

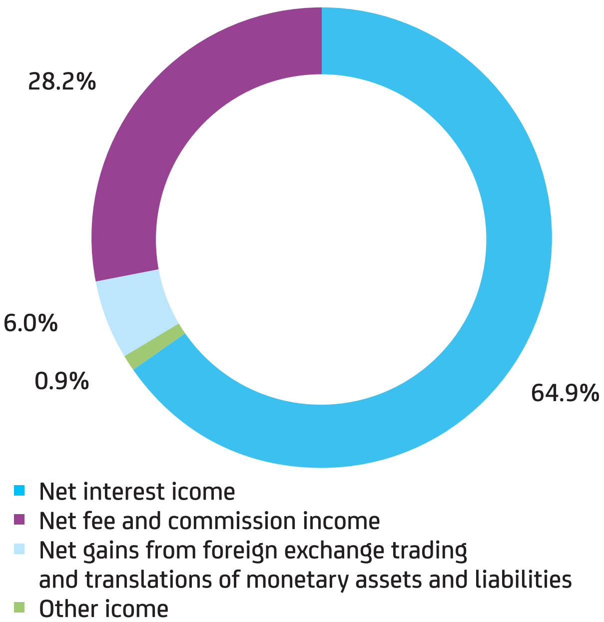
In 2019, total impairment and provisions expenses amounted to KM 8.0 million.

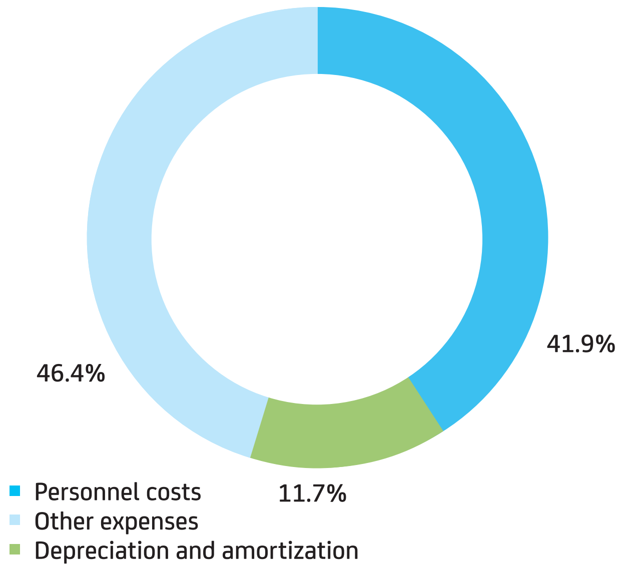
Impairment losses and provisions on loans and receivables, including finance lease receivables, amounted to KM 0.5 million. Net impairment losses and provisions on loans and receivables are a result of KM 2.7 million of Stage 1 and Stage 2 provisions costs, and released provision costs for the non-performing portfolio in the amount of KM 2.3 million (out of which KM 9.8 million refers to corporate segment, due to several significant collections of non-performing loans, while KM 7.5 million of new cost refers to retail segment).

Other impairment losses and provisions amount to KM 7.5 million and are the result of a new expense for off-balance sheet provisions of KM 1.6 million, the provision expense of other assets of KM 0.5 million, impairment of tangible assets of KM 1 million, impairment of assets acquired in lieu of uncollected receivables of KM 3.4 million, and provisions for court proceedings KM 1.0 million.

Overview of business operations of the Bank (continued)

Income and expenses structure for 2019



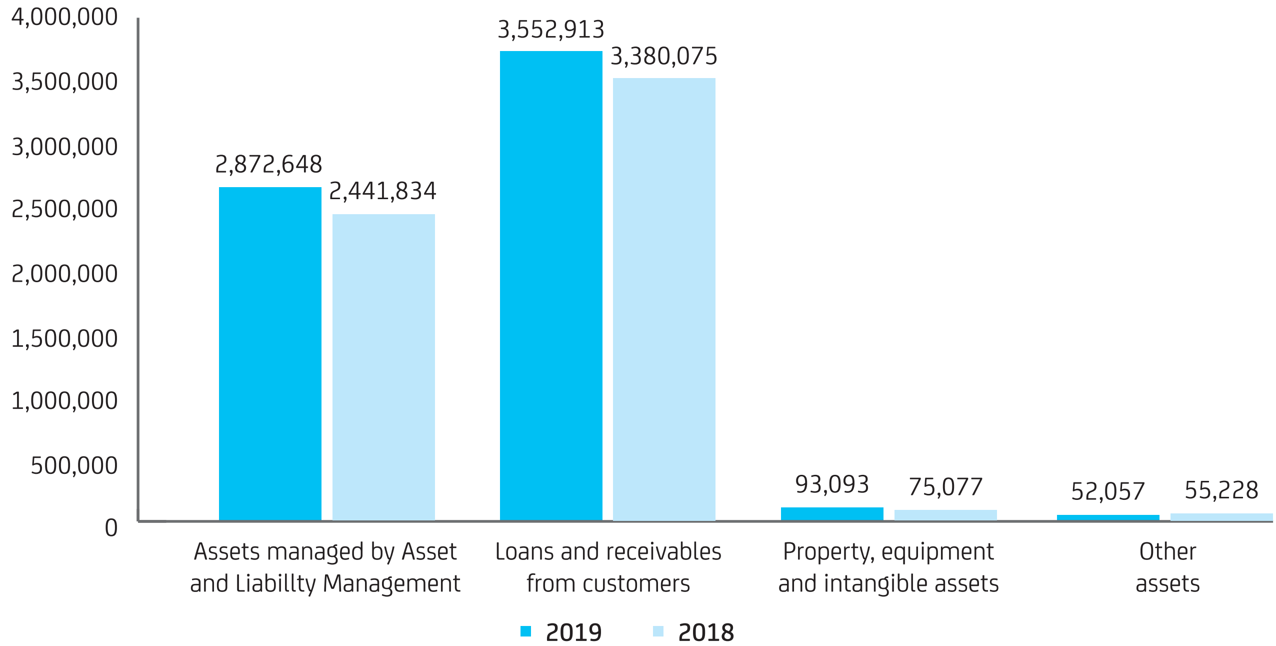


Bank's assets and liabilities

Bank's assets

As of 31 December 2019, the Bank's assets amounted to KM 6.570,7 million, with an increase in the amount of KM 618.5 million (+10.4%) compared to previous year. Significant increase of assets is mainly a result of increase in assets of the Assets and Liabilities Management (+KM 431.4 million/+17.7%) and increase in loans and receivables from clients, which display growth of KM 172.8 million (+5.1%) compared to the previous year.

Structure of Bank's assets – comparison to the previous year in KM '000



Assets managed by Asset and Liability Management

Assets of the Assets and Liabilities Management consist of: cash and cash equivalents, statutory reserve and free funds with the Central Bank of Bosnia and Herzegovina, loans and receivables from banks, and securities.

These assets comprise 43.7% of total Bank's assets, which is increase compared to the previous year for KM 431.4 million (+17.7%), with the total amount of KM 2,872.6 million.

The structure of these assets is as follows:

(u '000 BAM)	Bank 31 December 2019	Bank 31 December 2018	Change
Cash and cash equivalents	760,047	746,453	1.8%
Obligatory reserve with CBBH	535,483	484,141	10.6%
Placements and loans to other banks	1,049,855	718,686	46.1%
Financial assets at FVOCI	527,263	491,946	7.2%
	2,872,648	**2,441,226**	**17.7%**

The Bank has maintained throughout the year liquidity significantly above the required limits of the Banking Agency of Federation of Bosnia and Herzegovina and the Central Bank of Bosnia and Herzegovina.

Loans and receivables from clients

The structure of loans and receivables from Bank's clients is as follows:

(u '000 BAM)	Bank 31 December 2019	Bank 31 December 2018	Change	%
Gross loans				
Corporate	1,737,434	1,742,192	(4,758)	(0.3%)
Retail	2,105,625	1,955,988	149,637	7.7%
Total	**3,843,059**	**3,698,180**	**144,879**	**3.9%**
Impairment				
Corporate	164,245	194,727	(30,482)	(15.7%)
Retail	125,901	123,378	2,523	2.0%
Total	**290,146**	**318,105**	**(27,959)**	**(8.8%)**
Net loans				
Corporate	1,573,189	1,547,465	25,724	1.7%
Retail	1,979,724	1,832,610	147,114	8.0%
Total	**3,552,913**	**3,380,075**	**172,838**	**5.1%**

Gross loans to clients, including finance lease receivables, increased by KM 144.9 (+3.9%) million on a yearly basis, and with the end of 2019 amount to KM 3,843.1 million.

Gross loans to corporate clients (including state and public institutions) at the end of 2019 amounted to KM 1,737.4 million. Their participation in the total portfolio amounted 45.2%.

Gross loans to citizens at the end of 2019 amounted to KM 2,105.6 million, and are increased in the amount of KM 149.6 million (+7.7%), as a result of recognizing client's demands and needs.

Their share in the total portfolio amounts to 54.8%.

The largest portion in the overall retail loans portfolio referred to long-term all-purpose loans (71.3%), long-term housing loans (17.9%), and receivables based on current accounts (6.0%) and credit card loans (2.1%).

Long-term corporate loans participate with 62.8%, while short-term loans made 37.2% of the total corporate gross loans.

Net loans to clients amounted to KM 3,552.9 million, recording an increase of KM 172.8 million (+5.1%) compared to the previous year, and they comprise 54.1% of Bank's total assets, including finance lease receivables in the amount of KM 63.8 million.

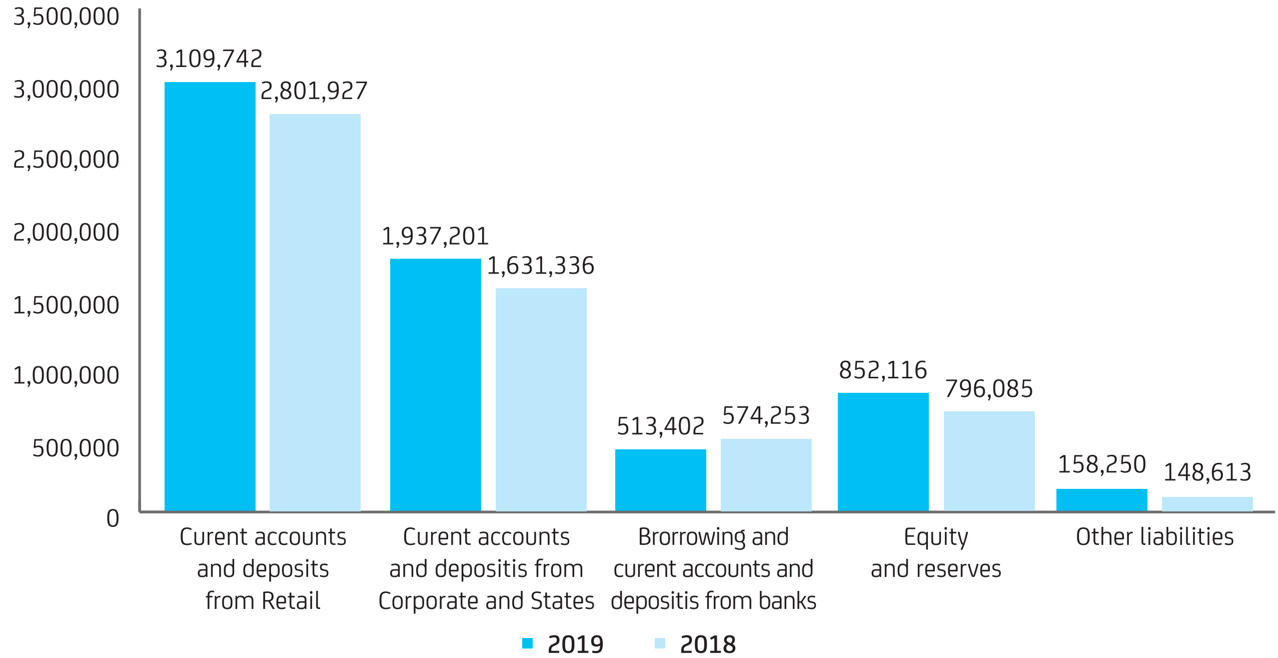
The Bank is continuously focused on preserving the quality of the loan portfolio and therefore non-performing loans are monitored and adequately secured by provisions.

Overview of business operations of the Bank (continued)

Bank's liabilities

Liabilities, equity and reserves

Structure of Bank's liabilities, equity and reserves – comparison to the previous year in KM '000



Current accounts and deposits from clients

Total current accounts and deposits from clients at the end of 2019 amount to KM 5,046.9 million and are increased by KM 613.7 million (13.8%) compared to the previous year. This position comprises 76.8% of Bank's total liabilities.

Current accounts and deposits of corporate clients (including state and public institutions) amount to KM 1,937.2 million and were increased by KM 305.9 million (+18.7%), compared to previous year. Their share in total current accounts and deposits of clients amounted to 38.4%.

The share of total corporate demand deposits (including state and public institutions) amounts to 89.4%, and fixed-term deposits 10.6%.

Current accounts, savings and fixed-term deposits of retail clients at the end of 2019 amounted to KM 3,109.7 million, and are higher compared to previous year by KM 307.8 million (+11.0%). Their share in total current accounts and client deposits amounted to 61.6%. Within the total retail deposits, fixed-term deposits make up 35.8% and a vista deposits make up 64.2%.

Current accounts and deposits with banks, and borrowings

Current accounts and bank deposits at the end of 2019 amounted to KM 470.3 million and are decreased by KM 68.8 million (-12.8%) compared to the previous year.

Borrowings at the end of 2019 amounted to KM 43.1 million and are decreased by KM 7.98 million compared to the previous year, due to servicing of scheduled liabilities on borrowings.

Borrowings represent liabilities toward UniCredit SPA, UniCredit Bank Austria AG, the EBRD1, KfW, IFC.

The share of bank deposits in total liabilities of the Bank is 7.2%, while the share of borrowings is 0.7%.

Equity and reserves

The Bank's equity amounted to KM 852.1 million and compared to the end of previous year is increased by KM 56 million, as a result of inclusion of current year profit into the Bank's equity, and dividend payment to the shareholders in the amount of KM 48.6 million.

Equity and reserves make 13.0% of the total funding which.

The capital adequacy ratio, presented according to the local regulator methodology, is 18.0%.

Key performance indicators

The profitability ratio ROE is 12.3%, while ROA is 1.8%.

The efficiency indicator (cost to income ratio) is 51%.

Net loans to deposits ratio is 70.4% and it continuously confirms the ability to maintain high level of self-sustainability, i.e. financing of loans from the Bank's own resources.

Profitability per employee (gross operating profit in relation to the number of employees) is KM 97.9 thousand.

1 European Bank for Reconstruction and Development
2 Kreditanstalt fuer Wiederaufbau
3 International Finance Corporation

Management and Corporate governance

Management and Corporate governance in 2019

Pursuant to the provisions of the Law on Banks, Companies Act, and the Statute of the Bank, managing bodies of the Bank are: General Assembly, Supervisory Board and Management Board.

General Assembly

The General Assembly is the Bank's supreme managing body. The General Assembly consists of the Bank's shareholders.

The General Assembly method of functioning and decision-making is regulated by the Rulebook on operations of the Bank's General Assembly.

Audited separate and consolidated financial statements will be submitted to the General Assembly for approval.

As of 31 December 2019, the Bank had 38 shareholders. The top shareholder was Zagrebačka banka d.d. Zagreb with 118,189 ordinary shares and 176 prefered shares, which represented an equity stake of 99.3%.

Bank's share capital is established at the level of KM 119,195,000 and it is divided into: 119,011 ordinary "A" class shares (with the nominal value of KM 1,000 per share) and 184 prefered "D" class shares (with the nominal value of KM 1,000 per share).

An ordinary "A" class share gives its holder the right to have one vote at the General Assembly, the right to participate in the Bank's management as stipulated by the Articles of Incorporation, the right to participate in the Bank's profit in proportion to the face value of the share, as well as other rights foreseen by the Articles of Incorporation and the law.

A preferred "D" class share gives its holder the right of priority collection of dividend from the Bank's profit in proportion to the face value of the share, and the right of priority collection in case of the Bank's bankruptcy or liquidation from the unallocated part of the bankruptcy/liquidation estate.

Supervisory Board

The Supervisory Board supervises the Bank's operations and work of the Management Board, it shapes business policy, passes Bank's general internal by-laws, issues business and other policies and procedures, and decides on the issues defined by the law, Articles of Incorporation and Bank's other rules and regulations. The Supervisory Board consists of 7 members elected to a four-year term by shareholders at the General Assembly.

The Supervisory Board's method of functioning and decision-making is regulated by the Rulebook on operation of the Bank's Supervisory Board.

Members of the Bank's Supervisory Board in 2019 are:

1.	Miljenko Živaljić	Chairman	Zagrebačka banka d.d., Zagreb, Hrvatska
2.	Claudio Cesario	Deputy Chairman	Zagrebačka banka d.d., Zagreb, Hrvatska
3.	Marko Remenar	Member (until 20 February 2019)	Zagrebačka banka d.d., Zagreb, Hrvatska
	Nikolaus Maximilian Linarić	Member (since 21 February 2019)	Zagrebačka banka d.d., Zagreb, Hrvatska
4.	Dijana Hrastović	Member (until 4 April 2019)	Zagrebačka banka d.d., Zagreb, Hrvatska
	Eugen Paić Karega	Member (since 5 April 2019)	Zagrebačka banka d.d., Zagreb, Hrvatska
5.	Helmut Franz Haller	Member	UniCredit S.p.A, Vienna subsidiary, Austria
6.	Dražena Gašpar	Member	Independent member
7.	Danimir Gulin	Member	Independent member

Management Board

The Management Board organises operations and governs the Bank's business.

The Management Board is composed of the president and members of the Board pursuant to the Law on Banks, appointed by the Supervisory Board to a four-year term, with prior consent of the Banking Agency of the Federation of Bosnia and Herzegovina.

The Management Board's method of functioning and decision-making is regulated by the Rulebook on operation of the Bank's Management Board.

Management and Corporate governance in 2019 (continued)

In 2019, the Bank Management Board comprise the following members:

1.	Dalibor Ćubela	President of the Board (until 31 December 2019)
	Amina Mahmutović	President of the Board (since 1 January 2020)
2.	Slaven Rukavina	Board Member for Retail
3.	Igor Bilandžija	Board Member for Corporate and Investment Banking
4.	Amina Mahmutović	Board Member for Risk Management (until 31 December 2019)
5.	Viliam Pätoprstý	Board Member for Finance management / CFO (until 31 July 2019)
	Matteo Consalvi	Board Member for Finance management / CFO (since 1 August 2019)

Audit Committee

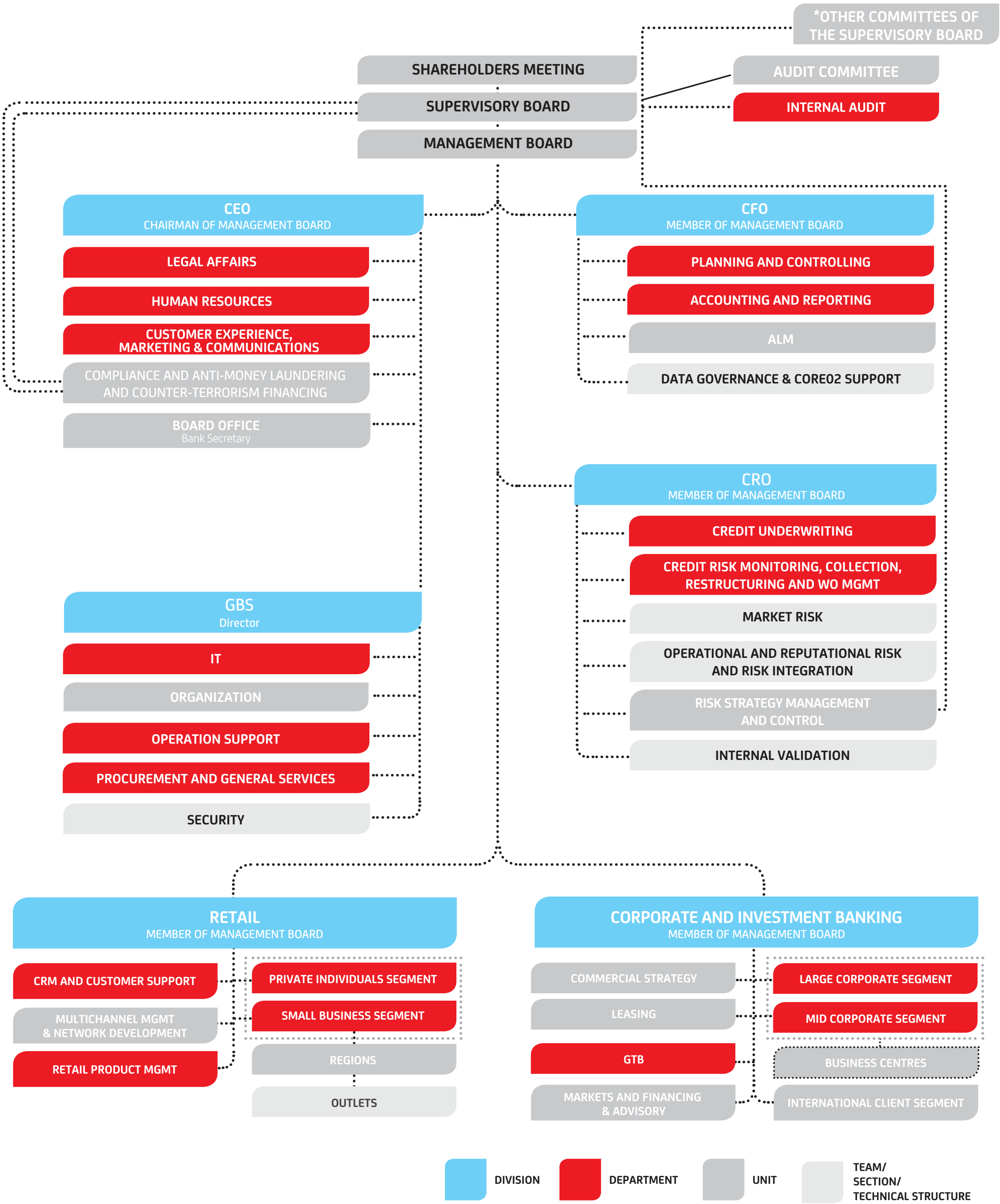
The Audit Committee is responsible for supervising performance and appointment of an external audit company that will conduct an audit of the annual separate and consolidated financial statements, and supervises the work of the internal audit, including annual calculation control. The Audit Committee has 5 members who are appointed by the Supervisory Board for a period of 4 years.

The Audit Committee's method of functioning is regulated by the Rulebook on operation of the Bank's Audit Committee.

In 2019, members of the Audit Committee are as follows:

1.	Mirjana Hladika	Chairman
2.	Antonija Matošin	Member
3.	Ante Križan	Member

Bank's Organisational structure as of 31 of December 2019 - division into key organizational units of the Bank:



Management and Corporate governance in 2019 (continued)

Employees

As of 31 December 2019, the Bank employed 1,248 employees.

Caring for workers is a priority in the HRM process. Through various programs, the Bank monitors and enhances activities that significantly affect the employee experience.

The Bank implements a policy of continuous development and internal mobility of workers with the aim of adapting the Bank to the requirements of regulators, as well as to the economic environment, new competition and technological innovations, which affect the Bank's operations only. Today's challenging business environment and increased complexity require a proactive approach and a dynamic organization of the Bank, putting workers first, as well as taking care of their development and benefits. To this end, the Bank is continuously working to streamline the performance management process and to foster a culture of timely feedback.

The Bank invests in development programs to enhance the professional skills of employees, as well as the quality and responsibilities of executives, and believes that diversity at all levels of the organization is essential to generate value for employees, clients, the community and owners. A diverse workforce provides a better understanding of the different cultures, business opportunities and needs of clients. Therefore, the Bank continues to invest in building a culture of inclusion by promoting gender equality and respecting age differences.

According to the results of the organizational climate research, workers continuously show high job satisfaction and a high level of dedication and commitment in work. Continuous and dedicated solutions are being found that have a positive effect on employee satisfaction, motivation and loyalty. Improving the knowledge and skills of workers and enhancing their competencies are always at the forefront.

Rewarding employee performance

Rewarding employees is also support to Bank's strategy. Through a system of variable remuneration, the right for a variable award can be realized by every employee of the Bank, where the reward is realized depending on: individual employee performance, the performance of the organizational unit and finally the performance of the Bank and UniCredit Group as a whole.

In order to ensure sustainable variable rewarding, with the key aim of motivating and retaining employees, clear and transparent guidelines for determining variable reward are defined.

Rewarding System is continuously revised and updated and adjusted with applicable regulatory requirements that limit risk taking to a level that does not exceed a level acceptable to the Bank.

Top shareholders

As at 31 December 2019, the Bank had the following shareholder structure:

	Shareholders	% Participation of all owned shares	Amount of equity in KM '000
1	Zagrebačka banka d.d., Zagreb, Croatia	99.30%	118,365
2	Other shareholders	0.70%	830
	TOTAL	**100.00%**	**119,195**

Responsibility for the separate and consolidated Financial Statements

The Management Board is responsible for ensuring that separate and consolidated financial statements are prepared for each financial period in accordance with International Financial Reporting Standards ("IFRS") which give a true and fair view of the state of affairs and results of UniCredit Bank d.d. (the "Bank") and its associate (together the "Group") for that period. IFRS are published by the International Accounting Standards Board.

After making enquiries, the Management Board has a reasonable expectation that the Bank and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the separate and consolidated financial statements.

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

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

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bank and Group and must also ensure that the separate and consolidated financial statements comply with the Accounting and Auditing Law in the Federation of Bosnia and Herzegovina. Moreover, the Management Board is also responsible for safeguarding the assets of the Bank and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board

UniCredit Bank dioničko društvo

President of Board	Member of the Board for Finance Management
Amina Mahmutović	Matteo Consalvi

UniCredit Bank d.d.
Kardinala Stepinca b.b.
88000 Mostar
Bosnia and Herzegovina

14 February 2020

Independent Auditor's Report

To the shareholders of UniCredit Bank d.d.

Opinion

We have audited the accompanying separate financial statements of UniCredit Bank d.d. (the Bank) and the consolidated financial statements of the Group UniCredit Bank d.d. (the "Group), which comprise of the separate and consolidated statement of financial position as at 31 December 2019, the separate and consolidated statement of profit or loss and other comprehensive income, the separate and consolidated statement of changes in equity, and the separate and consolidated statement of cash flows for the year then ended, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of the Bank and the Group as at 31 December 2019, and their financial performance and their cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

Basis for opinion

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

Key Audit matter

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

Measurement of impairment allowances for expected credit losses on loans and receivables from clients is deemed a key audit matter since high level of significant judgements is applied by Management as well as the use of complex models.

Management exercise significant judgements in the following areas:

- Use of historic data in the process of determining risk parameters;
- Estimation of the credit risk related to the exposure;
- Assessment of stage allocation;
- Assessment on the significance of subsequent changes in credit risk of an exposure for the purposes of identifying whether significant increase in credit risk has occurred, leading to changes in stage allocation and the required measurement of lifetime expected credit losses;
- Expected future cash flows from operations;
- Valuation of collateral and assessment of realization period on individually assessed credit-impaired exposures.

Management has provided further information about the impairment allowance on loans and receivables from clients in Notes 2.11 – Financial instruments, 20 – Loans and receivables from clients at amortized cost, 13 – Impairment losses and provisions, net.

How the Matter Was Addressed in Our Audit

We performed following audit procedures with respect to area of loans and receivables from clients:

- Reviewing the Bank's methodology for recognizing impairment allowances for expected credit losses and comparing the reviewed methodology against the requirements of IFRS 9;
- Obtaining understanding of control environment and internal controls implemented by the Management within the process of measuring impairment allowance for expected credit losses;
- Evaluating design and inspecting implementation of identified internal controls relevant to the process of measuring impairment allowance for expected credit losses;
- Testing identified relevant controls for operating effectiveness;

- Disaggregating loans account balance based on stage allocation for the purposes of sample selection;
- Performing substantive tests over recognition and measurement of impairment allowance for expected credit losses on sample of loans allocated to Stage 1 and Stage 2, focusing on:
  i. models applied in stage allocation,
  ii. assumptions used by the Management in the expected credit loss measurement models,
  iii. criteria used for determination of significant increase in credit risk,
  iv. assumptions applied to calculate lifetime probability of default,
  v. methods applied to calculate loss given default,
  vi. methods applied to incorporate forward-looking information,
- Performing substantive tests over recognition and measurement of impairment allowance for expected credit losses on sample of individually assessed non-performing loans and receivables from clients allocated to Stage 3, which included
  i. Assessment of borrower's financial position and performance following latest credit reports and available information,
  ii. Critical assessment of judgements and assumptions applied in the calculation and measurement of expected future cash flows from operations taking into consideration borrower's financial status and performance,
  iii. Reviewing and critically assessing estimated value of collateral and estimated realisation period,
  iv. Critical assessment of discount rates used in the estimation of the expected cash flows from operations and/or collateral,
  v. Re-performing calculation of expected credit losses by applying our own independent judgment and assumptions, based on our industry experience, on to calculation and comparing derived result of the impairment losses per certain sampled loans with the ones provided by the Bank.

Other information

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

Our opinion on the separate and consolidated financial statements does not cover the other information, and therefore we express no conclusion with expressing assurance on the other information.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Annual Report, we have also performed the procedures prescribed by the Law on Accounting and auditing in Federation of Bosnia and Herzegovina.

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

1) Information included in the other information is, in all material respects, consistent with the separate and consolidated financial statements.

2. Annual Report has been prepared, in all material respects, in accordance with the requirements of the Law on Accounting and Auditing in Federation of Bosnia and Herzegovina.

Based on the knowledge and understanding of the Bank and the Group and their environment, which we gained during our audit of the separate and consolidated financial statements, we have not identified material misstatements in the other information. We have nothing to report in this respect.

To the shareholders of UniCredit Bank d.d. (continued)

Responsibilities of the Management and Supervisory Boards for the Separate and Consolidated Financial Statements

The Management Board is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with the International Financial Reporting Standards, and for such internal control as the Management Board determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, the Management Board 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.

Supervisory Board is responsible for overseeing the Bank's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements

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

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

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

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

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

Other reporting and regulatory obligations

As required by the Law on Accounting and Auditing in the Federation of Bosnia and Herzegovina, Article 44, the Bank submits its annual consolidated and separate financial statements to the Financial–intelligence Agency ("FIA") in the form prescribed per Rulebook on content and form of financial statements for banks and financial organizations ("Official Gazette of Federation of Bosnia and Herzegovina", no. 82/10).

The Management Board of the Bank created forms disclosed as an appendix to these separate and consolidated financial statements on pages 137 to 152, and they contain the separate and consolidated statement of financial position as at 31 December 2019, and the separate and consolidated statement of profit or loss and other comprehensive income for the year then ended, and they do not represent an integral part of the separate and consolidated financial statements presented on pages 31 to 37. The financial information presented in the accompanying forms have been derived from the basic financial statements of the Bank and the Group.

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

Deloitte
d.o.o.
Zmaja od Bosne 12c
71000 Sarajevo
ID: 4200047380000

Sead Bahtanović, director and licensed auditor

Adna Valjevac, licensed auditor

Deloitte d.o.o.

Zmaja od Bosne 12c,
Sarajevo, Bosnia and Herzegovina

14 February 2020

Grow and strengthen client franchise.

Team 23 focuses on strengthening and growing our client franchise across all segments: SMEs, individuals and corporates.
Our strategic initiatives focus on the customer experience, to improve customer satisfaction and service quality. This is how we will increase our Net Promoter Score at Group-level.

Separate and consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019

(all amounts are expressed in thousands of KM, unless otherwise stated)

	Notes	Group 2019	Bank 2019	Group 2018	Bank 2018
Interest income	6	186,280	186,280	187,480	187,480
Interest expense	7	(24,098)	(24,098)	(22,596)	(22,596)
Net interest income		**162,182**	**162,182**	**164,884**	**164,884**
Fee and commission income	8	74,671	74,671	74,165	74,165
Fee and commission expenses	9	(4,224)	(4,224)	(3,806)	(3,806)
Net fee and commission income		**70,447**	**70,447**	**70,359**	**70,359**
Dividend income		198	198	224	224
Net gains from foreign exchange trading and translation of monetary assets and liabilities	10	15,104	15,104	14,065	14,065
Other income	11	1,975	1,975	3,169	3,169
Operating income		**249,906**	**249,906**	**252,701**	**252,701**
Depreciation and amortization	24,25,26	(14,921)	(14,921)	(10,374)	(10,374)
Operating expenses	12	(112,594)	(112,594)	(113,862)	(113,862)
Profit before impairment losses and income tax		**122,391**	**122,391**	**128,465**	**128,465**
Impairment losses and provisions, net	13	(8,002)	(8,002)	(18,338)	(18,338)
Share in profit of associates	22	8	-	88	-
Profit before taxation		**114,397**	**114,389**	**110,215**	**110,127**
Income tax expense	14	(13,318)	(13,318)	(12,917)	(12,917)
NET PROFIT		**101,079**	**101,071**	**97,298**	**97,210**

Separate and consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019

(all amounts are expressed in thousands of KM, unless otherwise stated)

	Notes	Group 2019	Bank 2019	Group 2018	Bank 2018
Profit for the year		**101,079**	**101,071**	**97,298**	**97,210**
Other comprehensive income:					
Items that will be reclassified subsequently to profit or loss when specific conditions are met:					
Gross change in fair value of financial assets through other comprehensive income		5,316	5,316	(223)	(223)
Deffered taxes	14	(532)	(532)	22	22
Changes in impairment of financial assets at fair value through other comprehensive income	18	(34)	(34)	(695)	(695)
Changes in fair value of property and equipment	24	2,405	2,405	-	-
Deferred tax on changes in fair value of property and equipment		(241)	(241)	-	-
Items that may be reclassified subsequently to profit or loss:					
FX differences on fair value of financial assets at fair value through other comprehensive income		6	6	1	1
Total other comprehensive income / (loss)		**6,920**	**6,920**	**(895)**	**(895)**
TOTAL COMPREHENSIVE INCOME		**107,999**	**107,991**	**96,403**	**96,315**
Basic and diluted earnings per share (KM)	34	849.87	849.80	818.08	817.34

The accompanying notes form an integral part of these separate and consolidated financial statements.

Separate and consolidated statement of financial position for the year ended 31 December 2019

(all amounts are expressed in thousands of KM, unless otherwise stated)

	Notes	Group 31 December 2019	Bank 31 December 2019	Group 31 December 2018	Bank 31 December 2018
ASSETS					
Cash and cash equivalents	15	760,047	760,047	746,453	746,453
Obligatory reserve at the CBBH	16	535,483	535,483	484,141	484,141
Loans and receivables from banks at amortized cost	17	1,049,855	1,049,855	718,686	718,686
Financial assets at fair value through other comprehensive income	18	527,263	527,263	491,946	491,946
Financial assets at fair value through profit or loss	19	-	-	608	608
Loans and receivables from clients at amortized cost	20	3,552,913	3,552,913	3,380,075	3,380,075
Other assets and receivables	21	51,597	51,597	54,768	54,768
Investments in associates	22	863	460	855	460
Investment property	23	491	491	881	881
Property and equipment	24	63,917	63,917	56,836	56,836
Right to use assets	25	9,064	9,064	-	-
Intangible assets	26	19,621	19,621	17,360	17,360
TOTAL ASSETS		**6,571,114**	**6,570,711**	**5,952,609**	**5,952,214**
LIABILITIES					
Current accounts and deposits from banks at amortized cost	27	470,272	470,272	539,098	539,098
Current accounts and deposits from clients at amortized cost	28	5,046,943	5,046,943	4,433,263	4,433,263
Financial liabilities at fair value through profit or loss	19	-	-	515	515
Borrowings	29	43,130	43,130	35,155	35,155
Other liabilities	30	109,579	109,579	111,632	111,632
Lease liabilities	31	9,100	9,100	-	-
Provisions for liabilities and charges	32	36,706	36,706	34,009	34,009
Current tax liability		859	859	1,027	1,027
Deferred tax liability	14	2,006	2,006	1,430	1,430
TOTAL LIABILITIES		**5,718,595**	**5,718,595**	**5,156,129**	**5,156,129**
EQUITY					
Share capital	33	119,195	119,195	119,195	119,195
Treasury shares		(81)	(81)	(81)	(81)
Share premium		48,317	48,317	48,317	48,317
Revaluation reserve for investments		7,161	7,161	2,344	2,344
Revaluation reserve for actuarial gain/loss		(3)	(3)	58	58
Fair value reserve for tangible assets		2,164	2,164	-	-
Regulatory reserves for credit losses		20,337	20,337	20,337	20,337
Retained earnings		655,429	655,026	606,310	605,915
TOTAL EQUITY		**852,519**	**852,116**	**796,480**	**796,085**
TOTAL LIABILITIES AND EQUITY		**6,571,114**	**6,570,711**	**5,952,609**	**5,952,214**

The accompanying notes form an integral part of these separate and consolidated financial statements.

Signed on behalf of the Management Board on 14 February 2020:

President of the Board
Amina Mahmutović

UniCredit Bank dioničko društvo

Board Member for Finance Management
Matteo Consalvi

Separate and consolidated statement of cash flows for the year ended 31 December 2019

(all amounts are expressed in thousands of KM, unless otherwise stated)

	Bank and Group 2019	Bank and Group 2018
Cash flow from operating activities		
Interest received	188,151	187,201
Fee and commission received	74,499	74,336
Interest paid	(28,467)	(26,548)
Fee and commission paid	(4,224)	(3,806)
Operating expenses paid	(114,327)	(105,525)
Net proceeds from trading activities	15,104	14,065
Other proceeds	1,921	1,214
Net cash from operating activities before changes in operating assets and liabilities	**132,657**	**140,937**
(Increase) / decrease in operating assets:		
Obligatory reserve with Central Bank of BiH	(51,359)	(68,544)
Loans and receivables from banks at amortized cost	(329,682)	(441,887)
Loans and receivables from clients and finance lease at amortized cost	(173,767)	(328,518)
Other assets	(74)	5,980
Net increase in operating assets	**(554,882)**	**(832,969)**
Increase / (decrease) in operating liabilities:		
Current accounts and deposits in banks	(68,994)	351,926
Current accounts and deposits from clients	600,278	358,915
Other liabilities	10,249	(4,880)
Net increase in operating liabilities	**541,533**	**705,961**
Net increase in cash from operating activities before corporate income tax	**119,308**	**13,929**
Corporate income tax paid	(13,486)	(13,092)
Net cash from operating activities	**105,822**	**837**
Cash flow from investing activities		
Acquisition of property and equipment	(11,478)	(8,728)
Proceeds from sale of property and equipment	123	321
Acquisition of intangible assets	(8,697)	(7,159)
Receipts on redemption of financial assets at fair value through other comprehensive income	119,608	69,742
Purchases of financial assets at fair value through other comprehensive income	(149,767)	(147,257)
Dividend paid	(48,604)	(67,706)
Dividend receipts	198	224
Net cash (used in) investing activities	**(98,617)**	**(160,563)**

Separate and consolidated statement of cash flows for the year ended 31 December 2019

(all amounts are expressed in thousands of KM, unless otherwise stated)

	Bank and Group 2019	Bank and Group 2018
Cash flows from financing activities		
Repayment of long-term lease	(3,532)	-
Proceeds from interest-bearing borrowings	21,514	-
Repayment of interest-bearing borrowings	(13,447)	(29,395)
Net cash from / (used in) financing activities	**4,535**	**(29,395)**
Net cash inflow / (outflow)	**11,740**	**(189,121)**
Effect of foreign exchange rate fluctuations on cash and cash equivalents	1,868	2,475
Net (decrease) / increase in cash and cash equivalents	13,608	(186,646)
Cash and cash equivalents at the beginning of the year	**746,568**	**933,214**
Cash and cash equivalents at the end of the year	**760,176**	**746,568**

The accompanying notes form an integral part of these separate and consolidated financial statements.

Separate and consolidated statement of changes in equity for the year ended 31 December 2019

(all amounts are expressed in thousands of KM, unless otherwise stated)

Bank	Share capital	Treasury shares	Share premium	Revaluation reserve for securities	Fair value reserve at actuarial gain/ loss	Fair value reserve for tangible assets at fair value	Regulatory reserves for credit losses	Retained earnings	Total
Balance as at 31 December 2017	**119,195**	**(81)**	**48,317**	**1,700**	**(64)**		**20,682**	**576,411**	**766,160**
Net profit for the year	-	-	-	-	-	-	-	97,210	97,210
Cost of provisions for financial assets at fair value through other comprehensive income	-	-	-	(695)	-	-	-	-	(695)
Foreign exchange differences on financial assets at fair value through other comprehensive income	-	-	-	1	-	-	-	-	1
Change in financial assets at fair value through other comprehensive income	-	-	-	(359)	-	-	-	-	(359)
Change in fair value at actuarial gain/loss	-	-	-	-	136	-	-	-	136
Deferred tax on revaluation reserve at actuarial gain/loss (Note 14)	-	-	-	-	(14)	-	-	-	(14)
Deferred tax on financial assets through other comprehensive income (Note 14)	-	-	-	36	-	-	-	-	36
Other comprehensive income	-	-	-	(1,017)	122	-	-	-	(895)
Total comprehensive income	**-**	**-**	**-**	**(1,017)**	**122**	**-**	**-**	**97,210**	**96,315**
First application of IFRS 9 securities	-	-	-	1,661	-	-	(345)	-	1,316
Dividend payment for the year	-	-	-	-	-	-	-	(67,706)	(67,706)
Balance as at 31 December 2018	**119,195**	**(81)**	**48,317**	**2,344**	**58**	**-**	**20,337**	**605,915**	**796,085**
Net profit for the year	-	-	-	-	-	-	-	101,071	101,071
Foreign exhange differences on provisions for securities (Note 18)	-	-	-	2	-	-	-	-	2
Changes in fair value of property and equipment (Note 2.3.1.2)	-	-	-	-	-	2,405	-	-	2,405
Deferred tax on fair value of property and equipment (Note 2.3.1.2)	-	-	-	-	-	(241)	-	-	(241)
Cost of provisions for financial assets at fair value through other comprehensive income (Note 13)	-	-	-	(34)	-	-	-	-	(34)
FX differences on financial assets at fair value through other comprehensive income	-	-	-	4	-	-	-	-	4
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	5,384	-	-	-	-	5,384
Change in fair value at actuarial gain/ loss	-	-	-	-	(68)	-	-	-	(68)
Deferred tax on revaluation reserve at actuarial gain/loss (Note 14)	-	-	-	-	7		-	-	7
Deferred tax on financial assets through other comprehensive income (Note 14)	-	-	-	(539)	-				(539)
Other comprehensive income	-	-	-	4,817	(61)	2,164	-	-	6,920
Total comprehensive income	**-**	**-**	**-**	**4,817**	**(61)**	**2,164**	**-**	**101,071**	**107,991**
Changes directly in equity	-	-	-	-	-	-	-	(3,356)	(3,356)
Dividend payment for the year	-	-	-	-	-	-	-	(48,604)	(48,604)
Balance as at 31 December 2019	**119,195**	**(81)**	**48,317**	**7,161**	**(3)**	**2,164**	**20,337**	**655,026**	**852,116**

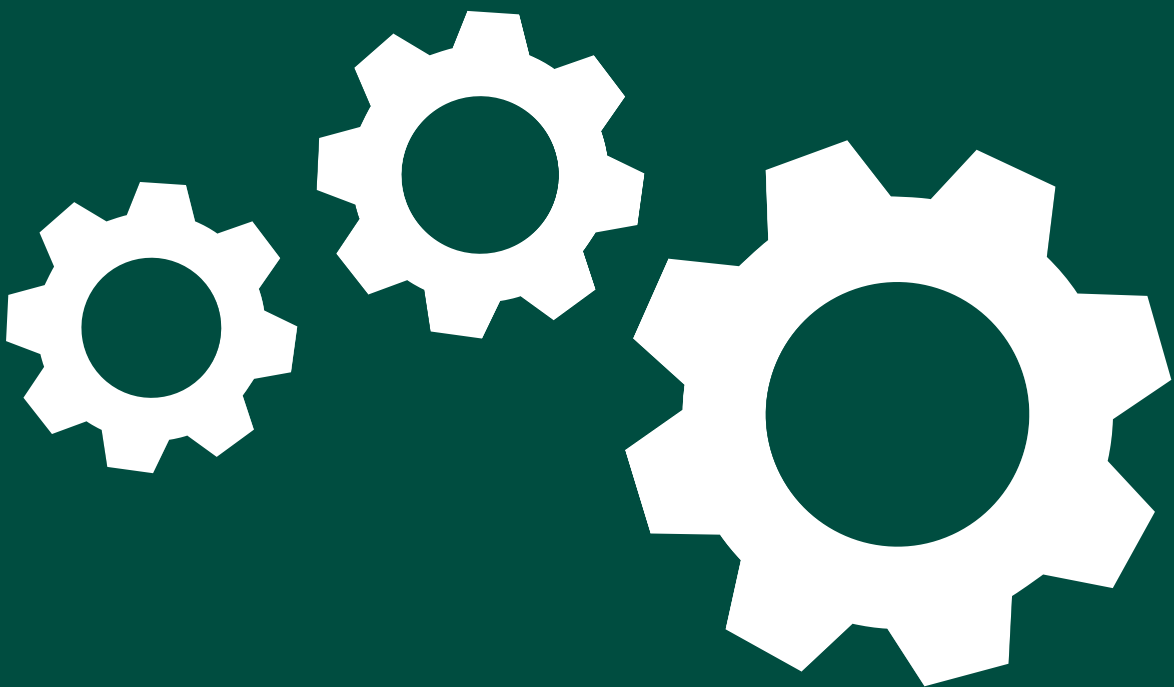
Separate and consolidated statement of changes in equity for the year ended 31 December 2019

(all amounts are expressed in thousands of KM, unless otherwise stated)

Group	Share capital	Treasury shares	Share premium	Revaluation reserve for securities	Fair value reserve at actuarial gain/ loss	Fair value reserve for tangible assets at fair value	Regulatory reserves for credit losses	Retained earnings	Total
Balance as at 31 December 2017	**119,195**	**(81)**	**48,317**	**1,700**	**(64)**	**-**	**20,682**	**576,718**	**766,467**
Net profit for the year	-	-	-	-	-	-	-	97,298	97,298
Cost of provisions for financial assets at fair value through other comprehensive income	-	-	-	(695)		-			(695)
FX differences on financial assets at fair value through other comprehensive income	-	-	-	1	-	-	-		1
Change in financial assets a t fair value through other comprehensive income	-	-	-	(359)	-	-	-	-	(359)
Change in fair value at actuarial gain/loss	-	-	-	-	136	-	-	-	136
Deferred tax on revaluation reserve at actuarial gain/loss (Note 14)	-	-	-	-	(14)	-	-	-	(14)
Deferred tax on financial assets at fair value through other comprehensive income (Note 14)	-	-	-	36	-	-	-	-	36
Other comprehensive income	-	-	-	(1,017)	122	-	-	-	(895)
Total comprehensive income	**-**	**-**	**-**	**(1,017)**	**122**	**-**	**-**	**97,298**	**96,403**
First application of IFRS 9 securities	-	-	-	1,661	-	-	(345)	-	1,316
Dividend payment for the year	-	-	-	-	-	-	-	(67,706)	(67,706)
Balance as at 31 December 2018	**119,195**	**(81)**	**48,317**	**2,344**	**58**	**-**	**20,337**	**606,310**	**796,480**
Net profit for the year	-	-	-	-	-	-	-	101,079	101,079
First application of IFRS 9 securities	-	-	-	-	-	-	-	-	-
FX differences on provisions for securities	-	-	-	2	-	-	-	-	2
Changes in fair value of tangible assets	-	-	-	-	-	2,405	-	-	2,405
Deferred tax on fair value of tangible assets	-	-	-	-	-	(241)	-	-	(241)
Cost of provisions for financial assets at fair value through other comprehensive income	-	-	-	(34)	-	-	-	-	(34)
FX differences on financial assets at fair value through other comprehensive income	-	-	-	4	-	-	-	-	4
Change in financial assets at fair value through other comprehensive income	-	-	-	5,384	-	-	-	-	5,384
Change in fair value at a ctuarial gain/loss	-	-	-	-	(68)	-	-	-	(68)
Deferred tax on revaluation reserve at actuarial gain/loss (Note 14)	-	-	-	-	7	-	-	-	7
Deferred tax on financial assets through other comprehensive income (Note 14)	-	-	-	(539)	-	-	-	-	(539)
Other comprehensive income	-	-	-	4,817	(61)	2,164	-	-	6,920
Total comprehensive income	**-**	**-**	**-**	**4,817**	**(61)**	**2,164**	**-**	**101,079**	**107,999**
Changes directly in equity	-	-	-	-	-	-	-	(3,356)	(3,356)
Dividend payment for the year	-	-	-	-	-	-	-	(48,604)	(48,604)
Balance as at 31 December 2019	**119,195**	**(81)**	**48,317**	**7,161**	**(3)**	**2,164**	**20,337**	**655,429**	**852,519**

The accompanying notes form an integral part of these separate and consolidated financial statements

Transform and Maximise Productivity.



Our customer focus drives the right process optimisation, leading to new ways of working. We will continue to maximise productivity across the value chain, improving processes and products while minimising operational risk. A great example of our transformation is the paperless bank, currently being rolled out across our networks.

1. REPORTING ENTITY

UniCredit Bank d.d. (the Bank) is a joint stock company incorporated and headquartered in Bosnia and Herzegovina. The registered office is at Kardinala Stepinca bb, Mostar. The Bank provides a full range of services including retail and corporate banking, treasury operations, and finance lease operations. The Bank is a member of Zagrebačka banka Group (Zagrebačka banka d.d., a bank headquartered in Zagreb, Republic of Croatia, is its immediate parent company) and UniCredit Group. The ultimate parent company is UniCredit Bank SpA., a bank headquartered in Milan, Italy.

For 2019, the Bank consolidated the Statement of profit or loss and Statement of financial position of the associate UniCredit Broker d.o.o. Sarajevo – in liqudation using equity method (Group).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board.

2.2 Going concern

The separate and consolidated financial statements have been prepared on the going concern basis, which assumes continuity of Bank and Group's normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

2.3 Basis of presentation

The Bank and Group's separate and consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities at fair value through profit or loss and debt securities available-for-sale which are stated at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank and Group take into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liabilty at the measurement date. Fair value for measurement and/or disclosure purposes in these separate and consolidated financial statements is determined on such basis, except for measurement that have some similiarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank and Group can access at the measurement date;
- Level 2 inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The separate and consolidated financial statements are presented in Convertible marks since that are the functional currency of the Bank and Group. The Convertible mark (KM) is officially tied to the Euro (EUR 1 = KM 1.95583).

The preparation of separate and consolidated financial statements in compliance with IFRS requires Management to make estimates and assumptions that affect the application of accounting policies and disclosed assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

Information on amounts where significant uncertainty exists in their estimate and critical judgments in applying accounting policies that have the most significant impact on the amounts disclosed in these separate and consolidated financial statements are disclosed in Note 4.

The accounting policies set out below have been applied consistently to all periods presented in these separate and consolidated financial statements.

(all amounts are expressed in thousands of KM, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.1 Change of the accounting policy

2.3.1.1. IFRS 9

The Bank and the Group adopted the International Financial Reporting Standard 9: "Financial Instruments" ("IFRS 9") on the date of transition on 1 January 2018, resulting in changes in accounting policies and adjustments to the amounts previously disclosed in the separate and consolidated financial statements. The Bank and the Group did not use the early application of this standard.

As prohibited by the transitional measures of IFRS 9, the Bank and the Group have not changed comparative amounts. On the transition date, all adjustments to the net carrying amount of financial assets and liabilities are recognized initially through retained earnings and other reserves in the current period.

In accordance with the foregoing, for disclosure notes, subsequent amendments to IFRS 7 disclosures have also been adopted in the current period. Disclosure notes for comparative periods are repeated as disclosed in the previous period.

Adoption of IFRS 9 has resulted in changes in accounting policies for the recognition, classification and measurement of financial assets and financial liabilities as well as impairment of financial assets. IFRS 9 also has a significant impact on changes in other standards that define financial instruments such as IFRS 7. Below are the effects of IAS 39 transition to IFRS 9.

<u>**Classification and measurement of financial instruments**</u>

	IAS 39		IFRS 9	
Financial instruments	**Measurement category**	**Net amount 31 December 2017**	**Measurement category**	**Net amount 31 December 2018**
Cash and cash equivalents	At amortized cost (loans and receivables)	933,214	At amortized cost	933,160
Obligatory reserve at the Central Bank of BiH	At amortized cost (loans and receivables)	416,710	At amortized cost	415,115
Loans and receivables from banks	At amortized cost (loans and receivables)	275,882	At amortized cost	275,745
Loans and receivables from clients	At amortized cost (loans and receivables)	2,980,857	At amortized cost	
Loans and receivables from clients	At amortized cost (loans and receivables)	84,836	At amortized cost	3,067,917
Financial assets at FVOCI	FVOCI (available-for-sale)	409,716	FVOCI	409,716
Financial assets at fair value	Through profit or loss	449	Through profit or loss	449
Other assets and receivables	At amortized cost	61,166	At amortized cost	61,396
Current accounts and deposits of banks and amortized cost	At amortized cost	187,061	At amortized cost	187,061
Current accounts and deposits of customers	At amortized cost	4,070,994	At amortized cost	4,070,994
Financial liabilities at fair value	Through profit or loss	994	Through profit or loss	994
Loans	At amortized cost	64,605	At amortized cost	64,605
Other liabilities	At amortized cost	109,406	At amortized cost	109,406
Provisions for liabilities and charges	At amortized cost	19,350	At amortized cost	18,702

(all amounts are expressed in thousands of KM, unless otherwise stated)

Positions in the separate and consolidated statement of financial position

Reclassifications	As at 31 December 2017 (IAS 39)	Reclassification	Subsequent measurement	As at 1 January 2018 (IFRS 9)
Cash and cash equvalents				
Opening balance under IAS 39	933,214			
Re-measurement under IFRS 9			(54)	
Closing balance under IFRS 9				933,160
Obligatory reserve at the Central Bank of BiH				
Opening balance under IAS 39	416,710			
Re-measurement under IFRS 9			(1,595)	
Closing balance under IFRS 9				415,115
Loans and receivables from banks				
Opening balance under IAS 39	275,882			
Re-measurement under IFRS 9			(137)	
Closing balance under IFRS 9				275,745
Loans and receivables from clients				
Opening balance under IAS 39	3,065,693			
Re-measurement under IFRS 9			2,224	
Closing balance under IFRS 9				3,067,917
Financial assets available-for-sale				
Opening balance under IAS 39	409,716			
Re-measurement under IFRS 9				
Closing balance under IFRS 9 (FVOCI)				409,716
Other assets and receivables				
Opening balance under IAS 39	61,166			
Re-measurement under IFRS 9			230	
Closing balance under IFRS 9 (FVOCI)				61,396
Financial assets at fair value				
Opening balance under IAS 39	449			
Re-measurement under IFRS 9				
Closing balance under IFRS 9 (FVOCI)				449
Current accounts and deposits of banks at amortized cost				
Opening balance under IAS 39	187,061			
Re-measurement under IFRS 9				
Closing balance under IFRS 9				187,061
Current accounts and deposits of customers				
Opening balance under IAS 39	4,070,994			
Re-measurement under IFRS 9				
Closing balance under IFRS 9				4,070,994
Financial liabilities at fair value				
Opening balance under IAS 39	994			
Re-measurement under IFRS 9				
Closing balance under IFRS 9				994
Loans				
Opening balance under IAS 39	64,605			
Re-measurement under IFRS 9				
Closing balance under IFRS 9				64,605
Other liabilities				
Opening balance under IAS 39	109,406			
Re-measurement under IFRS 9				
Closing balance under IFRS 9				109,406

(all amounts are expressed in thousands of KM, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.1 Change of the accounting policy (continued)

2.3.1.1. IFRS 9 (continued)

Presentation of impairment positions

	Provisions under IAS 39 (balance as at 31 December 2018) in KM '000	Reclassification	Subsequent measurement (balance as at 1 January 2018) in KM '000	Provisions under IFRS 9
Cash and cash equivalents	-	-	54	54
Obligatory reserve at the Central Bank of BiH	-	-	1,595	1,595
Loans and receivables from banks	124	-	137	1,595
Loans and receivables from clients	312,746	-	(2,224)	310,522
Impairment of other assets	13,059	-	(230)	12,829
Financial assets at fair value through other comprehensive income	-	-	1,661	1,661
Provisions for liabilities and charges	19,350	-	(648)	18,702
Total	**345,279**	-	**345**	**346,958**

Effects of first application of IFRS 9 are presented in the separate and consolidated statement of changes in equity.

2.3.1.2 Change of the accounting policy IAS 16 and IAS 40

In order to reconcile the carrying amounts of properties with the market values and to provide more relevant information on the overall financial position and results, the Bank and the Group have decided to change the existing measurement model at cost and apply the revaluation model / fair value model for land and buildings measured under IAS 16 (Property, Plant and Equipment – properties used for operations) and IAS 40 (Investment Property – properties used for investments).

The Bank and the Group apply the new accounting policy for measuring these properties when preparing the separate and consolidated financial statements for the reporting date as at 31 December 2019.

The effects of positive revaluation under IAS 16 are recognized in the revaluation reserve account within other comprehensive income, while the effects of positive revaluation that offset previously accumulated impairment losses as well as the effects of negative revaluation are recognized in the separate and consolidated statement of profit or loss and other comprehensive income.

The effects of positive and negative revaluation under IAS 40 are recognized in the separate and consolidated statement of profit or loss.

Notes for comparative periods are repeated as disclosed in the previous period.

The effects of change of the accounting policy are presented below:

Effects of change of the accounting policy – measurement at fair value for land – IAS 40			
Land	At cost	At fair value	Effects
Net cost (Note 23)	864	491	(373)
Through separate and consolidated statement of profit or loss – cost (Note 13)	-	-	(373)

(all amounts are expressed in thousands of KM, unless otherwise stated)

Effects of change of the accounting policy – measurement at fair value for property land – IAS 16			
Property and land (Note 24)	At cost	At fair value	Effects
Cost	54,876	60,854	5,978
Impairment	(23,397)	(27,592)	(4,195)
Total	**31,479**	**33,262**	**1,783**
Through separate and consolidated statement of profit or loss – cost			(622)
Through separate and consolidated statement of other comprehensive income			2,405

2.3.1.3 Change of the accounting policy IFRS 16

The Bank and the Group have adopted the International Financial Reporting Standard 16 that sets out the principles for recognition, measurement, presentation and disclosure of leases for both parties, i.e. a buyer ("lessee") and a supplier ("lessor") with a transition date on 1 January 2019, which resulted in changes in accounting policies and changes in presentation in the separate and consolidated financial statements.

This standard requires that lessees account for all leases under a single balance sheet model in a similar manner to lease financing in accordance with IAS 17, with certain exceptions.

The changes refer to the presentation method, where it is required to present for leases the item "Assets with right to use" and the presentation of long-term lease liabilities, calculating the present value of future lease payments.

Lessor's accounting remained largely unchanged.

Notes for comparative periods are repeated as disclosed in the previous period.

The effects of change of the accounting policy are presented below:

Impact on retained earnings as at 1 January 2019

Operating lease commitments as at 31 December 2018	13,084
Short-term leases and leases of low value assets	2,162
Effect of discounting the above amounts	(507)
Present value of lease payments due in periods covered by extension options included in the lease period, which were not previously included in operating lease commitments	12,577
Lease liabilities recognized as at 1 January 2019	**12,577**

2.3.1.4 New regulatory requirements effective as of 1 January 2020

On 20 June 2019, the Banking Agency of Federation of Bosnia and Herzegovina adopted the Decision on credit risk management and determining expected credit losses. This Decision shall apply for periods beginning on or after 1 January 2020. When this Decision is implemented, the Decision on minimum standards for credit risk management and classification of banks' assets shall be repealed.

The Decision on credit risk management and determining expected credit losses stipulates:

a) rules for managing credit risk,

b) how to allocate exposures to credit risk levels and determine expected credit losses,

c) acceptable collateral for the purpose of determining expected credit losses,

d) acceptable collateral for the purpose of limiting the maximum exposure to recognized capital,

e) treatment of tangible assets acquired in the process of collection of receivables,

f) manner of reporting to the Banking Agency of the Federation of Bosnia and Herzegovina.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Basis of presentation (continued)

2.3.1 Change of the accounting policy (continued)

2.3.1.4 New regulatory requirements effective as of 1 January 2020 (continued)

The requirements of the new impairment Decision are based on the IFRS 9 expected credit losses model, with certain specifics (prescribed minimum expected credit loss rates for credit risk levels) for which the Bank and the Group are required to report the effects on 1 January 2020 and record them in equity accounts and state in ordinary share capital.

The effects of the first application represent the difference between the expected credit losses determined in accordance with the provisions of this Decision and those identified and accounted for by the bank in accordance with its internal methodology.

The decision prescribes rules in the local regulation for “Accounting write-offs” under which the Bank and the Group are required to make an accounting write-off of balance sheet exposures two years after the bank has recorded the expected credit losses in the amount of 100% of its gross book value and declared them fully due.

The decision prescribes the treatment of tangible assets acquired in the process of collection of receivables under which the Bank and the Group recognize the assets taken over at the lower of the following values:

a) The amount of the net book value of the bank’s receivables. In case the amount of accounting expected credit losses is equal to the amount of receivables, the bank will record the acquired tangible assets at technical value in the amount of KM 1.

b) The estimated fair value by an independent appraiser less the estimated cost of the sale.

If the Bank and the Group do not sell the repossessed tangible assets, the value of those shall be reduced to KM 1 within three years after the date of initial recognition, and for the assets registered before 1 January 2019, it shall be reduced to KM 1 two years after the date of application of this Decision.

The Bank and the Group made calculations in accordance with the aforementioned decision. The calculations show that the effects on impairment of financial assets in the Bank’s balance sheet amounted to KM 9.3 million, or 1.3% of the share capital.

2.4 Consolidation

Consolidated financial statements for 2019 include financial statements of the Bank and entities controlled by the Bank and its subsidiaries, including the financial statements of the associate (UniCredit Broker d.o.o. Sarajevo – in liqudation) consolidated using equity method (Group).

Associates

Associates are all companies in which the Bank Group has significant influence, but no control over them. Investments in associates are initially recognised at acquisition cost basis, and are subsequently valued in consolidated financial statements applying share method basis. Bank’s investments in associates also include goodwill (reduced for accumulated impairment loss) identified during acquisition. In separate financial statements of the Bank, investments in associates are valued at acquisition cost basis reduced for potential impairments.

Bank’s share in profit or losses of its associates after acquisition is recognised in the separate statement of profit or loss, and its share in reserve changes after acquisition is recognised in reserves.

Carrying value of investment is corrected for total movements after acquisition. When the Bank’s share in losses of the associate is equal or higher than its share in the associate, including any uncollateralised receivables, the Bank ceases to recognise further losses, except when it has further liabilities toward the associate or it completed payments to the benefit of the associate. The dividend received from associates is recognised as the decrease of investment in associates in the consolidated statement of financial position of the Bank, and as revenue from dividends in the separate statement of profit or loss of the Bank.

Non-performed gains from transactions between the Bank and its associates are eliminated up to the size of Bank’s share in the associate.

Non-performed losses are also eliminated, except when the transaction offers evidence of impairment of transferred assets. Accounting policies of associate are revised as necessary to be adjusted to Bank’s policies.

2.5 Interest income and expense

Interest income and expense are recognised in the separate and consolidated statement profit or loss and other comprehensive income for the accounting period to which they refer using effective interest rate for all interest-bearing instruments, including those accrued at amortized cost at FVTPL, i.e. accrued at FVOCI. Effective interest rate is the rate that discounts estimated future cash flows (including all paid or received transaction costs, fees and points that form an integral part of the effective interest rate) through the expected life of the financial asset / liability, or, where appropriate, a shorter period.

Interest income and expense also includes fees and commission income and expense relating to loans and receivables from customers and banks, borrowings, finance leases, subordinated debt and debt securities issued, premium or discount amortization, as well as other differences between initial the carrying amount of the interest-bearing financial instrument and its value at maturity, which are recognized using the effective interest rate method.

Interest income will be calculated using the effective interest method. This will be calculated by applying the effective interest rate to the gross carrying amount of financial assets except for:

- purchased or originated credit-impaired financial assets. For such financial asset, the entity applies an effective interest rate adjusted for credit risk to the amortized cost of financial assets from initial recognition.
- financial assets that are neither purchased nor originated credit-impaired financial assets, but subsequently become credit-impaired financial assets. For such financial assets, an entity applies the effective interest rate in the following reporting periods to the amortized cost of financial assets.

If, in the reporting period, interest income is calculated using the effective interest method at amortized cost of financial assets in accordance with the aforementioned, in the future reporting periods, the interest income is calculated by applying the effective interest rate to the gross carrying amount if the credit risk of the financial instrument is improved so that the value financial assets no longer diminishes for credit losses, whereby improvement can be objectively linked to an event that has arisen following the application of the above (such as improving the credit rating of the borrower).

In some cases, when it comes to initial recognition, financial assets are reduced by credit losses because credit risk is very high, and in the case of a purchase, financial assets are acquired with a large discount. The Bank and Group are required to include initial expected credit losses in estimated cash flows when calculating the effective interest rate adjusted for the credit risk for financial assets for which, at initial recognition, it is considered that the financial asset will be purchased or originated credit-impaired. This does not mean, however, that the effective interest rate adjusted for credit risk should be applied only because of the high credit risk at initial recognition of financial assets.

2.6 Fee and commission income and expense

Fees and commissions that are an integral part of effective interest rates on financial assets and financial liabilities are included in interest income and interest expense.

Other fee and commission income includes fees which relate to credit card business, the issue of guarantees, letters of credit, domestic and foreign payments and other services, and are recognised in the separate and consolidated statement of profit or loss and comprehensive income upon performance of the relevant service.

Other fee and commission expense, mainly service and transaction fees, are recognised as an expense upon incurrence of services.

2.7 Leases

A lease where the Bank and Group, as lessor, transfers all essential risks and benefits related to the ownership of assets to the lessee, is classified as finance lease. All other lease forms are classified as operating lease.

Finance lease

The amount owed by lessees under finance lease are recorded as receivables in the amount of Bank and Group's net investment in leases equal to the present value of expected lease collections. The difference between the gross finance lease receivable and present value of future collections per finance lease receivable represents unearned financial income. Initial direct costs incurred in negotiating and arranging a finance lease are added to the carrying amount of the leased asset and reduce the amount of income over the lease term.

(all amounts are expressed in thousands of KM, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Employee benefits

On behalf of its employees, the Bank and Group pay personal income tax and contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated as per the set legal rates during the course of the year on the gross salary. The Bank and Group pay the tax and contributions in the favour of the pension and health funds of the Federation of Bosnia and Herzegovina (on federal and cantonal level) and Republika Srpska.

In addition, transport allowances, meal allowances and vacation bonuses are paid in accordance with the local legislation. These expenses are recognised in the separate and consolidated statement of profit or loss and comprehensive income in the period in which the salary expense is incurred.

2.8.1 Long-term employee awards

Participants for each cycle of the Long-term Incentive Plan of the Bank and Group are defined based on criteria related to their contribution to the banks long-term sustainable and growing profitability of the Bank and Group. The estimated amount is recognised as personnel costs in the separate and consolidated statement of profit or loss and other comprehensive incomein the year when it is earned.

2.8.2 Other employee benefits

Liabilities based on other long-term employee benefits, such as jubilee awards and statutory severance payments, are recorded at the net present value of the liability for defined benefits at the reporting date. The projected credit unit method is used for the calculation of the present value of the liability. The rate of average long-term borrowing of corporate clients is used as a discount rate in the absence of an active corporate debt securities market.

2.9 Foreign currency translation

Transactions in foreign currencies are translated into KM at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into KM at the reporting date at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on translation are recognised in the separate and consolidated statement of profit or loss, except in case of differences arising on non-monetary financial assets at FVOCI, which are recognised in other comprehensive income. Non-monetary assets and liabilities in foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction and are not retranslated at the reporting date.

The Bank and the Group value their assets and liabilities by middle rate of Central Bank of Bosnia and Herzegovina ("CBBH") valid at the reporting period date, which is approximate to market rates. The exchange rates set forth by CBBH and used in the preparation of the Bank and Group's separate and consolidated statement of financial position at the reporting dates were as follows:

31 December 2019	1 EUR = 1,95583 KM	1 USD = 1,747994 KM
31 December 2018	1 EUR = 1,95583 KM	1 USD = 1.707552 KM

2.10 Cash and cash equivalents

For the purpose of preparation of the separate and consolidated cash flow statement and separate and consolidated statement of financial position, cash and cash equivalents comprise cash in hand, items in the course of collection and current accounts.

Cash and cash equivalents exclude the compulsory minimum reserve with CBBH as these funds are not available for the Bank's day to day operations. The compulsory minimum reserve with CBBH is a required reserve to be held by all commercial banks licensed in Bosnia and Herzegovina.

2.11 Financial instruments

Financial assets and financial liabilities are recognised when the Bank and Group become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value increased for transaction costs that are directly attributable to the acquisition or issue except for financial assets and financial liabilities at fair value through the separate and consolidated statement of profit and loss and other comprehensive income.

Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in the separate and consolidated statement of profit or loss and other comprehensive income.

2.11.1 Financial assets

A financial asset shall be measured at amortised cost if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through the separate and consolidated statement of profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Bank and Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through the separate and consolidated statement of profit or loss to present subsequent changes in fair value in other comprehensive income.

The Bank and Group may, at initial recognition, irrevocably designate a financial asset as measured at fair value through the separate and consolidated statement of profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised immediately in the separate and consolidated statement of profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

2.11.1.1 Debt instruments

Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost.

Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income.

All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Bank and Group may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Bank and Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI, and
- the Bank and Group may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option). ostalu sveobuhvatnu dobit koji se mjere po fer vrijednosti kroz račun dobiti i gubitka ako se time eliminira ili značajno smanjuje računovodstvena neusklađenost (koja se naziva opcija fer vrijednosti).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (continued)

2.11.1 Financial assets (continued)

2.11.1.2. Debt instruments at amortized cost or at fair value through other comprehensive income

The Bank and Group assess the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank and Group's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank and Group determine the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

Reclassifications

When, and only when, an entity changes its business model for managing financial assets it shall reclassify all affected financial assets. In accordance with if an entity reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date, defined as the first day of the first reporting period following the change in business model. The Bank and Group shall not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

There were no reclassifications of the Bank and Group's financial assets during the current year or previous reporting periods.

The Bank and Group have more than one business model for managing its financial instruments which reflect how the Bank and Group manage their financial assets in order to generate cash flows. The Bank and Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Bank and Group consider all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Bank and Group do not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank and Group take into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank and Group's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank and Group determine whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank and Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Bank and Group have not identified a change in their business models.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to the separate and consolidated statement of profit or loss and other comprehensive income. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment. See Note 18.

2.11.1.3 Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in the separate and consolidated statement of profit or loss and other comprehensive income.

Reclassifications

If the business model under which the Bank and Group hold financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank and Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Bank and Group hold financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

2.11.2 Impairment

The Bank and Group recognize loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- loans and advances to banks at amortized cost;
- loans and advances to customers at amortized cost;
- financial assets at fair value through other comprehensive income;
- financial guarantees and letters of credit;
- other undrawn commitments.

No impairment loss is recognised on equity investments.

With the exception of POCI financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in Note 38.

2.11.2.1 Credit-impaired 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 that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (continued)

2.11.1 Financial assets (continued)

2.11.2.1 Credit-impaired financial assets (continued)

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank and Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

The Bank and Group measure ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual or a collective basis.

For loan commitments and financial guarantee contracts impairment is recognized as a provision. The Bank and Group disclose information on impairment losses on financial assets separately from those for loan commitments and financial guarantee contracts.

2.11.2.2 Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are treated differently because assets are credit-impaired at initial recognition. For such assets, the Bank and Group recognize all changes in lifetime ECLs since initial recognition as impairment losses, and all changes are recognized in the separate and consolidated statement of profit or loss and other comprehensive income. Favorable changes for such assets create impairment gains.

2.11.2.3 Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see Note 38).

The Bank and Group consider the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Bank and Group; or
- the borrower is unlikely to pay its credit obligations to the Bank and Group in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the client has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

Significant increase in credit risk

The Bank and Group monitor all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank and Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank and Group compare the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank and Group consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank and Group's historical experience and expert credit assessment including forward-looking information.

See Note 38 Risk management for more details.

2.11.3 Modification and derecognition on financial assets

The Bank and Group initially recognize loans and receivables on the date when they occur.

Purchase and sale of financial assets is recognized on a settlement date on a regular basis. The settlement date is the date when the asset was delivered to or by the Bank and Group and the asset or liability in question was not recognized until the settlement date. Changes in the fair value of financial assets and liabilities at fair value through profit or loss (other than derivatives) and at fair value through other comprehensive income of financial assets are recognized as of the trading date. All other financial assets and liabilities are recognized at the trading date on which the Bank and Group become a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially recognized at fair value plus transaction costs for all financial assets and liabilities that are not carried at FVTPL. Financial assets and liabilities at FVTPL are initially recognized at fair value, and transaction costs are recognized immediately in the separate and consolidated statement of profit or loss and other comprehensive income.

Derecognition of financial assets due to significant change of conditions

The Bank and Group derecognize a financial asset, such as a loan to a client, when the terms of business have changed to the extent that the contract becomes a new loan, where the difference is recognized in the profit or loss on derecognition, but to the extent that the impairment loss is not already recorded. Newly recognized loans are classified as Stage 1 for ECL measurement purposes unless the new loan is considered POCI.

When assessing whether or not the loan is derecognized, the Bank and Group considers, among other things, the following factors: change in the currency of a loan, introduction of ownership of a property, change of the other counterparty, or if the change is such that the instrument no longer meets the SPPI criterion.

Changes in financial assets that do not result in significantly different cash flows

If the change does not result in cash flows that are substantially different, the change does not result in derecognition. Based on the change in the cash flows discounted by the original EIR, the Bank and Group record gain or loss on the change, to the extent that the impairment loss has not been recorded yet.

Derecognition financial assets in the event of significant changes to the conditions

Financial assets (or any part thereof or part of a group of similar financial assets) are derecognised when the rights to receive cash flows from the financial asset have expired or when they are transferred, and or

- The Bank and Group transfer almost all the risks and benefits associated with ownership, or
- The Bank and Group neither transfer nor retain almost all of the risks and benefits associated with ownership and the Bank and Group do not retain control.

The Bank and Group consider that the control is transferred if and only if the acquirer has the practical ability to sell the property to the wholly unrelated third party and is able to use that ability unilaterally and without introducing additional transfer restrictions.

The Bank and Group enter into transactions in which it retains contractual terms for receiving cash flows from the asset but assumes the contractual obligation to pay these cash flows to other entities and transfers all risks and benefits. These transactions are recorded as "pass-through" arrangements that result in derecognition if the Bank and Group:

- have no obligation to pay, unless it collects equivalent amounts from the property,
- have a ban on selling or pledging assets, and
- have the obligation to allocate any money that is collected from the property without any significant delay.

When the Bank and Group have netiher transferred or retained almost all risks and benefits, and retained control of the assets, the assets continue to be recognized only to the extent of the continued participation of the Bank and Group, in which case the Bank and Group also recogniz the related obligation. Transferred assets and related liabilities are measured on a basis reflecting the rights and liabilities held by the Bank and Group. The continuation of the collateral in relation to the transferred assets is measured at a lower value between the original carrying amount of the asset and the maximum amount of compensation that the Banka and Group would be required to pay.

Collateral (such as shares and bonds) that the Bank and Group issue under standard repurchase and securities lending agreements are derecognized as the Bank and Group retain all significant risks and rewards on a pre-determined purchase price and hence the criteria for termination of recognition are not met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (continued)

2.11.4 Write-off

Loans and debt securities are written off when the Bank and Group have no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank and 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. A write-off constitutes a derecognition event. The Banka and Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank and Group's enforcement activities are stated as other income in the separate and consolidated statement of profit or loss and other comprehensive income.

2.11.5 Presentation of allowance for ECL in the separate and consolidated statement of financial position

Loss allowances for ECL are presented in the separate and consolidated statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the separate and consolidated statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve (see separate and consolidated Statement of changes in equity);
- for loan commitments and financial guarantee contracts: as a provision.

2.11.6 Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank and Group or a contract that will or may be settled in the Bank and Group's own equity instruments and is a non-derivative contract for which the Bank and Group are or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank and Group's own equity instruments.

2.11.6.1 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank and Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Bank and Group's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank and Group's own equity instruments.

2.11.6.2 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank and Group manage together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank and Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognised in the separate and consolidated statement of profit or loss and other comprehensive income to the extent that they are not part of a designated hedging relationship. The net gain/loss recognised in the separate and consolidated statement of profit or loss and other comprehensive income incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at FVTPL line item in the profit or loss account.

In making the determination of whether recognising changes in the liability's credit risk in other comprehensive income will create or enlarge an accounting mismatch in profit or loss, the Bank and Group must assess whether they expect that the effects of changes in the liability's credit risk will be offset in the separate and consolidated statement of profit or loss and other comprehensive income by a change in the fair value of another financial instrument measured at fair value through profit or loss. Such an expectation must be based on an economic relationship between the characteristics of the liability and the characteristics of the other financial instrument.

2.11.6.3 Other financial liabilities

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2.11.6.3.1 Borrowings

Interest-bearing loans are initially recognized at fair value, less any related transaction costs. After initial recognition, interest-bearing borrowings are stated at amortized cost, and any difference between receivables (less transaction costs) and redemption value is recognized in profit or loss for the duration of the borrowing period based on the effective interest rate..

2.11.6.3.2 Current accounts and deposits of banks and clients

Current accounts and deposits are classified as other liabilities and initially measured at fair value plus transaction costs and subsequently recognized at amortized cost using the effective interest rate method.

2.11.6.4 Derecognition of financial liabilities

The Bank and Group derecognise financial liabilities when, and only when, the Bank and Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Bank and Group exchange with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank and Group account for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

2.12. Debt securities

Debt securities are classified as financial assets at FVTOCI (with the disclosure of gains or losses on income or loss on derecognition) at FVTPL or at amortized cost, depending on the business model and the SPPI test.

2.13. Receivables from banks

Placements with banks are classified as financial assets at amortized cost and measured accordingly.

2.14 Cash and cash equivalents

For the purpose of preparation of the separate and consolidated cash flow statement, cash and cash equivalents comprise cash in hand, items in the course of collection and current accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Loans and receivables

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market may be classified as loans and receivables. Loans and receivable arise when the Bank and Group provide money directly to a debtor with no intention of trading with the receivable or disposal in the near future.

Loans and receivables are initially recognised at fair value plus incremental costs. After initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any potential impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables include loans to and receivables from banks, loans and receivables from clients, cash and cash equivalents, and obligatory reserves with CBBH.

2.16 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank and Group are recognised at the proceeds received, net of direct issue costs.

2.17 Liabilities for contracts on financial guarantees, letters of credit and unused loans

Liabilities for financial guarantee contracts are initially measured at fair value and subsequently measured at greater than:

- amount of contractual obligations as determined in accordance with IAS 37: "Provisions, Contingent Liabilities and Contingent Assets", or
- the amount initially recognized and, where appropriate, reduced by cumulative amortization recognized in accordance with the income recognition policies established above.

Unused loans and letters of credit are liabilities that, during the term of a liability, the Bank and Group are obliged to provide a loan to a client under pre-determined conditions.

The nominal contractual value of financial guarantees, letters of credit and unused credit obligations, if the loan is agreed to be given to market conditions, is not shown in the separate and consolidated statement of financial position (presented in the off-balance sheet).

2.18 Offsetting

Financial assets and liabilities are offset and the net amount presented in the separate and consolidated statement of financial position when, and only when, the Bank and Group have a legal right to set off the amounts and they tend either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Revenues and expenses are presented on a net basis only when that is allowed pursuant to IFRS, and for gains and losses from the group of similar transactions, e.g. based on trade activity.

2.19 Derivative financial instruments

The Bank and Group use derivative financial instruments to hedge economically its exposure to foreign exchange risk arising from operating, financing and investing activities. The Bank and Group do not hold or issue derivative financial instruments for speculative trading purposes. All derivatives are classified as financial instruments held for trading.

Derivative financial instruments including foreign exchange forward contracts and foreign exchange swap contracts are initially recognised at trade date and subsequently measured at their fair value in the separate and consolidated statement of financial position. Fair values are obtained from discounted cash flow models.

All derivatives are classified as financial assets at fair value through profit or loss when their fair value is positive and as financial liabilities at fair value through profit or loss when it is negative.

2.20 Property and equipment

Property and equipment are initially stated at cost. Subsequent measurement of property is done at fair value, while equipment is held at cost, less accumulated depreciation and impairment losses. Cost includes all expenditure that is directly attributable to the acquisition of the items.

(all amounts are expressed in thousands of KM, unless otherwise stated)

Subsequent cost is included in the asset's carrying amount or is recognised as a separate asset as appropriate, 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 charged to the separate and consolidated statement of profit or loss and other comprehensive income during the period in which they are incurred.

Depreciation is provided on all property and equipment except for land and assets not yet brought into use on a straight-line basis at prescribed rates designed to write off the cost to estimated residual value over the estimated useful life of the asset. The estimated useful lives are as follows:

Bank	31 December 2019	31 December 2018
Buildings	50 years	50 years
Computers	3.3 to 5 years	3.3 to 5 years
Leasehold improvement	Lease term	Lease term
Other equipment	6.6 to 14.2 years	6.6 to 14.2 years

Depreciation methods, the useful lives and residual values of property and equipment are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the separate and consolidated statement of profit or loss and other comprehensive income as other income or other expense.

2.21 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. The cost includes all expenditure that is directly attributable to the acquisition of the items.

Intangible assets except for intangible assets not yet brought into use are amortised on a straight-line basis over their estimated useful lives as follows:

Bank	31 December 2019	31 December 2018
Software	5 years	5 years
Other intangible assets	5 years	5 years

2.22 Investment property

Investment property encompass property held for earning lease profits or for increase of value of capital property, or both. Investment properties are initially measured at cost (which is consistent with their market value at the acquisition date). Subsequent measurement is made using the fair value method. Changes in fair value are recognized in the separate and consolidated statement of profit or loss, and no depreciation is calculated.

2.23 Taxation

The income tax charge is based on taxable profit for the year and comprises current and deferred tax. Income tax is recognised in the separate and consolidated statement of profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

2.23.1 Current income tax

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxation (continued)

2.23.2 Deferred income tax

Deferred income taxes are recognised reflecting the 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 is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax assets and liabilities are measured by using the tax rates expected to apply to taxable profit in the years in which those temporary differences 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 Bank and Group expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority.

Deferred tax assets and liabilities are not discounted and are classified as a non-current assets and/or liabilities in the separate and consolidated 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 Bank and Group reassess unrecognised potential deferred tax assets and the carrying amount of recognised deferred tax assets, which are reduced to the extent at which it is no longer probable that tax benefits can be used.

2.24 Impairment of non-financial assets

Non-financial assets (other than deferred tax assets) of the Bank and Group are tested for impairment only when there is indication of impairment and their recoverable amount is then estimated. An impairment loss is recognised in the separate and consolidated statement of profit or loss and other comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of individual assets or cash-generating units is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their 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 or cash-generating unit. The recoverable amount of assets that do not generate independent cash flows (e.g. corporate assets) is determined by assessing cash flows of the group to which the asset belongs.

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, as if no impairment loss had been recognised.

2.25 Assets acquired in lieu of uncollectible receivables

The Bank and Group assess the marketability of assets acquired in lieu of uncollectible receivables, loans and financial lease, the value of which can be measured reliably, and they are recognised as assets in the separate and consolidated statement of financial position. The Bank and Group's intention is mainly to sell such assets, in which case they are classified as inventory, and not amortised. However, in certain limited cases they may end up being used by the Group and amortised within buildings, which are part of property and equipment.

The items acquired based on lease, property and equipment agreements are included in assets acquired in lieu of uncollectible receivables of the Bank and Group. These assets are recognised by cost or net realisable value, depending on which is lower.

Impairment of assets is described under the item impairment of non-financial assets (Note 2.25).

2.26 Provisions

Provisions are recognised if the Bank and Group have a present obligation (legal or constructive) as a result of a past event, if is probable that the Bank and Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting period date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Provisions are released only for such expenditure in respect of which provisions are recognised at inception. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

2.27 Equity and reserves

2.27.1 Share capital

Share capital represents the nominal value of paid-in ordinary and preference shares and is denominated in KM.

2.27.2 Treasury shares

When the Bank purchases its own equity instruments (treasury shares), the consideration paid is deducted from equity until the shares are cancelled. When such shares are subsequently sold or reissued, any consideration received, net of transaction costs, is included in issued share capital.

2.27.3 Regulatory reserves for credit losses

Regulatory reserves for credit losses are recognised in accordance with regulations of the Banking Agency of Federation of Bosnia and Herzegovina. Regulatory reserves for credit losses are non-distributable.

2.27.4 Retained earnings

Profit for the period after appropriations to owners is transferred to retained earnings.

2.27.5 Revaluation reserve for securities

Revaluation reserve for securities comprises changes in fair value of financial assets through OCI, net of deferred tax.

2.27.6 Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are approved by the Bank’s shareholders.

2.28 Off-balance-sheet commitments and contingent liabilities

In the ordinary course of business, the Bank and Group enter into credit related commitments which are recorded off balance sheet and primarily comprise guarantees, letters of credit, undrawn loan commitments and credit card limits.

2.29 Managed funds for and on behalf of third parties

The Bank manages funds for and on behalf of corporate and retail clients. These amounts do not represent the Bank's assets and are excluded from the separate and consolidated statement of financial position. For the services rendered the Bank charges a fee.

2.30 Segment reporting

A business segment is a distinguishable component of the Bank that is engaged in business activities, which may result in revenue or expenses. The Bank has identified four primary business segments: Retail, Corporate and Investment Banking, Assets and Liabilities Management, and Central Unit.

“Lease” segment in the segments notes allocated to the segment of Retail or Corporate and Investment banking depending on where it belongs. Segmental results are measured inclusive of the application of internal transfer prices, based on specific prices, appropriate currencies and maturities, with embedded additional adjustments.

Segmental business result are regularly monitored by the Management and Supervisory Board, based on management financial information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Earnings per share

The Bank publishes basic and diluted earnings per share (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. During 2019 and 2018 there were no dilution effects.

2.32 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the the separate and consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

During 2019 and 2018, there were neither qualifying assets nor capitalized borrowing costs.

3. ADOPTION OF NEW AND REVISED STANDARDS

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

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

- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 9 "Financial Instruments" – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 19 "Employee Benefits" – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),
- Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)" resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),
- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Bank's and Group's separate and consolidated financial statements.

3.2 New standards and amendments to existing standards in issue not yet adopted

At the date of authorisation of these separate and consolidated financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 3 "Business Combinations" – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period).
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" – Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Material (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022),
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020),

The Bank and Group have elected not to adopt these new standards, amendments to existing standards and new interpretation in advance of their effective dates. The Bank and Group anticipate that the adoption of these standards, amendments to existing standards and new interpretations will have no material impact on the separate and consolidated financial statements of the Bank and Group in the period of initial application.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, which are described in Note 2, the Bank and Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Significant estimates of the Bank and Group as of 31 December 2019 and 2018 in these separate and consolidated financial statements are presented below.

The estimates and underlying assumptions are reviewed on an on-going basis. 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 the revision and future periods if the revision affects both current and future periods.

4.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.1.1 Useful lives of property and equipment

As described in Notes 2.21 and 2.22 above, the Bank and Group review the estimated useful lives of property and equipment at the end of each annual reporting period.

4.1.2 Impairment losses on loans and receivables

As described in Note 2.11.2 above, at each reporting period date, the Bank and Group assess indicators for impairment of loans and receivables, and receivables on financial lease.

a) Impairment losses on loans and receivables and provisions for off-balance-sheet exposure

Impairment losses are made mainly against the carrying value of loans to corporate and retail clients (summarised in Note 20), and as provisions for liabilities and charges arising from off-balance-sheet risk exposure to clients, mainly in the form of unused loan facilities and guarantees (summarised in Note 32).

New impairment requirements under IFRS 9 are based on the "Expected Credit Loss model" and change the "incurred loss mdoel" under IAS 39.

The impairment requirements under IFRS 9, which the Bank fully applies, differ significantly from those in IAS 39:

- It is not necessary to determine the existence of objective deterioration that arises as a result of a past event after the initial recognition of a financial asset in order to recognize a credit loss and to allocate the cost of impairment provisions (expected credit losses (ECLs) and for performing financial assets).
- Expected credit losses (ECLs) are recalculated at each reporting date in order to reflect credit risk changes from initial recognition of financial assets.
- Forward-looking information and macroeconomic factors are used to determine the expected credit loss.

Under the new standard for recognizing the amount of provisions for a financial instrument, entities may follow a General Approach or a Simplified Approach.

Under the general approach each legal entity is obliged to calculate either the 12-month or lifetime ECL of a financial instrument depending on the significance of changing the credit risk of the financial instruments in relation to the initial recognition.

In Simplified Approach, legal entities are not required to track changes in credit risk. Provisions are always equal to the expected lifetime credit loss on each reporting date, immediately after recognition.

The Bank uses a simplified approach to the finance lease portfolio, and for the rest of the general approach.

Financial assets carried at amortized cost

The classification determines how the financial asset is treated in the separate and consolidated financial statements and, in particular, how is measured continuously. Classification and measurement requirements are the core of accounting for financial assets.

With regard to the rules for the classification of financial instruments, IFRS 9 contains three major categories of measurement for financial assets:

- Amortized cost (AC)
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL).

How financial assets are classified and measured depends on two grades:

- Bank's Business Model (BM) for financial assets management; and
- Contractual characteristics of financial assets cash flow.

According to IFRS 9, the business model of the Bank refers to the Bank and Group managing its financial assets in order to generate cash flow. That is, the business model of the Bank and Group determines whether cash flows will result in the payment of contractual cash flows, or assets managed to collect contracted cash flows and the sale of financial assets.

Therefore, business models can be classified as:

- Hold
- Hold & Sell
- Other / residual

The assessment of the characteristics of cash flows aims to identify whether the contractual cash flows are "solely payment of principal and interest" (SPPI criterion).

If the SPPI criterion is met, the financial assets managed by the "Hold" Business Model will be measured at amortized cost, and funds managed under the Hold & Sell business model will be measured in the FVOCI. The financial assets by which the business model management "Other" will be measured as fair value through profit or loss, independent of the SPPI criteria.

The Bank and Group apply the "3-Stage" model, which is based on changes in credit risk of the financial instrument compared to credit risk at initial recognition, reflecting the deterioration of the credit quality of the financial instrument:

- **Stage 1** covers financial instruments that do not have a significant deterioration in credit quality since initial recognition or have low credit risk;
- **Stage 2** covers financial instruments that have a significant deterioration in credit quality since initial recognition for which there is no objective evidence of credit loss events;
- **Stage 3** covers financial assets for which there is objective evidence of credit loss on the reporting date. Finally, the transfer of the financial instrument in Stage 3 is necessary if, in addition to the increase in credit risk, there is also a trigger for credit loss.

Given the classification in different stages, the classification of credit exposure to performing and non-performing:

- **Stages 1 and 2** may only include performing financial assets,
- **Stage 3** may only include non-performing financial assets.

Classification of exposures/provisions for reporting to the FBA

The Bank is obligated to classify items of assets, exposed to credit risk, periodically or at least quarterly to the following groups in accordance with FBA regulations:

Categories:

- Category A - Good Assets
- Category B - Assets with special note
- Category C - Substandard assets
- Category D - Doubtful assets
- Category E - Loss

(all amounts are expressed in thousands of KM, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.1 Key sources of estimation uncertainty (continued)

4.1.2 Impairment losses on loans and receivables (continued)

a) Impairment losses on loans and receivables and provisions for off-balance-sheet exposure (continued)

Classification of exposures/provisions for reporting to the FBA (continued)

The Bank also calculates provisions (RKG regulatory reserves) in accordance with FBA regulations, with impairment estimates in accordance with IFRS.

Defined percentages of RKG:

- Category A Good Assets: 2%
- Category B Assets with special note: 5 - 15%
- Category C Substandard Assets: 16 - 40%
- Category D Doubtful Assets: 41 - 60%
- Category E Loss: 100%

	Notes	Bank 31 December 2019	Bank 31 December 2018
Allowances for impairment losses on credit risk exposure			
Allowances for impairment losses on loans and receivables from clients	20	290,146	318,105
Allowances for impairment losses on off-balance-sheet contingent liabilities	32	22,656	21,008
Allowances for impairment losses on obligatory reserve at the CBBH	16	1,129	1,112
Allowances for impairment losses on loans to and receivables from banks	17	569	438
Total		**314,500**	**340,663**

Non-performing portfolio – calculation in accordance with IFRS

At the year end, the gross value of impaired loans and receivables and financial lease (non-performing loans), and the rate of recognised impairment loss, calculated according to IFRS, were as follows:

	31 December 2019				31 December 2018			
Bank	Corporate (including both state and public sector)	Retail	Financial lease	Total	Corporate (including both state and public sector)	Retail	Financial lease	Total
Gross exposure	113,033	107,364	12,572	232,969	146,804	99,097	24,880	270,781
Impairment rate for non-performing portfolio	94.23%	86.85%	92,745	90.75%	91.34%	87.83%	84.20%	89.40%

Any additional increase in the impairment rate of 1 pp on the gross non-performing exposure, identified as of 31 December 2019, would lead to the recognition of an additional impairment loss of KM 2,330 thousand (31 December 2018: KM 2,708 thousand) for the Bank.

Non-performing portfolio – calculation in accordance with FBA regulations

At year end, the gross value of impaired loans and receivables at amortized cost, and the rate of impairment loss, calculated as prescribed by FBA, were as follows:

(all amounts are expressed in thousands of KM, unless otherwise stated)

Bank	31 December 2019 Corporate (including both state and public sector)	Retail	Financial lease	Total	31 December 2018 Corporate (including both state and public sector)	Retail	Financial lease	Total
Gross exposure	108,377	79,753	12,294	200,424	141,299	73,525	21,951	236,775
Impairment rate for non-performing portfolio	87.14%	90.74%	90.22%	88.76%	89.25%	94.36%	80.07%	89.99%

Any additional increase in the impairment rate of 1 pp on the gross non-performing exposure identified as of 31 December 2019, would lead to additional impairment provisions of KM 2,004 thousand (31 December 2018: KM 2,367 thousand).

Under FBA regulations, exposures with instalments up to 90 days overdue are treated as performing. The Bank also calculates provisions on such performing loans with delays in repayment of up to 90 days (risk category B), at rates in the range from 5% to 15%. Special reserve for credit losses for the Bank at 31 December 2019, recognised for risk category B, amounted to KM 3,902 thousand, while gross exposure amounted to KM 44,052 thousand.

Incurred not reported losses (Stage 1 and 2)

In addition to identified losses on non-performing loans, as described in previous paragraph, the Bank and Group also recognise impairment losses which are known to exist at the reporting date, but which have not yet been identified (Stages 1 and 2). Amounts, for which an impairment loss has been identified, are excluded from this calculation.

Stages 1 and 2 of the Bank as at 31 December 2019, amounted to KM 101,340 thousand (31 December 2018.: KM 95,256 thousand) or 2.8% (31 December 2018: 2.8%) of loans and receivables from clients and finance lease, and 1.4% (31 December 2018: 1.4%) of total on- and off-balance-sheet credit risk exposure to clients, in both cases of amounts assessed as performing loans and finance leases.

b) Regulatory reserves calculated in accordance with FBA regulations (Bank only)

Provisions calculated in accordance with FBA regulations are not recognized in Bank's books but constitute the basis for calculating capital adequacy.

For the purposes of assessing capital adequacy and recognising credit loss reserve formed from gains in equity and reserve, in accordance with local regulations and relevant FBA regulations, the Bank also calculates provisions in accordance with those regulations. In accordance with these regulations and for FBA's purposes, the relevant placements are classified into appropriate risk groups, depending on days past due, the financial position of the borrower and collateral, and are provided for at prescribed rates.

The Agency requires that the provisions for credit losses (RKGs) calculated in accordance with FBA rules be allocated or subtracted from equity when calculating capital adequacy, in the amount in which the RKG thus calculated is greater than the total impairment at IFRS level. Missing credit loss provisions as of 31 December 2019 amounted to KM 63,183 thousand, and they are reduced for KM 20,682 thousand of reserves excluded from core capital of the Bank.

4.1.3 Legal proceedings

The Bank and Group make individual assessment of all legal proceedings whose value exceeds KM 25 thousand. All legal proceedings below KM 25 thousand are monitored and provided for on a portfolio basis.

As of 31 December 2019 the Bank and Group have provided KM 10,827 thousand, which Management estimates as sufficient for covering risk of potential liability from legal proceedings against the Bank and Group.

4.1.4 Fair value of financial instruments

As described in Note 40, the Management uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Financial instruments, other than loans, are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted shares includes some assumptions not supported by observable market prices or rates.

(all amounts are expressed in thousands of KM, unless otherwise stated)

5. SEGMENT REPORTING

The segments of the Bank and the Group include:

1. "Retail": individuals, small business and sole traders, including finance lease.
2. "Corporate and Investment Banking": large and medium corporate clients, state and public sector, financial markets (trading activities), including finance lease.
3. "Assets and Liabilities Management": asset and liability management.
4. "Central Unit": other assets and liabilities not assigned to other segments.

Segmentation of positions of the separate statement of profit or loss and the statement of financial position is based on separate financial statements prepared for parent company reporting purposes, which use different criteria for the calculation of fair value of assets through OCI and derivatives, as well as different classification of particular positions.

Statement of profit or loss per segment

Bank

Year ended 31 December 2019	Retail	Corporate and Investment Banking	Assets and Liabilities Management	Central Unit	Total by manage-ment reports	Adjust-ment before financial stateme-nts	Total
Net interest income	119,437	37,836	6,140	(1,782)	161,631	551	162,182
Net fee and commission income	53,338	18,160	(1,051)	-	70,447	-	70,447
Dividend income	-	-	-	198	198	-	198
Net gains from foreign exchange trading and translation of monetary assets and liabilities	9,753	5,423	(1)	(1)	15,174	(70)	15,104
Other income	5,487	2,785	288	(5,303)	3,257	(1,282)	1,975
Operating income	**188,015**	**64,204**	**5,376**	**(6,888)**	**250,707**	**(801)**	**249,906**
Depreciation and amortization	(7,855)	(354)	(8)	(5,844)	(14,061)	(860)	(14,921)
Operating expenses	(94,168)	(21,857)	(1,567)	4,794	(112,798)	204	(112,594)
Profit before impairment losses and taxation	**85,992**	**41,993**	**3,801**	**(7,938)**	**123,848**	**(1,457)**	**122,391**
Impairment losses and provisions, net	(6,904)	(2,051)	(507)	1	(9,461)	1,459	(8,002)
Profit before taxation	**79,088**	**39,942**	**3,294**	**(7,937)**	**114,387**	**2**	**114,389**
Income tax expense	(7,897)	(3,937)	(329)	(1,128)	(13,291)	(27)	(13,318)
NET PROFIT	**71,191**	**36,005**	**2,965**	**(9,065)**	**101,096**	**(25)**	**101,071**

(all amounts are expressed in thousands of KM, unless otherwise stated)

Statement of profit or loss per segment

Year ended 31 December 2018	Retail	Corporate and Investment Banking	Assets and Liabilities Management	Central Unit	Total by manage-ment reports	Adjust-ment before financial stateme-nts	Total
Net interest income	121,310	40,870	5,712	(3,008)	164,884	-	164,884
Net fee and commission income	55,309	15,958	(908)	-	70,359	-	70,359
Dividend income	-	-	-	224	224	-	224
Net gains from foreign exchange trading and translation of monetary assets and liabilities	9,414	4,651	(4)	1	14,062	3	14,065
Other income	153	472	894	1,046	2,565	604	3,169
Operating income	**186,186**	**61,951**	**5,694**	**(1,737)**	**252,094**	**607**	**252,701**
Depreciation and amortization	(3,849)	(624)	(7)	(5,223)	(9,703)	(671)	(10,374)
Operating expenses	(96,102)	(21,157)	(1,288)	3,395	(115,152)	1,290	(113,862)
Profit before impairment losses and taxation	**86,235**	**40,170**	**4,399**	**(3,565)**	**127,239**	**1,226**	**128,465**
Impairment losses and provisions, net	(12,351)	(4,939)	176	-	(17,114)	(1,224)	(18,338)
Profit before taxation	**73,884**	**35,231**	**4,575**	**(3,565)**	**110,125**	**2**	**110,127**
Income tax expense	(7,394)	(3,509)	(458)	(1,556)	(12,917)	-	(12,917)
NET PROFIT	**66,490**	**31,722**	**4,117**	**(5,121)**	**97,208**	**2**	**97,210**

(all amounts are expressed in thousands of KM, unless otherwise stated)

5. SEGMENT REPORTING (CONTINUED)

Statement of financial position per segment

Bank

31 December 2019	Retail (banking)	Corporate and Investment Banking	Assets and Liabilities Manageme-nt	Central Unit	Total by manage-ment reports	Adjust-ment before financial stateme-nts	Total
Segment assets	2,136,209	1,432,413	2,471,255	527,728	6,567,605	3,106	6,570,711
Total assets	**2,136,209**	**1,432,413**	**2,471,255**	**527,728**	**6,567,605**	**3,106**	**6,570,711**
Segment liabilities	3,470,948	1,568,360	513,401	163,025	5,715,734	(4)	5,715,730
Current tax liability	-	-	-	819	819	40	859
Deferred tax liability	-	-	-	3,809	3,809	(1,803)	2,006
Total liabilities	**3,470,948**	**1,568,360**	**513,401**	**167,653**	**5,720,362**	**(1,767)**	**5,718,595**
Acquisition of property, equipment and intangible assets	-	-	-	20,175	-	-	-

Bank

31 December 2018	Retail (banking)	Corporate and Investment Banking	Assets and Liabilities Manageme-nt	Central Unit	Total by manage-ment reports	Adjust-ment before financial stateme-nts	Total
Segment assets	1,981,770	1,398,305	2,011,761	558,431	5,950,267	1,947	5,952,214
Total assets	**1,981,770**	**1,398,305**	**2,011,761**	**558,431**	**5,950,267**	**1,947**	**5,952,214**
Segment liabilities	3,125,513	1,295,464	574,254	158,441	5,153,672	-	5,153,672
Current tax liability	-	-	-	1,044	1,044	(17)	1,027
Deferred tax liability	-	-	-	3,349	3,349	(1,919)	1,430
Total liabilities	**3,125,513**	**1,295,464**	**574,254**	**162,834**	**5,158,065**	**(1,936)**	**5,156,129**
Acquisition of property, equipment and intangible assets	-	-	-	15,887	-	-	-

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. INTEREST INCOME

Analysis by source

	Bank 2019	Bank 2018
Retail	120,555	118,578
Corporate	42,433	46,511
State and public sector	22,097	20,899
Banks and other financial instititutions	1,195	1,492
	186,280	**187,480**

Banks and other financial institutions include Central Bank of BiH.

Analysis by product

	Bank 2019	Bank 2018
Loans and receivables from clients at amortized cost	170,427	171,862
Debt securities (financial assets at FVOCI)	14,658	14,126
Loans to and receivables from banks at amortized cost	1,195	1,492
	186,280	**187,480**

Interest income on impaired loans and receivables amounted to KM 3,785 thousand. (2018: KM 3,528 thousand), of which effects of unwinding were recognized in interest income in the amount of KM 631 thousand (2018: KM 1,102 thousand).

7. INTEREST EXPENSE

Analysis by recipient

	Bank 2019	Bank 2018
Retail	13,615	15,495
Negative interest on placements to banks and obligatory reserve with the CBBH	5,740	3,423
Corporate	2,556	2,071
Banks and other financial institutions	2,017	1,477
State and public sector	170	130
	24,098	**22,596**

Analysis by product

	Bank 2019	Bank 2018
Current accounts and deposits from retail clients	13,615	15,495
Current accounts and deposits from banks	6,361	3,702
Current accounts and deposits from corporate, and state and public sector	2,493	2,225
Borrowings	538	969
Repo activities	854	205
Long-term lease liabilities	237	-
	24,098	**22,596**

(all amounts are expressed in thousands of KM, unless otherwise stated)

8. FEE AND COMMISSION INCOME

	Bank 2019	Bank 2018
Credit cards	23,389	23,250
Domestic payment transactions	22,644	20,556
Foreign payment transactions	16,637	15,839
Guarantees and letters of credit	4,983	5,077
Other	7,018	9,443
	74,671	**74,165**

9. FEE AND COMMISSION EXPENSES

	Bank 2019	Bank 2018
Domestic payment transactions	2,567	2,323
Foreign payment transactions	915	909
Other	742	574
	4,224	**3,806**

10. NET GAINS FROM FOREIGN EXCHANGE TRADING AND TRANSLATION OF MONETARY ASSETS AND LIABILITIES

	Bank 2019	Bank 2018
Net foreign exchange spot trading gains	15,151	14,535
Net losses from FX forwards	(31)	(467)
Net foreign exchange loss from translation of monetary assets and liabilities	(16)	(3)
	15,104	**14,065**

11. OTHER INCOME

	Bank 2019	Bank 2018
Write-offs of other liabilities and reversal of accrued expenses	468	19
Income from IT services	433	186
Net income from repossessed collaterals	431	455
Income from expenses recharged to clients	71	58
Rent income	68	67
Income from claims settled by insurance companies	64	15
Net gains on disposal of property and equipment	54	320
Income from recording tangible assets	-	954
Other	386	1,095
	1,975	**3,169**

(all amounts are expressed in thousands of KM, unless otherwise stated)

12. OPERATING EXPENSES

	Bank 2019	Bank 2018
Personnel costs	59,212	57,654
Administration and marketing expenses	39,801	39,022
Savings deposit insurance expenses	10,498	9,493
State contributions (excluding personnel-related)	1,830	1,282
Rental costs	764	5,806
Other expenses	489	605
	112,594	**113,862**

Personnel costs of the Bank include KM 11,811 thousand of defined contributions paid into the state-owned pension plans (2018: KM 11,373 thousand).

13. IMPAIRMENT LOSSES AND PROVISIONS, NET

	Bank 2019	Bank 2018
Properties acquired in lieu of uncollected receivables (Note 21)	3,368	484
Off-balance-sheet exposure to credit risk (Note 32)	1,643	2,293
Provisions for legal proceedings (Note 32)	1,048	1.218
Impairment of property and equipment (Note 24 and Note 2.3.1.2.)	622	332
Impairment of investment property (Note 23 and Note 2.3.1.2.)	373	-
Loans and receivables from clients at amortized cost (Note 20)	355	15,083
Loans and receivables from banks at amortized cost, including he obligatory reserve at the CBBH (Note 16 and Note 17)	159	(323)
Impairment of cash and cash equivalents (Note 15)	14	61
Impairment of securities (Note 18)	(34)	(696)
Other assets (Note 21)	454	(114)
	8,002	**18,338**

14. INCOME TAX EXPENSE

Total tax recognised in the separate and consolidated statement of profit or loss and other comprehensive income may be presented as follows:

	Bank 2019	Bank 2018
Current income tax	13,514	12,784
Deferred income tax	(196)	133
Total tax in Statement of profit or loss	**13,318**	**12,917**
Deffered tax through other comprehensive income	(773)	22

(all amounts are expressed in thousands of KM, unless otherwise stated)

14. INCOME TAX EXPENSE (CONTINUED)

Adjustment between income tax presented in tax balance and accounting income tax is presented as follows:

	Bank 2019	Bank 2018
Profit before income tax	**114,389**	**110,127**
Tax calculated at rate of 10%	11,439	11,013
Effects of non-deductible expenses	1,807	1,808
Effects of non-deductible income	(20)	(22)
Effects of deductible depreciation	(204)	(222)
Effects of impairment of assets	400	-
Effects of provisions and receivables	-	89
Capital gains	-	83
Additional income tax in subsidiary for the branch in RS	92	35
Current income tax	**13,514**	**12,784**
Average effective income tax rate	**11.8%**	**11.6%**

Change in temporary difference between deferred tax assets and deferred tax liabilities in statement of profit or loss and other comprehensive income is presented as follows:

	Bank Deferred tax assets	Bank Deferred tax liabilities	Bank Net deferred tax assets / (liabilities)
Balance at 31 December 2017	-	**1,319**	**1,319**
Change in fair value of financial assets at fair value through other comprehensive income	(36)	-	(36)
Changes in revaluation reserves at actuarial gain/loss	-	14	14
Other provisions for loans and receivables from clients through profit or loss	-	(89)	(89)
Net deferred tax liability for depreciation	-	222	222
Netting tax assets	36	(36)	-
Balance as at 31 December 2018	**-**	**1,430**	**1,430**
Change in fair value of financial assets at fair value through other comprehensive income	-	539	539
Changes in revaluation reserves at actuarial gain/loss	(7)	-	(7)
Other provisions for loans and receivables from clients through statement of profit or loss	(182)	-	(182)
Net deferred tax liability for depreciation	-	203	203
Changes in negative fair value of property and equipment recognized in statement of profit or loss	(218)	-	(218)
Changes in positive fair value of property and equipment recognized in other comprehensive income	-	241	241
Netting tax assets	407	(407)	-
Balance as at 31 December 2019	-	**2,006**	**2,006**

(all amounts are expressed in thousands of KM, unless otherwise stated)

	Bank 2019	Bank 2018
Deferred tax assets	-	-
Deferred tax liabilities		
Net deferred tax liability for financial assets at FVOCI	(692)	(153)
Net deferred tax assets for revaluation reserves at actuarial gain/loss	-	(7)
Net deferred tax assets for property and equipment	218	-
Net deferred tax liability for other provisions for loans and receivables from clients	(866)	(1,048)
Net deferred tax liability for property and equipment recognized in other comprehensive income	(241)	-
Net deferred tax liability for depreciation	(425)	(222)
Net deferred tax liabilities	**(2,006)**	**(1,430)**

15. CASH AND CASH EQUIVALENTS

	Bank 31 December 2019	Bank 31 December 2018
Giro account with CBBH	380,004	349,939
Current accounts with other banks	210,282	223,588
Cash in hand	169,802	172,990
Items in the course of collection	88	51
	760,176	746,568
Less: Impairment allowance	(129)	(115)
	760,047	**746,453**

Movement in impairment allowance for cash and cash equivalents can be presented as follows:

	Bank 31 December 2019	Bank 31 December 2018
As at 1 January	**115**	**-**
Effect of IFRS 9 (Note 2.3.1.1)	-	54
Net expense in the separate and consolidated statement of profit or loss (Note 13)	14	61
As at 31 December	**129**	**115**

(all amounts are expressed in thousands of KM, unless otherwise stated)

16. OBLIGATORY RESERVE AT THE CENTRAL BANK OF BOSNIA AND HERZEGOVINA

	Bank 31 December 2019	Bank 31 December 2018
Obligatory reserve at CBBH	536,612	485,253
Less: Impairment allowance	(1,129)	(1,112)
	535,483	**484,141**

Movement in impairment allowance for obligatory reserve at the CBBiH can be presented as follows:

	Bank 31 December 2019	Bank 31 December 2018
As at 1 January	**1,112**	**1,595**
Net expense in the separate and consolidated statement of profit or loss (Note 13)	17	(483)
As at 31 December	**1,129**	**1,112**

In 2019, the basis for calculation of the obligatory reserve of commercial banks comprised all deposits and borrowed funds, regardless of currency. In addition, the unified rate of obligatory reserve of 10% was determined, which is applied by CBBiH on the base for calculation of obligatory reserve.

The CBBH does not charge a fee for the minimum reserve requirement, while a fee equal to 50% of the rate applied by the European Central Bank to commercial bank deposits was calculated on the amount of funds above the reserve requirement until 30 April 2019, while it has been calculated in the amount of 100% of the stated rate since 1 May 2019. In accordance with the aforementioned, the fee that the CBBH calculated on the amount of funds above the required reserve amounted to -0.20% from 1 January to 30 April 2019, -0.40% from 1 May to 20 September 2019, and -0.50% from 21 September to 31 December 31.

17. LOANS TO AND RECEIVABLES FROM BANKS AT AMORTIZED COST

	Bank 31 December 2019	Bank 31 December 2018
Placements with other banks – gross	853,797	502,519
Loans to banks – gross	196,627	216,605
	1,050,424	***719,124***
Less: Impairment allowance	(569)	(438)
	1,049,855	**718,686**
Expected to be recovered:		
- no more than twelve months after the reporting period	1,034,867	719,124
- more than twelve months after the reporting period	15,557	-
Less: Impairment allowance	(569)	(438)
	1,049,855	**718,686**

As at 31 December 2019, loans and receivables from banksat amortized cost included KM 3,020 thousand pledged as collateral for the Bank's liabilities to Visa and MasterCard in respect of credit card operations (31 December 2018: KM 3,060 thousand).

As at 31 December 2019, the amount of placements and loans within loans to and receivables from banks was KM 16,421 thousand (31 December 2018: KM 15,570 thousand) to related parties.

(all amounts are expressed in thousands of KM, unless otherwise stated)

The movement in impairment allowance for loans to and receivables from banks is as follows:

	Bank 2019	Bank 2018
Balance as at 1 January	**438**	**124**
Effect of IFRS 9 (Note 2.3.1.1)	-	137
Forex differences	(11)	17
Net expense in separate and consolidated statement of profit or loss (Note 13)	142	160
Balance as at 31 December	**569**	**438**

Loans to and receivables from banks at amortized cost, including the obligatory reserve at the CBBiH

Gross exposure

Bank		31 December 2019			31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
Internal rating grade					
Performing					
Low risk	1,023,829	-	-	1,023,829	695,788
Medium risk	563,083	-	-	563,083	508,465
High risk	-	-	-	-	-
Non-performing	-	-	-	-	-
Default	-	-	124	124	124
Total	**1,586,912**	**-**	**124**	**1,587,036**	**1,204,377**

Bank Movement of gross exposure	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	**1,204,253**	**-**	**124**	**1,204,377**
New financing	504,473	-	-	504,473
Assets derecognised (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Assets repaid	(123,454)	-	-	(123,454)
Amounts written off	-	-	-	-
Foreign exchange adjustments	1,272	-	-	1,272
Other changes	368	-	-	368
At 31 December 2019	**1,586,912**	**-**	**124**	**1,587,036**

(all amounts are expressed in thousands of KM, unless otherwise stated)

17. LOANS TO AND RECEIVABLES FROM BANKS AT AMORTIZED COST (CONTINUED)

Bank Movement of impairment allowance	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	**1,426**	**-**	**124**	**1,550**
Assets derecognised (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impairment (Note 13)	159	-	-	159
Amounts written off	-	-	-	-
Foreign exchange adjustments	(11)	-	124	(11)
At 31 December 2019	**1,574**	**-**	**124**	**1,698**

Bank Movement of gross exposure	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	**692,592**	**-**	**124**	**692,716**
New financing	718,589	-	-	718,589
Assets derecognised (excluding write offs)				
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Assets repaid	(208,213)	-	-	(208,213)
Amounts written off	-	-	-	-
Foreign exchange adjustments	1,237	-	-	1,237
Other changes	48	-	-	48
At 31 December 2018	**1,204,253**	**-**	**124**	**1,204,377**

Bank Movement of impairment allowance	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	**1,733**	**-**	**124**	**1,857**
Assets derecognised (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	
Impairment (Note 13)	(323)	-	-	(323)
Amounts written off	-	-	-	-
Foreign exchange adjustments	16	-	-	16
At 31 December 2018	**1,426**	**-**	**124**	**1,550**

(all amounts are expressed in thousands of KM, unless otherwise stated)

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Bank 31 December 2019	Bank 31 December 2018
Debt securities at fair value through other comprehensive income	527,064	491,747
Equity securities at fair value through other comprehensive income	199	199
	527,263	**491,946**

The movement in impairment allowance for financial assets at fair value through profit or loss is as follows:

	Bank 31 December 2019	Bank 31 December 2018
Balance as at 1 January	**966**	**-**
Effect of IFRS 9 (Note 2.3.1.1)	-	1,661
Net expense in separate and consolidated statement of changes in equity	(34)	(695)
FX differences (separate and consolidated statement of changes in equity)	2	-
Balance as at 31 December	**934**	**966**

During 2019 and 2018 there were no due uncollected financial assets through other comprehensive income, nor impairment of financial assets at fair value through other comprehensive income.

Debt securities at fair value through other comprehensive income

	Bank 31 December 2019	Bank 31 December 2018
Bonds of the Government of Federation of BiH	181,297	191,605
State Bonds of the Republic of Croatia	149,787	151,639
Bonds of the Government of Republika Srpska	85,484	83,907
State Bonds of the Republic of Poland	61,072	50,375
State Bonds of the Republic of Slovenia	49,424	14,221
	527,064	**491,747**

Equity securities at fair value through other comprehensive income

	Bank 31 December 2019	Bank 31 December 2018
Listed or quoted	199	199
	199	**199**

Debt instruments at FVOCI

Bank		31 December 2019			31 December 2018
Gross exposure	Stage 1	Stage 2	Stage 3	Total	Total
Internal rating grade					
Performing					
Low risk	260,283	-	-	260,283	216,235
Medium risk	-	266,781	-	266,781	275,512
High risk	-	-	-	-	-
Non-performing	-	-	-	-	-
Default	-	-	-	-	-
Total	**260,283**	**266,781**	**-**	**527,064**	**491,747**

(all amounts are expressed in thousands of KM, unless otherwise stated)

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Bank Movement of gross exposure	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	**216,235**	**275,512**	**-**	**491,747**
New financing	73,040	76,727		149,767
Assets derecognised (excluding write offs)	-	-	-	-
Change in fair value	5,384	-	-	5,384
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Assets repaid	(34,399)	(85,208)	-	(119,607)
Amounts written off	-	-	-	-
Foreign exchange adjustments	2,459		-	2,459
Other changes	(2,436)	(250)	-	(2,686)
At 31 December 2019	**260,283**	**266,781**	**-**	**527,064**

Bank Movement of impairment allowance	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	**105**	**861**	**-**	**966**
Assets derecognised (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impairment (Note 13)	(28)	(6)	-	(34)
Amounts written off	2	-	-	2
At 31 December 2019	**79**	**855**	**-**	**934**

Bank Movement of gross exposure	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	**96,991**	**312,526**	**-**	**409,517**
New financing	115,421	31,835	-	147,256
Assets derecognised (excluding write offs)				
Change in fair value	(359)	-	-	(359)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Assets repaid	-	(67,445)	-	(67,445)
Amounts written off		-	-	
Foreign exchange adjustments	4,102	-	-	4,102
Other changes	(80)	(1,404)	-	(1,324)
At 31 December 2018	**216,235**	**275,512**	**-**	**491,747**

(all amounts are expressed in thousands of KM, unless otherwise stated)

Bank Movement of impairment allowance	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	**465**	**1,196**	**-**	**1,661**
Assets derecognised (excluding write offs)				
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	
Impairment (Note 13)	(360)	(336)	-	(696)
Amounts written off	-	1	-	1
At 31 December 2018	**105**	**861**	**-**	**966**

19. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Bank	31 December 2019		31 December 2018	
	Nominal value	Fair value	Nominal value	Fair value
Financial assets				
Forward foreign exchange contracts	-	-	71,778	608
Foreign exchange swap contracts	519,968	-	225,068	-
	519,968	**-**	**296,846**	**608**
Financial liabilities				
Forward foreign exchange contracts	-		12,151	514
Foreign exchange swap contracts	87	-	210	1
	87	**-**	**12,361**	**515**

(all amounts are expressed in thousands of KM, unless otherwise stated)

20. LOANS AND RECEIVABLES FROM CLIENTS AT AMORTIZED COST

	Bank 31 December 2019	Bank 31 December 2018
Corporate (including state and public sector)		
- in domestic currency	1,641,274	1,617,090
- in foreign currency	20,308	24,677
	1,661,582	*1,641,767*
Retail		
- in domestic currency	2,102,520	1,952,021
- in foreign currency	229	359
	2,102,749	*1,952,380*
Finance lease receivables		
- in domestic currency	78,728	104,033
	78,728	104,033
Total loans and receivables before allowance	***3,843,059***	***3,698,180***
Less: Impairment allowance	(290,146)	(318,105)
Net loans and receivables	**3,552,913**	**3,380,075**
Expected to be recovered:		
- no more than twelve months after the reporting period	1,532,756	1,500,975
- more than twelve months after the reporting period	2,310,303	2,197,205
Less: Impairment allowance	(290,146)	(318,105)
	3,552,913	**3,380,075**

As at 31 December 2019, included in Bank's retail loans in domestic currency is KM 764,672 thousand of gross loans (31 December 2018: KM 758,030 thousand), and in corporate loans in domestic currency KM 754,205 thousand (31 December 2018: KM 815,487 thousand) which have a EUR countervalue. Repayments of principal and interest are determined with reference to the EUR countervalue and are paid in the KM equivalent translated at the rate applicable at the date of payment.

Bank	31 December 2019	31 December 2018
Loans and receivables from customers		
Corporate entites	1,570,337	1,520,162
State and public sector	91,245	121,605
Individuals	2,102,749	1,952,380
Finance lease	78,728	104,033
	3,843,059	***3,698,180***
Less: Impairment allowance	(290,146)	(318,105)
	3,552,913	**3,380,075**

(all amounts are expressed in thousands of KM, unless otherwise stated)

a) Corporate entities – credit quality

Gross exposure

Bank		31 December 2019			31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
Internal rating grade					
Performing					
Low risk	-	-	-	-	-
Medium risk	1,159,631	293,082	-	1,452,713	1,248,985
High risk	1,774	2,817	-	4,591	124,373
Non-performing					
Default	-	-	113,033	113,033	146,804
Total	**1,161,405**	**295,899**	**113,033**	**1,570,337**	**1,520,162**

		Bank		
Movement of gross exposure	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	**1,069,144**	**304,214**	**146,804**	**1,520,162**
New financing	673,427	154,085	6,328	833,840
Assets derecognised (excluding write offs)	-	-	-	-
Transfers to Stage 1	3,541	(3,541)	-	-
Transfers to Stage 2	(33,225)	33,225	-	-
Transfers to Stage 3	(161)	(171)	332	-
Assets repaid	(551,321)	(191,913)	(18,570)	(761,804)
Amounts written off	-	-	(21,861)	(21,861)
Foreign exchange adjustments	-	-	-	-
Other changes	-	-	-	-
At 31 December 2019	**1,161,405**	**295,899**	**113,033**	**1,570,337**

		Bank		
Movement of gross exposure	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	**899,709**	**266,189**	**161,157**	**1,327,055**
New financing	921,406	-	-	921,406
Assets derecognised (excluding write offs)	-	-	-	-
Transfers to Stage 1	4,539	(4,539)	-	-
Transfers to Stage 2	(191,754)	191,754	-	-
Transfers to Stage 3	(1,677)	(1,384)	3,061	-
Assets repaid	(562,656)	(147,706)	(11,427)	(721,789)
Amounts written off	-	-	(5,978)	(5,978)
Foreign exchange adjustments	-	-	-	-
Other changes	(423)	(100)	(9)	(532)
At 31 December 2018	**1,069,144**	**304,214**	**146,804**	**1,520,162**

(all amounts are expressed in thousands of KM, unless otherwise stated)

20. LOANS AND RECEIVABLES FROM CLIENTS AT AMORTIZED COST (CONTINUED)

a) Corporate entities – credit quality (continued)

	Bank			
Movement of impairment allowance	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2019	**12,595**	**23,083**	**134,087**	**169,765**
Assets derecognised (excluding write offs)	-	-	-	-
Transfers to Stage 1	31	(31)	-	-
Transfers to Stage 2	(673)	673	-	-
Transfers to Stage 3	(326)	(11)	337	-
Impairment (Note 13)	(260)	7,074	(5,039)	1,775
Amounts written off	-	-	(21,861)	(21,861)
Foreign exchange adjustments	-	-	-	-
Business combination	-	-	-	-
Other changes	-	2	(1,052)	(1,050)
At 31 December 2019	**11,367**	**30,790**	**106,472**	**148,629**

	Bank			
Movement of impairment allowance	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2018	**10,892**	**18,229**	**145,263**	**174,384**
Assets derecognised (excluding write offs)				
Transfers to Stage 1	40	(40)	-	-
Transfers to Stage 2	(249)	393	(144)	-
Transfers to Stage 3	(14)	(119)	133	-
Impairment (Note 13)	1,926	4,620	(4,304)	2,242
Amounts written off	-	-	(5,978)	(5,978)
Foreign exchange adjustments	-	-	-	-
Business combination	-	-	-	-
Other changes	-	-	(883)	(883)
At 31 December 2018	**12,595**	**23,083**	**134,087**	**169,765**

b) State and public sector – credit quality

Bank		**31 December 2019**			**31 December 2018**
Gross exposure	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Internal rating grade					
Performing					
Low risk	-	-	-	-	-
Medium risk	82,364	8,881	-	91,245	121,605
High risk	-	-	-	-	-
Non-performing					
Default	-	-	-	-	-
Total	**82,364**	**8,881**	**-**	**91,245**	**121,605**

(all amounts are expressed in thousands of KM, unless otherwise stated)

Movement of gross exposure	Bank			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	**111,296**	**10,309**	**-**	**121,605**
New financing	13,598	-	-	13,598
Assets derecognised (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-			-
Transfers to Stage 3	-	-	-	-
Assets repaid	(42,530)	(1,428)	-	(43,958)
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**82,364**	**8,881**	**-**	**91,245**

Movement of gross exposure	Bank			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	**137,651**	**13,948**	**-**	**151,599**
New financing	10,311	-	-	10,311
Assets derecognised (excluding write offs)				
Transfers to Stage 1	1,932	(1,932)	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	
Assets repaid	(38,598)	(1,707)	-	(40,305)
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	**111,296**	**10,309**	**-**	**121,605**

Movement of impairment allowance	Bank			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	**230**	**1,795**	**-**	**2,025**
Assets derecognised (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impairment (Note 13)	(75)	(249)	-	(324)
Amounts written off	-	-	-	-
Foreign exchange adjustments		-	-	-
At 31 December 2019	**155**	**1,546**	**-**	**1,701**

(all amounts are expressed in thousands of KM, unless otherwise stated)

20. LOANS AND RECEIVABLES FROM CLIENTS AT AMORTIZED COST (CONTINUED)

b) State and public sector – credit quality (continued)

Movement of impairment allowance	Bank			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	**244**	**2,086**	**-**	**2,330**
Assets derecognised (excluding write offs)				
Transfers to Stage 1	4	(4)	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impairment (Note 13)	(18)	(287)	-	(305)
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	**230**	**1,795**	**-**	**2,025**

c) Retail – credit quality

Bank	31 December 2019				31 December 2018
Gross exposure	Stage 1	Stage 2	Stage 3	Total	Total
Internal rating grade					
Performing					
Low risk	-	-	-	-	-
Medium risk	1,818,968	119,836	-	1,938,804	1,750,282
High risk	2,237	54,344	-	56,581	103,001
Non-performing					
Default	-	-	107,364	107,364	99,097
Total	**1,821,205**	**174,180**	**107,364**	**2,102,749**	**1,952,380**

Movement of gross exposure	Bank			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	**1,617,721**	**235,562**	**99,097**	**1,952,380**
New financing	735,571	54,407	3,721	793,699
Assets derecognised (excluding write offs)	-	-	-	-
Transfers to Stage 1	61,764	(61,711)	(53)	-
Transfers to Stage 2	(38,642)	43,378	(4,736)	-
Transfers to Stage 3	(13,699)	(12,151)	25,850	-
Assets repaid	(541,510)	(85,315)	(15,151)	(641,976)
Amounts written off	-	-	(1,365)	(1,365)
Foreign exchange adjustments	-	-	-	-
Other changes	-	10	1	11
At 31 December 2019	**1,821,205**	**174,180**	**107,364**	**2,102,749**

(all amounts are expressed in thousands of KM, unless otherwise stated)

Movement of gross exposure	Bank			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	**1,593,995**	**101,222**	**94,231**	**1,789,448**
New financing	786,218	-	-	786,218
Assets derecognised (excluding write offs)	-	-	-	-
Transfers to Stage 1	12,252	(9,265)	(2,987)	-
Transfers to Stage 2	(185,935)	190,549	(4,614)	-
Transfers to Stage 3	(17,087)	(6,752)	23,839	-
Assets repaid	(571,321)	(40,276)	(10,504)	(622,101)
Amounts written off	-	-	(769)	(769)
Foreign exchange adjustments	-	-	-	-
Other changes	(401)	84	(99)	(416)
At 31 December 2018	**1,617,721**	**235,562**	**99,097**	**1,952,380**

Movement of impairment allowance	Bank			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	**13,844**	**21,456**	**87,037**	**122,337**
Assets derecognised (excluding write offs)				
Transfers to Stage 1	412	(411)	(1)	-
Transfers to Stage 2	(383)	722	(339)	-
Transfers to Stage 3	(151)	(2,285)	2,436	-
Impairment (Note 13)	(1,639)	43	5,555	3,959
Amounts written off	-	-	(1,365)	(1,365)
Foreign exchange adjustments	-	-	-	-
Other changes	1	1	(38)	(36)
At 31 December 2019	**12,084**	**19,527**	**93,285**	**124,896**

(all amounts are expressed in thousands of KM, unless otherwise stated)

20. LOANS AND RECEIVABLES FROM CLIENTS AT AMORTIZED COST (CONTINUED)

c) Retail – credit quality (continued)

Movement of impairment allowance	Bank			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	**12,969**	**16,973**	**79,591**	**109,533**
Assets derecognised (excluding write offs)				
Transfers to Stage 1	114	(88)	(26)	-
Transfers to Stage 2	561	1,452	(2,013)	-
Transfers to Stage 3	(149)	(1,890)	2,039	-
Impairment (Note 13)	351	5,007	8,085	13,443
Amounts written off	-	-	(784)	(784)
Foreign exchange adjustments	-	-	-	-
Other changes	(2)	2	145	145
At 31 December 2018	**13,844**	**21,456**	**87,037**	**122,337**

d) Finance lease – corporate – credit quality

Bank	31 December 2019				31 December 2018
Gross exposure	Stage 1	Stage 2	Stage 3	Total	Total
Internal rating grade					
Performing					
Low risk	-	-	-	-	-
Medium risk	-	62,687	-	62,687	33,866
High risk	-	1,696	-	1,696	42,771
Non-performing					
Default	-	-	11,422	11,422	23,786
Total	**-**	**64,383**	**11,422**	**75,805**	**100,423**

(all amounts are expressed in thousands of KM, unless otherwise stated)

Movement of gross exposure	Bank			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	**-**	**76,637**	**23,786**	**100,423**
New financing	-	19,304	38	19,342
Assets derecognised (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	1,746	(1,746)	-
Transfers to Stage 3	-	(184)	184	-
Assets repaid	-	(33,120)	(6,837)	(39,957)
Amounts written off	-	-	(4,004)	(4,004)
Other changes	-	-	1	1
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**-**	**64,383**	**11,422**	**75,805**

Movement of gross exposure	Bank			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	**8**	**77,784**	**26,888**	**104,680**
New financing	30,049	127	-	30,176
Assets derecognised (excluding write offs)				
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(30,049)	30,429	(380)	-
Transfers to Stage 3	-	(294)	294	-
Assets repaid	(8)	(31,409)	(3,016)	(34,433)
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	**-**	**76,637**	**23,786**	**100,423**

Movement of impairment allowance	Bank			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	-	**2,977**	**19,960**	**22,937**
Assets derecognised (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	418	(418)	-
Transfers to Stage 3	-	(6)	6	-
Impairment (Note 13)	-	(160)	(4,859)	(5,019)
Amounts written off	-	-	(4,004)	(4,004)
Other changes	-	-	-	-
Foreign exchange adjustments	-	(1)	2	1
At 31 December 2019	**-**	**3,228**	**10,687**	**13,915**

(all amounts are expressed in thousands of KM, unless otherwise stated)

20. LOANS AND RECEIVABLES FROM CLIENTS AT AMORTIZED COST (CONTINUED)

d) Finance lease – corporate – credit quality (continued)

Movement of impairment allowance	Bank			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018		**1,976**	**21,219**	**23,195**
Assets derecognised (excluding write offs)				
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	3	(3)	-
Transfers to Stage 3	-	(11)	11	-
Impairment (Note 13)	-	1,009	(1,267)	(258)
Amounts written off	-	-	-	-
Other changes	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	**-**	**2,977**	**19,960**	**22,937**

e) Finance lease – retail – credit quality

Gross exposure

Bank	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
Internal rating grade					
Performing					
Low risk	-	-	-	-	-
Medium risk	-	1,690	-	1,690	2,437
High risk	-	36	-	36	79
Non-performing					
Default	-	-	1,150	1,150	1,094
Total	**-**	**1,726**	**1,150**	**2,876**	**3,610**

Movement of gross exposure	Bank			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	**-**	**2,516**	**1,094**	**3,610**
New financing	-	504	33	537
Assets derecognised (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	10	(10)	-
Transfers to Stage 3	-	(180)	180	-
Assets repaid	-	(1,124)	(147)	(1,271)
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**-**	**1,726**	**1,150**	**2,876**

(all amounts are expressed in thousands of KM, unless otherwise stated)

Movement of gross exposure	Bank			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	**-**	**4,122**	**1,535**	**5,657**
New financing	298	-	-	298
Assets derecognised (excluding write offs)				
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(298)	503	(205)	-
Transfers to Stage 3	-	(83)	83	-
Assets repaid	-	(2,026)	(319)	(2,345)
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	**-**	**2,516**	**1,094**	**3,610**

Movement of impairment allowance	Bank			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	**-**	**53**	**988**	**1,041**
Assets derecognised (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	(9)	9	-
Impairment (Note 13)	-	(12)	(24)	(36)
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**-**	**32**	**973**	**1,005**

Movement of impairment allowance	Bank			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	**-**	**76**	**1,004**	**1,080**
Assets derecognised (excluding write offs)				
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	7	(7)	-
Transfers to Stage 3	-	(10)	10	-
Impairment (Note 13)	-	(20)	(19)	(39)
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	**-**	**53**	**988**	**1,041**

(all amounts are expressed in thousands of KM, unless otherwise stated)

20. LOANS AND RECEIVABLES FROM CLIENTS AT AMORTIZED COST (CONTINUED)

e) Finance lease – retail – credit quality (continued)

Gross exposure

Bank	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
Internal rating grade					
Performing					
Low risk	47	-	-	47	-
Medium risk	-	-	-	-	-
High risk	-	-	-	-	-
Non-performing					
Default	-	-	-	-	-
Total	**47**	**-**	**-**	**47**	**-**

Movement of gross exposure	Bank			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	**-**	**-**	**-**	**-**
New financing	47	-	-	47
Assets derecognised (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Assets repaid	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**47**	**-**	**-**	**47**

Movement of impairment allowance	Bank			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	**-**	**-**	**-**	**-**
Assets derecognised (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impairment (Note 13)	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**-**	**-**	**-**	**-**

(all amounts are expressed in thousands of KM, unless otherwise stated)

Loans and receivables from clients at amortized cost are analysed by industry in the table below:

	Bank 31 December 2019	Bank 31 December 2018
Corporate (including state and public sector)		
Industry:		
Electricity, gas and water	124,177	70,726
Wood and paper	67,972	61,630
Metal and engineering	67,558	67,667
Food and drinks	66,945	79,433
Chemicals	47,548	41,495
Textile and leather	12,088	16,343
Electrical and optical equipment	2,608	2,852
Tobacco	414	7,519
Other manufacturing	48,705	52,451
Total industry	***438,015***	***400,116***
Retail and wholesale trade	563,591	516,473
Health and social care	114,264	115,724
Central and local governments	89,418	115,537
Tourism	66,572	79,168
Real estate	56,375	72,486
Transport and communications	51,739	49,741
Construction	51,156	47,625
Financial intermediaries	18,746	9,984
Agriculture, forestry and fisheries	16,206	22,366
Education and other public services	5,893	7,255
Other	39,277	33,502
Total	**1,073,237**	**1,069,861**
Total corporate	**1,511,252**	**1,469,977**
Retail		
Non-purpose loans	1,410,204	1,334,590
Housing loans	365,570	299,678
Other retail loans	202,079	195,774
Total retail	**1,977,853**	**1,830,042**
Total loans and receivables from clients	**3,489,105**	**3,300,019**

(all amounts are expressed in thousands of KM, unless otherwise stated)

20. LOANS AND RECEIVABLES FROM CLIENTS AT AMORTIZED COST (CONTINUED)

Finance lease	Bank 31 December 2019	Bank 31 December 2018
Corporate (including state and public sector)		
Food and drinks		
Wood and paper	1,807	2,044
Metal and engineering	1,804	553
Textile and leather	1,672	2,041
Electricity, gas and water	432	549
Chemicals	402	26
Electrical and optical equipment	299	303
Other manufacturing	184	71
Total industry	814	1,048
Ukupno industrija	**7,414**	**6,635**
Retail and wholesale trade	17,524	19,352
Agriculture, forestry and fisheries	14,505	30,373
Transport and communications	8,348	10,441
Construction	7,318	5,312
Financial intermediaries	1,072	1,028
Real estate	604	254
Tourism	271	314
Education and other public services	229	106
Health and social care	169	198
Central and local governments	47	-
Other	4,436	3,474
Total	**54,523**	**70,852**
Total corporate	**61,937**	**77,487**
Retail		
Other loans to individuals	1,871	2,569
Total retail	**1,871**	**2,569**
Total loans and receivables from clients	**63,808**	**80,056**

(all amounts are expressed in thousands of KM, unless otherwise stated)

21. OTHER ASSETS AND RECEIVABLES

	Bank 31 December 2019	Bank 31 December 2018
Receivables from card operations	36,492	34,987
Assets acquired in lieu of uncollectible receivables	12,352	12,525
Accrued fees	1,676	1,403
Other assets	13,650	15,258
	64,170	***64,173***
Less: Impairment allowance	(12,573)	(9,405)
	51,597	**54,768**

The movements in impairment allowance are summarized as follows:

	Bank 2019	Bank 2018
Balance as at 1 January	**9,405**	**12,189**
Effect of IFRS 9 (Note 2.3.1.1)	-	(230)
Impairment of assets acquired in lieu of uncollected receivables (Note 13)	3,368	484
Impairment of other assets (Note 13)	454	(114)
Other changes – transfer of provisions for fees	-	870
Write-offs	(786)	(3,915)
Other changes	147	120
Foreign exchange differences	(15)	1
Balance as at 31 December	**12,573**	**9,405**

Assets acquired in lieu of uncollectible receivables are assets (property, vehicles and other equipment) related to the collection of the overdue receivables from loan and financial lease clients, which are not classified in the investment property portfolio.

(all amounts are expressed in thousands of KM, unless otherwise stated)

22. INVESTMENTS IN ASSOCIATES

The Bank purchased 49% of share in UniCredit Broker d.o.o. Sarajevo – in liqudation on 22 December 2015, whose 100% owner was the related party UniCredit Insurance Management CEE GmbH Austria. Acquisition costs of purchased share is KM 460 thousand (EUR 235 thousand). The value of share increased in 2019 on Group level was KM 863 thousand due to generated profit of the associate for the previous two periods.

UniCredit Broker d.o.o. Assembly, which comprises, two members (UniCredit Insurance Management CEE GmbH and UniCredit Bank d.d.) made the Decision to liquidate UniCredit Broker d.o.o. brokersko društvo u osiguranju on 9 December 2019. UniCredit Bank d.d. received a license for insurance representation in 2017 by amending its legislation, and the Bank assumed insurance brokerage business. Completion of a company shutdown depends on the promptness of the Court, the Tax Administration and other state services, but it is estimated that the liquidation process will end 1 year after the liquidation process begins.

	31 December 2019	31 December 2018
Total assets	1,129	1,094
Total liabilities	6	12
Net assets	1,106	903
Net profit for the year	17	179

23. INVESTMENT PROPERTY

Fair value measurement of investment property was conducted by an independent appraiser, which is not a member company of UniCredit Group, whose personnel has adequate qualification and experience in assessing fair value of property in relevant locations. During 2019, the Bank and Group changed the accounting policy related to recognition of investment property, as explained in Note 2.3.1.2.

Fair value of investment property was ascertained using income approach, which reflects current market expectations related to future amounts – cash flows (revenues and expenses) that arise from investment property which discount into a single amount.

	Bank
Balance as at 31 December 2018	**881**
Reduction to fair value (Note 13)	(373)
Other changes	(17)
Balance as at 31 December 2019	**491**

Information about the fair value hierarchy as at 31 December 2019 is as follows:

Level 1	Level 2	Level 3
491	-	-

(all amounts are expressed in thousands of KM, unless otherwise stated)

24. PROPERTY AND EQUIPMENT

Bank	Land and buildings	Motor vehicles and equipment	Computers	Leasehold improve-ments	Assets in progress	Total
COST						
Balance as at 31 December 2017	**53,532**	**30,610**	**41,229**	**23,622**	**6,609**	**155,602**
Additions	-	-	-	-	8,728	8,728
Write-offs	-	(1,450)	(2,393)	(52)	-	(3,895)
Disposals	-	(813)	-	-	-	(813)
Transfers (from) / to	1,762	1,629	2,309	1,131	(6,831)	-
Transfer to intangible assets (Note 26)	-	-	-	-	(7)	(7)
Other movements	-	(22)	15	-	577	570
Balance as at 31 December 2018	**55,294**	**29,954**	**41,160**	**24,701**	**9,076**	**160,185**
Additions	-	-	-	-	11,478	11,478
Write-offs	-	(1,995)	(3,586)	(2,073)	-	(7,654)
Disposals	-	(203)	-	-	-	(203)
Transfers (from) / to	495	2,520	3,245	1,439	(7,699)	-
Transfer between categories	(930)	96	577	-	331	74
Other movements	17	-	-	-	-	17
Effect of transition to revaluation model (Note 2.3.1.2)	5,978	-	-	-	-	5,978
Balance as at 31 December 2019	**60,854**	**30,372**	**41,396**	**24,067**	**13,186**	**169,875**
ACCUMULATED DEPRECIATION						
Balance as at 31 December 2017	**20,963**	**23,021**	**35,074**	**22,201**	**-**	**101,259**
Depreciation charge for the year	1,048	1,869	2,170	1,155	-	6,242
Write-offs	-	(1,415)	(2,354)	(52)	-	(3,821)
Disposals	-	(658)	-	-	-	(658)
Impairment (Note 13)	332	-	-	-	-	332
Other changes	-	(21)	16	-	-	(5)
Balance as at 31 December 2018	**22,343**	**22,796**	**34,906**	**23,304**	**-**	**103,349**
Depreciation charge for the year	1,054	1,732	2,517	860	-	6,163
Write-offs	-	(1,974)	(3,581)	(2,061)	-	(7,616)
Disposals	-	(134)	-	-	-	(134)
Other changes	-	-	1	-	-	1
Effect of transition to revaluation model (Note 2.3.1.2)	4,195	-	-	-	-	4,195
Balance as at 31 December 2019	**27,592**	**22,420**	**33,843**	**22,103**	**-**	**105,958**
NET BOOK VALUE						
31 December 2019	**33,262**	**7,952**	**7,553**	**1,964**	**13,186**	**63,917**
31 December 2018	**32,951**	**7,158**	**6,254**	**1,397**	**9,076**	**56,836**

The carrying value of the Bank's non-depreciating land within land and buildings amounted to KM 4,425 thousand as at 31 December 2019. During 2019, the Bank did not capitalise any borrowing costs related to the acquisition of property and equipment. During 2019, Bank's property and equipment were not pledged as collateral.

(all amounts are expressed in thousands of KM, unless otherwise stated)

24. PROPERTY AND EQUIPMENT (CONTINUED)

Fair value measurement of buildings and land was conducted by an independent appraiser, which is not a member company of UniCredit Group, whose personnel has adequate qualification and experience in assessing fair value of property in relevant locations. During 2019, the Bank and Group changed the accounting policy related to recognition of buildings and land, as explained in Note 2.3.1.2.

The fair value of the building and the land was determined using: cost approach – replacement cost method; market approach – method of comparable transactions, and yield approach – discounted cash flow method.

The following parameters have been taken into account in the selection of methods for determining the estimated market value of the real estate in question: type of real estate (e.g. residential units, business premises, production facilities, construction land, etc.), purpose of the real estate (e.g. for residential, production, trade, provision of services, storage, administration, etc.), location of the real estate (urban, rural, industrial zone), adequate comparative prices for the sale and/or lease of the real estate and other factors that may influence the choice of the valuation method itself (quality of the building, current use and other).

Information about the fair value hierarchy as at 31 December 2019 is as follows:

Level 1	Level 2	Level 3
33,262	-	-

25. RIGHT TO USE ASSETS

Bank	Right to use buildings IFRS 16
COST	
As at 1 January 2019	**12,577**
Additions	125
As at 31 December 2019	**12,702**
ACCUMULATED DEPRECIATION	
As at 1 January 2019	**-**
Depreciation charge for the year	4,178
Disposals	(540)
As at 31 December 2019	**3,638**
NET BOOK VALUE	
31 December 2019	**9,064**

Right to use assets refer to leased properties that the Bank has leased for business operations, and whose lease agreements are longer than 1 year.

(all amounts are expressed in thousands of KM, unless otherwise stated)

26. INTANGIBLE ASSETS

Bank	Software	Other intangible assets	Assets in progress	Total
COST				
As at 31 December 2017	**45,253**	**7,480**	**7,529**	**60,262**
Additions	-	-	7,159	7,159
Disposals	(1,154)	(5,109)	-	(6,263)
Transfers (from) / to	3,991	69	(4,060)	-
Transfer to property and equipment (Note 24)	-	-	7	7
Transfer to other assets	-	-	(7)	(7)
Other movements	18	(11)	-	7
As at 31 December 2018	**48,108**	**2,429**	**10,628**	**61,165**
Additions	-	-	8,697	8,697
Disposals	(1,963)	(27)	-	(1,990)
Transfers (from) / to	10,891	220	(11,111)	-
Transfer to property and equipment (Note 24)	-	-	(74)	(74)
Transfer to other assets	-	-	(655)	(655)
Other movements	(123)	-	-	(123)
As at 31 December 2019	**56,913**	**2,622**	**7,485**	**67,020**
ACCUMULATED DEPRECIATION				
As at 31 December 2017	**38,337**	**7,048**	**552**	**45,937**
Depreciation charge for the year	3,943	172	-	4,115
Disposals	(1,150)	(5,103)	-	(6,253)
Other movements	17	(11)	-	6
As at 31 December 2018	**41,147**	**2,106**	**552**	**43,805**
Depreciation charge for the year	4,433	147	-	4,580
Disposals	(974)	(12)	-	(986)
As at 31 December 2019	**44,606**	**2,241**	**552**	**47,399**
NET BOOK VALUE				
31 December 2019	**12,307**	**381**	**6,933**	**19,621**
31 December 2018	**6,961**	**323**	**10,076**	**17,360**

During 2019 and 2018, the Bank did not capitalise any borrowing costs related to the acquisition of intangible assets. During 2019 and 2018, intangible assets were not pledged as collateral for the Bank's borrowings.

(all amounts are expressed in thousands of KM, unless otherwise stated)

27. CURRENT ACCOUNTS AND DEPOSITS FROM BANKS AT AMORTIZED COST

	Bank 31 December 2019	Bank 31 December 2018
Demand deposits		
- in foreign currency	1,736	3,473
- in KM	21,950	20,735
Fixed-term deposits		
- in foreign currency	430,580	498,883
- in KM	16,006	16,007
	470,272	**539,098**

As at 31 December 2019, current accounts and deposits from banks include KM 448,433 thousand due to related parties (31 December 2018: KM 517,177 thousand).

28. CURRENT ACCOUNTS AND DEPOSITS FROM CLIENTS AT AMORTIZED COST

	Bank 31 December 2019	Bank 31 December 2018
Retail		
Current and savings accounts and term deposits - foreign currency	1,590,237	1,509,077
Current and savings accounts and term deposits - KM	1,519,505	1,292,850
	3,109,742	***2,801,927***
Corporate (including state and public sector)		
Demand deposits		
- in KM	1,449,642	1,231,298
- in foreign currency	282,762	266,607
Fixed-term deposits		
- in KM	151,939	87,901
- in foreign currency	52,858	45,530
	1,937,201	***1,631,336***
	5,046,943	**4,433,263**

As at 31 December 2019, the Bank's retail deposits in KM include KM 563 thousand (31 December 2018: KM 595 thousand) and corporate and state deposits in KM include KM 45,758 thousand (31 December 2018: KM 41,429 thousand) which have a EUR currency clause, with payments in KM equivalent translated at the rate applicable at the date of payment.

Current accounts and deposits from clients of the Bank also include KM 2,144 thousand from related parties (31 December 2018: KM 1,974 thousand).

(all amounts are expressed in thousands of KM, unless otherwise stated)

29. BORROWINGS

	Bank 31 December 2019	Bank 31 December 2018
Foreign banks	43,130	35,155
	43,130	**35,155**
Maturity analysis:		
Within one year	12,356	12,709
In the second year	12,851	15,316
Third to fifth year	17,923	7,130
	43,130	**35,155**

As at 31 December 2019, Bank's interest-bearing borrowings include KM 11,288 thousand (31 December 2018: KM 16,065 thousand) related to borrowings from related parties.

30. OTHER LIABILITIES

	Bank 31 December 2019	Bank 31 December 2018
Liabilities for items in the course of settlement	66,005	60,534
Accrued expenses	22,991	31,363
Liabilities for card operations	10,364	9,869
Deferred income	2,131	2,231
Lease users' down payments	509	645
Other liabilities	7,579	6,990
	109,579	**111,632**

(all amounts are expressed in thousands of KM, unless otherwise stated)

31. LEASE LIABILITIES

Long-term lease payables	
less than 1 year	3,897
1 to 2 years	3,138
2 to 3 years	1,503
3 to 4 years	707
4 to 5 years	103
Total amount of long-term lease payments	**9,348**
Discounting effects (unearned finance cost)	(248)
	9,100

32. PROVISIONS FOR LIABILITIES AND CHARGES

Bank	Provisions for contingencies and commitments	Provisions for legal proceedings	Long-term provisions for employees	Total
Balance at 1 January 2018	**19,351**	**9,080**	**2,684**	**31,115**
Net charge in profit or loss (Note 13)	2,293	1,218	693	4,204
Provisions used during the period	-	(228)	(321)	(549)
Effect of IFRS 9 (Note 2.3.1.1)	(648)	-	-	(648)
Actuarial gain/loss for the period	-	-	(135)	(135)
Reclassification from other liabilities	-	10	-	10
Foreign currency differences	12	-	-	12
Balance as at 31 December 2018	**21,008**	**10,080**	**2,921**	**34,009**
Net charge in profit or loss (Note 13)	1,643	1,048	449	3,140
Provisions used during the period	-	(301)	(223)	(524)
Actuarial gain/loss for the period	-	-	68	68
Reclassification from other liabilities	-	-	8	8
Foreign currency differences	5	-	-	5
Balance as at 31 December 2019	**22,656**	**10,827**	**3,223**	**36,706**

(all amounts are expressed in thousands of KM, unless otherwise stated)

33. SHARE CAPITAL

	Class A Ordinary shares	Class D Preference shares	Total
Number of shares	119,011	184	119,195
Nominal value (in KM)	1,000	1,000	1,000
Total	**119,011**	**184**	**119,195**

34. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares. For the purpose of calculating basic earnings per share, preferred shares are considered as ordinary shares as they do not bear preferential dividend right.

	Group 2019	Bank 2019	Group 2018	Bank 2018
Net profit for the year attributable to ordinary shareholders	101,079	101,071	97,298	97,210
Weighted average number of ordinary shares during the period	118,935	118,935	118,935	118,935
Basic earnings per share (KM)	**849.87**	**849.90**	**818.08**	**817.34**

Diluted earnings per share are not presented, as the Bank has not issued dilutive equity instruments.

35. COMMITMENTS AND CONTINGENT LIABILITIES

During its operations, the Bank has commitments and contigent liabilities recoreded in off-balance, which are related to guarantees, credentials and unused part of loan facilities.

	Bank 31 December 2019	Bank 31 December 2018
Financial guarantees and Letters of credit	339,775	313,487
Other undrawn commitments	650,025	626,940
Total	**989,800**	**940,427**

a) Financial guarantees and Letters of credit

Bank		31 December 2019			31 December 2018
Gross exposure	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Internal rating grade					
Performing					
Low risk	25,347	-	-	25,347	25,474
Medium risk	248,987	59,821	-	308,808	263,152
High risk	2,121	77	-	2,198	20,360
Non-performing					
Default	-	-	3,422	3,422	4,501
Total	**276,455**	**59,898**	**3,422**	**339,775**	**313,487**

(all amounts are expressed in thousands of KM, unless otherwise stated)

35. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

a) Financial guarantees and Letters of credit (continued)

Movement of gross exposure

	Bank			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	**233,952**	**75,030**	**4,505**	**313,487**
New exposure	233,098	41,878	2,298	277,274
Exposure matured	(188,959)	(57,526)	(4,501)	(250,986)
Transfers to Stage 1	25	(25)	-	-
Transfers to Stage 2	(1,661)	1,661	-	-
Transfers to Stage 3	-	(1,120)	1,120	-
Changes due to modifications not resulting in derecognised	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**276,455**	**59,898**	**3,422**	**339,775**

	Bank			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	**216,081**	**58,148**	**4,160**	**278,389**
New exposure	201,838	37,880	-	239,718
Exposure matured	(182,996)	(21,568)	(56)	(204,620)
Transfers to Stage 1	222	(222)	-	-
Transfers to Stage 2	(1,023)	1,023	-	-
Transfers to Stage 3	(170)	(231)	401	-
Changes due to modifications not resulting in derecognised	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	**233,952**	**75,030**	**4,505**	**313,487**

Movement of provisions

	Bank			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	**3,822**	**4,808**	**4,272**	**12,902**
Transfers to Stage 1	1	(1)	-	-
Transfers to Stage 2	(42)	42	-	-
Transfers to Stage 3	-	1	(1)	-
Impairment	446	1,627	(1,233)	840
Foreign exchange adjustments	5	-	-	5
At 31 December 2019	**4,232**	**6,477**	**3,038**	**13,747**

(all amounts are expressed in thousands of KM, unless otherwise stated)

	Bank			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	**3,517**	**4,216**	**4,100**	**11,833**
Transfers to Stage 1	4	(4)	-	-
Transfers to Stage 2	(20)	20	-	-
Transfers to Stage 3	(16)	(27)	43	-
Impairment	337	603	129	1,069
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	**3,822**	**4,808**	**4,272**	**12,902**

b) Other undrawn commitments

	31 December 2019				31 December 2018
Gross exposure	Stage 1	Stage 2	Stage 3	Total	Total
Internal rating grade					
Performing					
Low risk	-	-	-	-	-
Medium risk	589,224	58,132	-	647,356	599,682
High risk	567	1,748	-	2,315	27,012
Non-performing					
Default	-	-	354	354	246
Total	**589,791**	**59,880**	**354**	**650,025**	**626,940**

Movement of gross exposure

	Bank			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	**557,474**	**69,199**	**267**	**626,940**
New exposure	336,585	49,260	120	385,965
Exposure matured	(305,988)	(56,793)	(99)	(362,880)
Transfers to Stage 1	3,409	(3,406)	(3)	-
Transfers to Stage 2	(1,561)	1,648	(87)	-
Transfers to Stage 3	(128)	(28)	156	-
Changes due to modifications not resulting in derecognised	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**589,791**	**59,880**	**354**	**650,025**

(all amounts are expressed in thousands of KM, unless otherwise stated)

35. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

b) Other undrawn commitments (continued)

Movement of provisions

	Bank			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2019	**4,351**	**3,600**	**155**	**8,106**
Transfers to Stage 1	(32)	31	1	-
Transfers to Stage 2	154	(154)	-	-
Transfers to Stage 3	-	-	-	-
Impairment	(196)	946	53	803
Foreign exchange adjustments	-			
Acquisition of subsidiary	-	-	-	-
Other changes	-	-	-	-
At 31 December 2019	**4,227**	**4,423**	**209**	**8,909**

	Bank			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2018	**4,869**	**1,856**	**145**	**6,870**
Transfers to Stage 1	9	(9)	-	-
Transfers to Stage 2	(39)	42	(3)	-
Transfers to Stage 3	(2)	(2)	4	-
Impairment	(542)	1,713	53	1,224
Foreign exchange adjustments	-	-	-	-
Acquisition of associate	-	-	-	-
Other changes	56	-	(44)	12
At 31 December 2018	**4,351**	**3,600**	**155**	**8,106**

(all amounts are expressed in thousands of KM, unless otherwise stated)

36. FUNDS MANAGED ON BEHALF OF THIRD PARTIES AND CUSTODY SERVICES

	Bank 31 December 2019	Bank 31 December 2018
Assets under custody	413,075	371,284
Loans managed on behalf of third parties	33,156	35,946
	446,231	**407,230**

These funds are not part of the separate and consolidated statement of the financial position of the Bank and Group, nor part of the assets of the Bank and Group, and they are managed separately. The Bank and Group earn fee income for provision of the related services.

37. RELATED PARTY TRANSACTIONS

The Bank is a member of the UniCredit Group ("UCI Group"). The key shareholder of the Bank is Zagrebačka banka d.d. with a holding of 99.30% (2018: 99.30%). The Bank considers that it has an immediate related party relationship with its key shareholders and their subsidiaries; Supervisory Board members, Management Board members and other key management personnel (together "key management personnel"); close family members of key management personnel; and entities controlled, or significantly influenced by key management personnel and their close family members

Related party transactions are part of the Bank's regular operations.

An overview of related party transactions as of 31 December 2019 is presented in the table below:

	2019		2018	
Bank	Income	Expenses	Income	Expenses
UniCredit Bank Austria AG Vienna, Austria	230	204	177	392
UniCredit Bank a.d. Banja Luka, BiH	1,298	366	427	93
Zagrebačka banka d.d. Zagreb, Croatia	42	832	47	658
UniCredit Bank Slovenija d.d. Ljubljana, Slovenia	35	-	19	-
UniCredit Broker d.o.o. Sarajevo, BiH	-	-	-	-
UniCredit Services GmbH Vienna, Austria	-	4,776	-	4,998
UniCredit S.p.A Milano, Italy	360	2,216	196	1,052
UniCredit Bank AG Munich, Germany	330	15	319	391
ZANE BH d.o.o. Sarajevo, BiH	1	117	1	100
I-Faber SPA Milano, Italy		-	-	18
UniCredit Services S.C.p.A Prague, Czech Republic	-	262	-	443
UniCredit Bank Czech Republic and Slovakia a.s. Prague, Czech Republic	-	124	-	180
UniCredit Bank Srbija a.d. Beograd, Serbia	-	35	-	62
UniCredit Bank Hungary, Budapest, Hungary	3	-	-	-
UniCredit Leasing Slovakia A.S. Bratislava, Slovakia	-	13	-	13
Uctam BH d.o.o. Mostar, BiH	8	-	8	-
Total related parties	***2,307***	***8,960***	***1,194***	***8,400***
Management Board and other key management personnel, and parties related to the Management Board and other key management personnel	155	7,471	107	7,104
	2,462	**16,431**	**1,301**	**15,504**

(all amounts are expressed in thousands of KM, unless otherwise stated)

37. TRANSAKCIJE S POVEZANIM STRANAMA (NASTAVAK)

There were no transactions with the members of the Supervisory Board during 2019 and 2018.

Income from UniCredit Group members in 2019 includes interest income in the amount of KM 722 thousand (2018: KM 321 thousand) and fee and commission income in the amount of KM 766 thousand (2018: KM 361 thousand). Income in 2019 also includes other income in the amount of KM 766 thousand (2018: KM 512 thousand).

Expenses towards UniCredit Group members in 20198 include interest expense in the amount of KM 1,958 thousand (2018: KM 999 thousand), fees in the amount of KM 851 thousand (2018: KM 610 thousand), other administrative expenses in the amount of KM 6,133 thousand (2018: KM 6,412 thousand) and other expenses in the amount of KM 18 thousand (2018: KM 378 thousand).

An overview of balances at 31 December 2019 and 31 December 2018 is presented below:

	31 December 2019		31 December 2018	
Bank	**Exposure***	**Liabilities**	**Exposure***	**Liabilities**
UniCredit Bank Austria AG Vienna, Austria	15,535	11,896	18,731	16.758
UniCredit Bank a.d. Banja Luka	16,797	16,008	15,697	15,974
Zagrebačka banka d.d. Zagreb, Croatia	14,543	955	9,762	1,290
UniCredit Services Vienna, Austria	4,922	1,650	3,744	10,353
UniCredit S.p.A Milano, Italy	213,300	431,462	237,879	499,596
UniCredit Bank AG Munich, Germany	2,455	553	2,205	404
ZANE BH d.o.o. Sarajevo, BiH	-	1,659	-	1,655
UniCredit Broker d.o.o. Sarajevo, BiH	-	-	-	-
UniCredit Bank Slovenija d.d. Ljubljana, Slovenia	-	197	-	296
UniCredit Services S.C.p.A Prague, Czech Republic	53	-	-	78
UniCredit Bank Hungary, Budapest, Hungary	795	-	-	-
UniCredit Bank Czech Republic and Slovakia, a.s. Prague, Czech republic	-	124	-	180
UniCredit Bank Srbija a.d. Belgrade, Serbia	-	98	-	37
Uctam BH d.o.o. Mostar, BiH	-	484	-	319
Total related parties	***268,400***	***465,086***	***288,018***	***546,940***
Management Board and other key management personnel, and parties related to Management Board and other key management personnel	3,611	10,269	2,958	8,836
	272,011	**475,355**	**290,976**	**555,776**

* Exposure includes loans, interest receivables, other receivables and off-balance-sheet exposure.

Regarding exposure toward the related parties, impairment losses as at 31 December 2019 amount to KM 254.7 thousand (31 December 2018 was KM 236.6 thousand).

Further, the Bank received guarantees from UniCredit Bank Austria AG at 31 December 2019 in the amount KM 13,178 thousand (31 December 2018: KM 13,682 thousand), while as at 31 December 2019 the Bank had no given guarantees (31 December 2018: KM 0).

(all amounts are expressed in thousands of KM, unless otherwise stated)

Remuneration paid to Management Board and other key management personnel:

	Bank 2019	Bank 2018
Gross salaries	4,335	4,247
Bonuses	1,590	1,501
Other benefits	938	775
	6,863	**6,523**

42 employees were included in the Management Board and other key management personnel (2018: 41 employees), including personnel that spent only a part of 2019 in such positions.

38. RISK MANAGEMENT

The Bank's and Group's risk management is conducted through a system of policies, programmes, procedures and approved limits, which are continuously upgraded in accordance with changes in legislation, changes in business activities based on market trends and development of new products, as well as through the adoption of risk management standards of the Bank and Group.

The most important types of risk to which the Bank and Group are exposed are credit risk, market risk and operating risk.

The Supervisory Board and the Management Board define the principles of risk management and internal acts related to risk management.

38.1 Credit risk

Credit risk is the risk that the Bank and Group will suffer a loss because its customers or other parties do not meet their contractual obligations. The Bank and Group are exposed to credit risk through credit and investment activities and in cases where it acts as an intermediary on behalf of clients or other third parties.

Credit risk is the risk of loss due to non-fulfillment of the borrower's financial obligation towards the Bank and Group. It represents the risk that an unexpected change in the credit quality of a client could trigger a change in the value of credit exposure toward it. This change in the value of credit exposure can be the consequence of:

- default by a client who is unable to meet the contractual obligations
- customer credit quality worsening.

The Bank and Group manage and control the credit risk by setting the limit on the amount of risk that is willing to accept, concentrating and monitoring exposures in accordance with these limits.

The Bank's and Group's primary exposure to credit risk arises from loans and receivables from customers and banks. The amount of credit exposure in this respect represents the carrying amount of the asset. Furthermore, the Bank and Group are exposed to credit risk in relation to off-balance-sheet liabilities arising from unused funds and guarantees issued.

The Bank and Group have established a credit quality control process to enable early recognition of possible changes in the creditworthiness of other counterparties, including regular collateral audit.

Credit risk management

Credit risk management integrates the organizational structure of the Bank and Group on the basis of accurately defined authorities and responsibilities among employees, the system of internal acts, internal controls, and methods of measurement, monitoring and credit risk management.

Credit risk is managed in accordance with the applicable programs and policies of the Bank and Group and the regulatory requirements of the Federal Banking Agency.

Credit exposure to portfolios and individual clients / groups is regularly reviewed taking into account the set limits.

38. RISK MANAGEMENT (CONTINUED)

38.1 Credit risk (continued)

Credit risk management (continued)

Any proposed significant increase in credit exposure is considered by the Risk Management prior to its approval as well as during the credit exposure monitoring phase and is approved at the appropriate decision-making level.

The Credit Committee is regularly informed of any significant changes in the quantity and quality of the portfolio, including the proposed impairment losses. Credit risk is continuously monitored and reported, facilitating early recognition of impairment in the loan portfolio

The Bank and Group have established a credit quality control process to enable early recognition of possible changes in the creditworthiness of other counterparties, including regular collateral audit.

In order to manage the level of credit risk, the Bank and Group operate with good credit rating clients, and where appropriate, security instruments are taken.

Most credit risk exposures are secured by collateral in the form of cash, guarantees, mortgages and other forms of collateral.

Impairment and provisioning policies

For this purpose, the Bank and Gorup apply a "3-Stage" model that is based on changes in credit risk of the financial instrument compared to credit risk at initial recognition, aiming to reflect the deterioration of the credit quality of the financial instrument:

- **Stage 1** covers financial instruments that do not have a significant deterioration in credit quality since initial recognition or have low credit risk;
- **Stage 2** covers financial instruments that have a significant deterioration in credit quality since initial recognition for which there is no objective evidence of credit loss events;
- **Stage 3** covers financial assets for which there is objective evidence of credit loss on the reporting date. Finally, the transfer of the financial instrument in Stage 3 is necessary if, in addition to the increase in credit risk, there is also a trigger for credit loss.

Given the classification in different stages, the classification of credit exposure to performing and non-performing:

- **Stage 1 i 2 may only include performing financial assets,**
- **Stage 3 may only include non-performing financial assets.**

Financial Instruments in Stage 1 result in Recognition of the 12-month ECL.

Financial instruments in Stage 2 result in the recognition of lifetime ECLs for the instrument. For financial instruments in Stage 3, the lifetime ECL will be recorded.

Definition of default status and recovery

The client is in the default status if the client is late with the payment of a material amount of more than 90 consecutive calendar days by the counter or when they are unlikely to pay one of their obligations in full (UTP event).

The Bank and Group have implemented a delay counter that takes into account the threshold of materiality. Substantial material liability is assumed when the receivables of the bank from corporate clients are more than KM 500 and 2.5% of the debtor's exposure, and from natural persons exceeds 1% of the debtor's exposure and 20 KM (the thresholds will be revised in accordance with the Decision on credit risk management and determining expected credit losses starting from 1 January 2020).

The recovery period is defined as the indicator of the borrower's ability and willingness to meet the contractual terms of recovery.

This period also aims to prevent the repetition of a default by a debtor shortly after the payment / agreement / entry into force of the deferment.

The 3-month recovery (reaging) period implies that no new event of default may occur during that period and the amount of due receivables may not exceed the defined threshold of materiality.

In the case of Fobereance, this period lasts at least 12 months.

PD assessment process

Probability of default (PD) is an estimate of the probability of default, i.e. the client's transition to the default status. It gives an estimate of the likelihood that a client will not be able to settle their obligations over a certain period of time.

The probability of default (PD) reflects the 12-month probability of default based on the long-term average of the one-year default rate.

There are two approaches to determining the PD for the purposes of calculating impairment.

For the low risk portfolio (Sovereign, Banks), Group Ratios are applied to PDs based on the GWR tool, and for the rest of the portfolio, the Bank's internal data is used, i.e. PDs created based on dana on historical defaut rate of individual groups of exposures on the basis of days overdue and product types.

For the purpose of aggregated reporting, mapping to reporting low, medium, high, default was performed based on the average realized default rate based on which PiT (Point in time) adjustments are performed to calculate the IFRS 9 impairment.

EAD

EAD (Exposure at Default) represents the measure of exposure at the time of the default event. The EAD lifetime was obtained taking into account the expected changes in future periods, based on the repayment plan. For unused off-balance exposure, full use (CCF of 100%) was assumed.

LGD

LGD (Loss Given Default) represents the percentage of estimated loss, and thus the expected return rate, at the date of the occurrence of a default event.

To assess LGD, the Bank and Group segmented their corporate and retail portfolio into homogeneous portfolios based on key features that are relevant for estimating future cash flows. The data used is based on historically collected loss data and includes a wider set of transaction characteristics (e.g. product type).

LGD is calculated on the basis of cure rate and discounted collateral values after applying haircuts, and efficency factors (calculated on the basis of historical collateral charge information).

Adjustments to PD and LGD apply according to IFRS 9 requirements:

- Apply PIT adjustment instead of TTC
- Include FLI information
- Expand credit risk parameters in a multi-annual perspective

Grouping of financial assets measured on a collective and individual approach

Depending on the level of exposure toward a person or a group of related persons, clients are assigned one of the following portfolios:

- Individually significant exposure - for exposures above 150,000 KM;
- Small exposure portfolio - for exposures below 150,000 KM

Expected credit losses of exposures in the default status are individually calculated for "individually material exposures" in the default status liabilities.

Calculation of impairment for Stage 3 for non-individually significant exposures are based on portfolio estimates by building homogeneous client groups / transactions with similar risk characteristics taking into account default and in accordance with developed LGD models.

For all performing exposures, the Bank and Group calculate the ECL on a collective basis.

Significant increase of credit risk (SICR)

The principle of the ECL model under IFRS 9 is the reflection of the general pattern of changes in the credit quality of financial instruments from the beginning, for the timely recognition of expected credit losses. The amount of ECL recognized depends on the degree of deterioration of the credit from the initial recognition. The Standard introduces two measurement measures for ECL (12-month and lifetime ECL).

38. RISK MANAGEMENT (CONTINUED)

38.1 Credit risk (continued)

Significant increase of credit risk (SICR) (continued)

IFRS 9 transfer logic is reflected in the impairment tool for IFRS 9 and each contract is undoubtedly assigned to one of the 3 Stages according to the general rules as follows:

At the next measurement dates the financial instrument is assigned to:

- Stage 1, if the reporting date is not in the default status and: the credit risk has not increased significantly since initial recognition
- Stage 2, if the reporting date is not in the default status and the credit risk has significantly increased since initial recognition,
- Stage 3, if the reporting date is in the status of default.

The IFRS 9 guidelines are quite comprehensive in terms of the principle of a significant increase in credit risk (SICR).

Four groups of SICR criteria are defined:

- Quantitative criteria (related to PD changes),
- Qualitative Criteria,
- Back-stops,
- Manual overrides.

The quantitative approach for determining SICR is based on a quantile regression model that applies to a rated portfolio.

Qualitative criteria supplement the quantitative approach and will be taken into account if the basic criteria are:

- not included in the rating system and
- significant.

Under back-stops, the following criteria are considered:

- 30 days delay,
- Forbearance

Manual overrides are defined as the fourth and last component of the transfer logic. The manual override process is a non-mandatory component of the non-quantitative part of the transfer logic and may be required to overcome possible exceptions due to specific factors when all other trigger triggers fail to capture special events of significant loan deterioration.

The Bank and Group use qualitative criteria, back stops and manual overrides.

SICR catalogue of the Bank and Group:

- Days overdue
- Forbore classification
- Restructuring classification
- Watch list
- Default status over the past 12 months
- Non investment grade for securities
- Manual override.

38.1.1 Maximum exposure to credit risk

The Bank and Group continuously apply prudent methods and tools in the credit risk assessment process. The maximum exposure to credit risk relating to items in the separate and consolidated statement of financial position and commitments (off-balance-sheets items) is as follows:

(all amounts are expressed in thousands of KM, unless otherwise stated)

	Bank 31 December 2019	Bank 31 December 2018
Statement of financial position		
Current accounts at CBBiH and other banks (Note 15)	590,245	573,463
Obligatory reserve at CBBiH (Note 16)	535,483	484,141
Loans to and receivables from banks (Note 17)	1,049,855	718,686
Debt securities at fair value through other comprehensive income (Note 19)	527,064	491,747
Financial assets at fair value through profit or loss (Note 20)	-	608
Loans and receivables from clients (Note 20)	3,552,913	3,380,075
Other assets exposed to credit risk (part of Note 21)	49,638	51,016
Total credit risk exposure relating to assets	***6,305,198***	***5,699,736***
Off-balance-sheet items (Note 35)		
Unused loan facilities	650,025	626,941
Guarantees	326,752	292,064
Letters of credit	13,023	21,422
Total off-balance sheet credit risk exposure	***989,800***	***940,427***
	7,294,998	**6,640,163**

The above table represents the maximum credit risk exposure of the Bank and Group as at 31 December 2019 and 2018, without taking into account any collateral held or other credit enhancements attached. For items in the separate and consolidated statement of financial position, the exposures set out above are based on net carrying amounts as reported in the separate and consolidated statement of financial position. For commitments the maximum credit risk exposure equals the total undrawn amounts.

48.7% of the Bank's and Group's total maximum exposure to credit risk is derived from loans and receivables from clients (31 December 2018: 50.9%), while 14.4% refers to loans and receivables from banks (31 December 2018: 10.82%), and investments in financial assets at FVOCI 7.2% (31 December 2018: 7.4%). The Management is confident in its ability to continue to control and sustain acceptable exposure to credit risk.

38.1.2 Concentration of assets and liabilities toward state sector

The table below shows the concentration of placements and liabilities to the State of Bosnia and Herzegovina and the entities: the Federation of Bosnia and Herzegovina and Republika Srpska:

	Bank 31 December 2019	Bank 31 December 2018
Current account with CBBiH (Note 15)	380,004	349,939
Obligatory reserve at CBBiH (Note 16)	535,483	484,141
Bonds of the Government of Federation of Bosnia and Herzegovina (Note 18)	181,297	191,605
Bonds of the Government of Republika Srpska	85,484	83,907
Current tax liability	(859)	(1,027)
State and public sector	89,591	119,579
Deferred tax liability (Note 14)	(2,006)	(1,430)
	1,268,994	**1,226,714**

(all amounts are expressed in thousands of KM, unless otherwise stated)

38. RISK MANAGEMENT (CONTINUED)

38.1 Credit risk (continued)

38.1.2 Concentration of assets and liabilities toward state sector

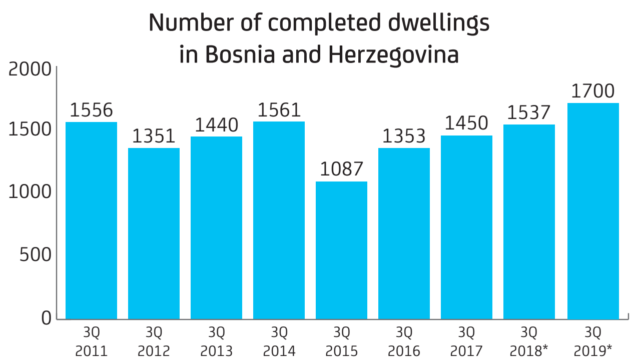
The Bank and the Group had no off-balance sheet sovereign risk exposure at 31 December 2019 and 31 December 2018.

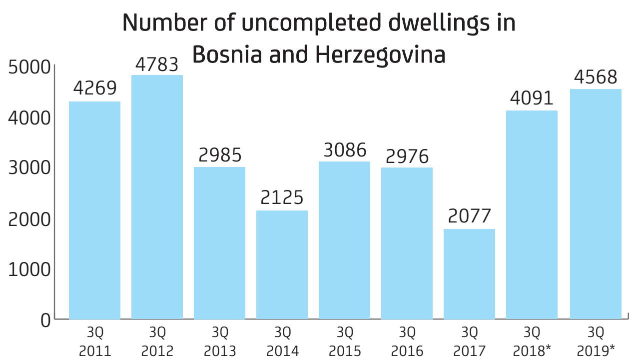
In addition, liabilities to state institutions are as follows:

	Bank 31 December 2019	Bank 31 December 2018
Short-term deposits	(123,952)	(59,410)
Off-balance-sheet exposure	5	5

38.1.3 Real estate market trends (unaudited)

According to latest information from the Agency for Statistics of Bosnia and Herzegovina in the first nine months of 2019, the number of completed dwellings was 1,700, which is a nominal growth of 10.6% compared to the same period of 2018 (1,537). Unfinished apartments at the end of the third quarter of 2019 was 4.568, which is 11.7% more compared to the same period of 2018 (4,091).





*Data as at 31 December 2019 have not been published.

The average price of sold new dwellings in the third quarter of 2019 amounts to KM 1,625. Compared to the average price of sold new dwellings in 2018, the average price is 1.9% higher, and compared to the third quarter of 2018 it is 6.9% higher. The number of sold new dwellings in the third quarter of 2019 compared to the third quarter of 2018 is 6.7% lower. The increase in demand for newly built housing properties is partly driven by wider offering at the market of new apartments and apartments with more favourable prices in less attractive city locations.

The largest demand remains for real estate in large towns in Bosnia and Herzegovina, wher the prices are considerably higher than in smaller towns.

In June 2018, the portal "Public Insight into the Real Estate Price Register of the Federation of Bosnia and Herzegovina" was launched, whose objective is to increase the transparency and security of the real estate market, and data analysis for drafting annual reports. The report on real estate market in Federation of BiH for 2019 has not been published.

Based on available indicators, there is an evident growth of prices of properties on the BiH real estate market during 2019.

38.1.4 Restructuring Department portfolio

Clients of the Restructuring Department are the ones where focus of the business relationship shifted from making profit to mitigating losses on lending exposure at a stage when legal action for mitigating losses is not yet needed. The objective is timely identification of clients where restructuring would enable them to continue in business and to mitigate or prevent further losses for the Bank.

Restructuring Department activities are based on cooperation with other organisational parts of the Group, which identify clients/exposures that should be the subject of restructuring, work on defining the appropriate restructuring strategy, analysing restructuring applications, suggesting measures and making recommendations for restructuring, monitoring progress, monitoring the portfolio, assessing the level of provisions and the Bank's proposed measures to improve collateral coverage in order to strengthen its position in the collection of receivables.

(all amounts are expressed in thousands of KM, unless otherwise stated)

In 2019, restructured corporate portfolio amounted to KM 48,398 thousand, with the portfolio coverage by provisions of 45.4%, while restructured retail portfolio amounted to KM 2,673 thousand, with the portfolio coverage by provisions of 41.8%.

In 2019, restructured corporate portfolio records a decrease in volume of 53.5% compared to the corporate portfolio at the end of 2018. The evident portfolio decrease is a result of migrations from the aspect of client responsibilities with the regular portfolio collection.

The restructured retail records a decrease of 10.2% compared to the retail portfolio at the end of 2018. Portfolio decrease is a result of pre-segmentation of clients from Restructuring portfolio with the regular portfolio collection.

Bank	Forborne (Restructured exposures)						
31 December 2019	Total gross loans to customers ("UBZ")	Modified exposure ("MI")	Refinanced exposures ("RI")	%(MI + RI) / UBZ	Total ECL allowance ("UV")	Total ECL allowance for restructured exposures ("UV R")	%UV R / UV
Households	2,105,625	392	957	0.1%	125,901	600	0.5%
Non-financial companies	1,626,364	34,146	27,182	3.8%	159,953	27,117	17.0%
Other financial companies	19,778	-	-	0.0%	2,267	-	0.0%
Total	**3,751,767**	**34,538**	**28,139**	**2.0%**	**288,121**	**27,717**	**9.6%**

Bank	Restructured exposures (risk group)					
	Stage 1		*Stage 2*		*Stage 3*	
31 December 2019	*restructured exposure - gross (stage 1)*	*ECL allowance for restructured exposure (stage 1)*	*restructured exposure - gross (stage 2)*	*ECL allowance for restructured exposure (stage 2)*	*restructured exposure - gross (stage 3)*	*ECL allowance for restructured exposure (stage 3)*
Households	-	-	636	59	713	541
Non-financial companies	-	-	34,059	4,767	27,269	22,350
Other financial companies	-	-	-	-	-	-
Total	**-**	**-**	**34,695**	**4,826**	**27,982**	**22,891**

Bank	Forborne (Restructured exposures)						
31 December 2018	Total gross loans to customers ("UBZ")	Modified exposure ("MI")	Refinanced exposures ("RI")	%(MI + RI) / UBZ	Total ECL allowance ("UV")	Total ECL allowance for restructured exposures ("UV R")	%UV R / UV
Households	1,955,989	740	914	0.1%	123,378	650	0.5%
Non-financial companies	1,609,328	47,901	35,120	5.2%	190,367	27,158	14.3%
Other financial companies	11,256	-	-	0.0%	2,335	-	0.0%
Total	**3,576,573**	**48,641**	**36,034**	**1.0%**	**316,080**	**27,808**	**8.8%**

(all amounts are expressed in thousands of KM, unless otherwise stated)

38. RISK MANAGEMENT (CONTINUED)

38.1. Credit risk (continued)

38.1.4 Restructuring Department portfolio (continued)

Bank	Restructured exposures (risk group)					
	Stage 1		*Stage 2*		*Stage 3*	
31 December 2018	*restructured exposure - gross (stage 1)*	*ECL allowance for restructured exposure (stage 1)*	*restructured exposure - gross (stage 2)*	*ECL allowance for restructured exposure (stage 2)*	*restructured exposure - gross (stage 3)*	*ECL allowance for restructured exposure (stage 3)*
Households	-	-	958	58	696	592
Non-financial companies	-	-	52,821	3,437	30,200	23,721
Other financial companies	-	-	-	-	-	-
Total	**-**	**-**	**53,779**	**3,495**	**30,896**	**24,313**

38.1.5 Received collateral and other instruments of credit security

The Bank and Group define the policy for managing techniques for mitigating credit risk, which has the objective to ensure optimum management by collateral instruments, and mitigate potential losses on placements in case of default.

The efficient implementation of credit risk mitigation techniques in Bank's and Group's business processes leads to optimization of capital use.

Collateral valuation is one of the basic elements of loan approval process, in addition to the assessment of client's credit worthiness.

Client quality is based on the credit worthiness assessment and the quality of business relationship with the Bank and Group. The collateral can never be substitute for client rating. If client rating or credit worthiness are not adequate, the loan cannot be approved. Collateral instruments serve for the Bank to protect itself in case of default, when the debtor is not able to make payments.

Basic condition for accepting collateral instruments is the legal enforcement. It is necessary to employ due care and diligence to ensure that the possibility for collection from collateral instruments is not endangered due to legal reasons.

Careful and adequate collateral management is required, in the sense of continuous monitoring and assessment. Assessed collateral must be regularly monitored, at least annually. The more regular monitoring and supervision is required in case of significant changes of market conditions.

In applying the credit risk mitigation technique, the Bank and Group emphasize the importance of processes and controls of legal protection requirements, as well as assessing the suitability of collateral.

(all amounts are expressed in thousands of KM, unless otherwise stated)

a) Total exposure

Bank 31 December 2019	Maximum credit risk exposure	Fair value of received collateral and other instruments of credit risk security									
		Deposits	Equity securities	Received guarantees	Housing mortgages	Insurance policies	Other	On-balance offsetting	Surplus of collateral over maximum exposure amount (-)	Total collateral and other instruments of credit risk security	Net exposure (on-balance)
Financial assets											
Cash and cash equivalents and obligatory reserve at the CBBIH	1,296,788	-	-	-	-	-	-	-	-	-	1,295,530
Loans and receivables from banks	1,050,424	-	-	-	-	-	-	-	-	-	1,049,855
Loans and receivables from clients	3,843,059	64,531		110,557	880,283				(52,241)	1,003,130	3,582,753
- Legal entities	1,646,189	55,086	-	110,557	555,597	-	-	-	(51,061)	670,178	1,511,752
- State	91,245	-	-	-	-	-	-	-	-	-	89,591
- Individuals and entrepreneurs (citizens)	2,105,625	9,445	-		324,686	-	-	-	(1,179)	332,952	1,981,734
Debt securities at amortized cost	-	-	-	-	-	-	-	-	-	-	-
Total financial assets at amortized cost	**6,190,271**	**64,531**	-	**110,557**	**880,283**	**-**	**-**	**-**	**(52,241)**	**1,003,130**	**5,928,138**
Derivative financial assets	-	-	-	-	-	-	-	-	-	-	-
Financial assets held for trading	-	-									
Financial assets at FVTPL	-	-	-	-	-	-	-	-	-	-	-
Total financial assets at FVTPL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debt securities at FVOCI	527,263	-	-	-	-	-	-	-	-	-	40
Total debt securities at FVOCI	**527,263**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Guarantees and letters of credit	339,775	3,895	-	23,125	29,352	-	-	-	(10,983)	45,389	326,028
Other classic risk off-balance sheet items	650,025	2,212	-	1,682	40,472	-	-	-	(19,507)	34,859	641,116
	989,800	**6,107**	**-**	**24,807**	**69,824**	**-**	**-**	**-**	**(20,490)**	**80,248**	**967,144**
	7,707,334	**70,638**	**-**	**135,364**	**950,107**	**-**	**-**	**-**	**(72,731)**	**1,083,378**	**6,895,282**

(all amounts are expressed in thousands of KM, unless otherwise stated)

38. RISK MANAGEMENT (CONTINUED)

38.1. Credit risk (continued)

38.1.5 Received collateral and other instruments of credit security (continued)

a) Total exposure (continued)

		Fair value of received collateral and other instruments of credit risk security									
Bank 31 December 2018	**Maximum credit risk exposure**	**Deposits**	**Equity securities**	**Received guarantees**	**Housing mortgages**	**Insurance policies**	**Other**	**On-balance offsetting**	**Surplus of collateral over maximum exposure amount (-)**	**Total collateral and other instruments of credit risk security**	**Net exposure (on-balance)**
Financial assets											
Cash and cash equivalents and obligatory reserve at the CBBIH	1,231,821	-	-	-	-	-	-	-	-	-	1,230,594
Loans and receivables from banks	719,124	-	-	-	-	-	-	-	-	-	718,686
Loans and receivables from clients											
- Legal entities	1,620,584	63,666	-	115,150	566,169	-	-	-	(63,736)	681,249	1,427,882
- State	121,604	-	-	-	-	-	-	-	-	-	119,579
- Individuals and entrepreneurs (citizens)	1,955,989	10,224	-		267,435	-	-	-	(605)	277,054	1,832,611
Debt securities at amortized cost	-	-	-	-	-	-	-	-	-	-	-
Total financial assets at amortized cost	**5,649,122**	**73,890**	**-**	**115,150**	**833,604**	**-**	**-**	**-**	**(64,341)**	**958,303**	**5,329,352**
Derivative financial assets	608	-	-	-	-	-	-	-	-	-	608
Financial assets held for trading	-	-									
Financial assets at FVTPL	-	-	-	-	-	-	-	-	-	-	-
Total financial assets at FVTPL	**608**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**608**
Debt securities at FVOCI	491,946	-	-	-	-	-	-	-	-	-	491,946
Total debt securities at FVOCI	**491,946**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**491,946**
Guarantees and letters of credit	313,487	14,712	-	6,468	10,455	-	-	-	(4,884)	26,751	300,585
Other classic risk off-balance sheet items	626,940	2,320	-	24,022	62,641	-	-	-	(13,921)	75,062	618,834
	940,427	**17,032**	**-**	**30,490**	**73,096**	**-**	**-**	**-**	**(18,805)**	**101,813**	**919,419**
	7,082,103	**90,922**	**-**	**145,640**	**906,700**	**-**	**-**	**-**	**(83,146)**	**1,060,116**	**6,741,325**

(all amounts are expressed in thousands of KM, unless otherwise stated)

b) Received collateral and other instruments of credit security exposure for assets classified in Stage 3

Bank 31 December 2019	Maximum credit risk exposure	Fair value of received collateral and other instruments of credit risk security Deposits	Equity securities	Received guarantees	Housing mortgages	Insurance policies	Other	On-balance offsetting	Surplus of collateral over maximum exposure amount (-)	Total collateral and other instruments of credit risk security	Net exposure (on-balance)
Financial assets											
Cash and cash equivalents and obligatory reserve at the CBBIH											
Loans and receivables from banks	124	-	-								
Loans and receivables from clients	232,969	-		54	14,860				(1,304)	13,738	44,872
- Legal entities	124,455	128	-	54	9,083	-	-	-	(588)	8,549	28,670
- State	-	-	-		-	-	-	-	-	-	-
- Individuals and entrepreneurs (citizens)	108,514	128		-	5,777				(716)	5,189	16,202
Debt securities at amortized cost	-	-	-	-	-	-	-	-	-	-	-
Total financial assets at amortized cost	233,093	128		54	14,860				(1,304)	13,738	44,872
Derivative financial assets	-	-	-	-	-	-	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-	-	-	-	-	
Financial assets at FVTPL	-	-	-	-	-	-	-	-	-	-	-
Total financial assets at FVTPL	-	-	-	-	-	-	-	-	-	-	-
Debt securities at FVOCI	-	-	-	-	-	-	-	-	-	-	-
Total debt securities at FVOCI	-	-	-	-	-	-	-	-	-	-	-
Guarantees and letters of credit	3,422	-	-	-	-	-	-	-	-	-	384
Other classic risk off-balance sheet items	354	-	-	-	-	-	-	-		-	145
	3,766	**-**	**-**	**-**	**8**	**-**	**-**	**-**	**-**	**8**	**529**
	236,869	**128**	**-**	**54**	**14,868**	**-**	**-**	**-**	**(1,304)**	**13,746**	**45,401**

(all amounts are expressed in thousands of KM, unless otherwise stated)

38. RISK MANAGEMENT (CONTINUED)

38. RISK MANAGEMENT (CONTINUED)

38.1.5 Received collateral and other instruments of credit security (continued)

b) Received collateral and other instruments of credit security exposure for assets classified in Stage 3 (continued)

		Fer vrijednost primljenih instrumenta osiguranja i ostalih instrumenata kreditne zaštite									
Bank 31 December 2018	Maximum credit risk exposure	Deposits	Equity securities	Received guarantees	Housing mortgages	Insurance policies	Other	On-balance offsetting	Surplus of collateral over maximum exposure amount (-)	Total collateral and other instruments of credit risk security	Net exposure (on-balance)
Financial assets											
Cash and cash equivalents and obligatory reserve at the CBBIH											
Loans and receivables from banks	124										
Loans and receivables from clients											
- Legal entities	170,590	96	-	62	24,870	-	-	-	(2,415)	22,613	16,543
- State	-	-	-	-	-	-	-	-	-	-	-
- Individuals and entrepreneurs (citizens)	100,191	45			6,128				(93)	6,080	12,166
Debt securities at amortized cost	-	-	-	-	-	-	-	-	-	-	-
Total financial assets at amortized cost	**270,905**	**141**		**62**	**30,998**				**(2,508)**	**28,693**	**28,709**
Derivative financial assets	-	-	-	-	-	-	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-	-	-	-	-	
Financial assets at FVTPL	-	-	-	-	-	-	-	-	-	-	-
Total financial assets at FVTPL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debt securities at FVOCI	-	-	-	-	-	-	-	-	-	-	-
Total debt securities at FVOCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Guarantees and letters of credit	4,505	-	-	-	200	-	-	-	-	200	-
Other classic risk off-balance sheet items	266	-	-	-	-	-	-	-		-	-
	4,771	**-**	**-**	**-**	**200**	**-**	**--**	**-**	**-**	**200**	**-**
	275,676	**141**	**-**	**62**	**31,198**	**-**	**-**	**-**	**(2,508)**	**28,893**	**29,054**

(all amounts are expressed in thousands of KM, unless otherwise stated)

38.1.6 Gross exposure on housing and consumer loans according to LTV indicator

The following is an LTV ratio (the ratio of loan coverage to market value of collateral pledged with that loan) for a portfolio of individual clients:

BANK 2018 LTV	0%	0,01-30%	30-60%	60-80%	80-100%	>100%	IN MILLION TOTAL
Gross loans for purchase of a flat or a house	2,748	1,438	4,068	3,571	4,755	49	16,629
Gross consumer loans	8,031	96	189	123	247	1	8,689
Total	**10,779**	**1,536**	**4,257**	**3,694**	**5,002**	**50**	**25,318**

Remarks:

- Transaction overdrafts and card loans are not included in Gross Consumer Loans
- LTV=LTV current represents the ratio between the gross value of the loan and the market value of the real estate pledged with that loan (market value after deduction for previous encumbrances of the Group and other creditors and without the application of corrective factors)
- LTV=0% - for loans that do not require collateral on collateral. For housing loans, LTV=0% for loans below EUR 15 thousand.

38.1.7 Analysis by debt maturity and collateral

Impairment allowance coverage of the non-performing loan portfolio in 2019 is 90.75% for the Bank and Group (31 December 2018: 89.40%).

Total impairment allowances for loans to and receivables from clients and finance lease of the Bank are KM 290,146 thousand (31 December 2018: KM 318,105 thousand), of which KM 211,417 thousand (31 December 2018: KM 244,101 thousand) relates to impairment allowances for loans for which individual impairment had been identified, and the rest of the value of KM 78,729 thousand (31 December 2018: KM 76,033 thousand) relates to impairment allowances on portfolio basis..

Retail loans	Bank 31 December 2019	Bank 31 December 2018
Loans that are neither past due nor impaired		
Past due loans that are not impaired	1,932,461	1,789,769
Impaired loans	62,924	63,513
Gross	107,364	99,097
Less: Impairment allowance		
Net	**2,102,749**	**1,952,379**
Less: Impairment allowance	(124,896)	(122,337)
Net	**1,977,853**	**1,830,042**

(all amounts are expressed in thousands of KM, unless otherwise stated)

38. RISK MANAGEMENT (CONTINUED)

38.1 Credit risk (continued)

38.1.7 Analysis by debt maturity and collateral (continued)

	Bank 31 December 2019	Bank 31 December 2018
Corporate, including state and public sector		
Loans that are neither past due nor impaired	1,543,957	1,492,202
Past due loans that are not impaired	4,592	2,759
Impaired loans	113,033	146,804
Gross	**1,661,582**	**1,641,765**
Less: Impairment allowance	(150,330)	(171,790)
Net	**1,511,252**	**1,469,975**
Finance lease		
Financial lease receivables that are not past due	64,424	77,437
Past due receivables on financial lease that are not impaired (Note 20)	1,732	1,716
Non-performing receivables on financial leasing (impaired receivables on financial leasing)	12,572	24,880
Gross	**78,728**	**104,033**
Less: Impairment allowance	(14,920)	(23,977)
Net	**63,808**	**80,056**

a) Loans that are neither past due nor impaired

Loans to clients are monitored and systematically reviewed. The objective of the loan portfolio monitoring is to reduce credit risk cost and improve the quality of the Group's loan portfolio by timely identification of potentially risky clients and a structured and targeted management of the business relationship with those clients.

	Retail				Corporate, including state and public sector				Finance lease
	Cash and consumer loans	Credit cards and overdrafts	Housing loans	Total	Large	Medium	Small	Total	Total
Bank 31 December 2019									
Standard monitoring	1,175,045	155,293	313,267	1,643,605	802,454	353,461	49,673	1,205,588	27,834
Special monitoring	209,254	28,380	51,222	288,856	200,758	68,973	68,637	338,368	36,590
	1,384,299	**183,673**	**364,489**	**1,932,461**	**1,003,312**	**422,434**	**118,310**	**1,543,956**	**64,424**
Bank 31 December 2018									
Standard monitoring	1,100,373	149,383	249,875	1,499,631	684,726	419,415	66,261	1,170,402	38,323
Special monitoring	211,966	29,055	49,117	290,138	205,065	62,991	53,744	321,800	39,102
	1,312,339	**178,438**	**298,992**	**1,789,769**	**889,791**	**482,406**	**120,005**	**1,492,202**	**77,425**

(all amounts are expressed in thousands of KM, unless otherwise stated)

b) Past due loans that are not impaired

	Retail				Corporate, including state and public sector				Financial lease
Bank	Cash and consumer loans	Credit cards and overdrafts	Housing loans	Total	Large	Medium	Small	Large	Total
31 December 2019									
Past due up to 30 days	42,153	14,381	1,706	58,240	-	848	2,986	3,834	1,700
Past due 31 to 60 days	2,935	682	-	3,617	-	-	758	758	32
Past due 61 to 90 days	866	201	-	1,067	-	-	-	-	-
Past due over 90 days	-	-	-	-	-	-	-	-	-
	45,954	**15,264**	**1,706**	**62,924**	**-**	**848**	**3,744**	**4,592**	**1,732**
Estimated value of collateral	**-**	**-**	**118**	**118**	**-**	**211**	**1,034**	**1,245**	**-**
31 December 2018									
Past due up to 30 days	40,597	15,057	2,574	58,228	-	156	2,551	2,707	943
Past due 31 to 60 days	3,204	726	255	4,185	-	2	50	52	765
Past due 61 to 90 days	853	247	-	1,100	-	-	-	-	8
Past due over 90 days	-	-	-	-	-	-	-	-	-
	44,654	**16,030**	**2,829**	**63,513**	-	**158**	**2,601**	**2,759**	**1,716**
Estimated value of collateral	**-**	**-**	**224**	**224**	**-**	**50**	**409**	**459**	**-**

Estimated values of properties pledged as collateral are based on valuations done by authorised surveyors/agency upon initial approval of a loan or possible subsequent re-evaluation, weighted by the value of the loan in the total exposure secured by the same collateral, up to the estimated value of collateral. The value of deposits and State guarantees is weighted in the same manner up to the outstanding balance of related secured exposure. Guarantors, co-debtorship and bills of exchange are not valued in the table above although they are usually required as collateral.

c) Non-performing loans (impaired loans)

The Bank and Group expect to collect the amount of non-performing loans exceeding the estimated value of collateral from other sources.

Gross amount of non-preforming loans to clients and financial lease receivables for the Bank and Group as of 31 December 2019 amounts to KM 232,969 thousand (31 December 2018: KM 270,781), while on net level before cash flows from received collateral instruments they amount to KM 21,522 thousand (31 December 2018: KM 28,709 thousand).

The breakdown of the net amount of the individually impaired loans to clients, along with the fair value of related collateral held by the Bank as security, is as follows:

(all amounts are expressed in thousands of KM, unless otherwise stated)

38. RISK MANAGEMENT (CONTINUED)

38.1 Credit risk (continue)

38.1.7 Analysis by overdue receivables and collateral (continued)

c) Non-performing loans (impaired loans) (continued)

	Retail				Corporate, including state and public sector				Financial lease
Bank	Cash and consumer loans	Credit cards and overdrafts	Housing loans	Total	Large	Medium	Small	Total	Total
31 December 2019									
Non-performing loans	9,956	1,652	2,473	14,081	4,825	1,253	480	**6,558**	**912**
Estimated value of collateral	**739**	**-**	**2,063**	**2,802**	**2,874**	**739**	**254**	**3,867**	**-**

	Retail				Corporate, including state and public sector				Financial lease
Bank	Cash and consumer loans	Credit cards and overdrafts	Housing loans	Total	Large	Medium	Small	Total	Total
31 December 2018									
Non-performing loans	8,729	1,224	2,022	11,975	9,425	1,722	1,569	**12,716**	**3,932**
Estimated value of collateral	**853**	**-**	**1,994**	**2,847**	**6,033**	**2,239**	**2,438**	**-**	**10,710**

The Bank expects to collect the excess in the carrying value of non-performing loans from the estimated value of the related collateral from sources other than collateral.

38.2 Liquidity risk

Liquidity risk is the potential risk that the Bank and Group will not be able to meet its obligations as scheduled, in full and without delay. It arises in the Bank's and Group's financing activities and assets and liabilities management. Adjusting its business with regard to liquidity risk is achieved through compliance with the relevant legislation, internal policies for maintenance of liquidity reserves, compliance of assets and liabilities, setting limits and planned liquidity indicators.

ALM Department manages liquidity reserves on a daily basis, to enable the funding of clients' needs and to ensure an optimum balance between continuity and flexibility of financing through use of sources with different maturities.

The Bank and Group have access to a diverse funding base including various types of retail and corporate and bank deposits, borrowings, subordinated debt, issued debt securities, share capital and reserves. These enhance funding flexibility and limit dependence on any one source of funds as well as generally ensure better funding cost management.

Liquidity needs are planned every month for a period of six months and controlled and matched on a daily basis.

38.2.1 Structural liquidity risk

Structural liquidity management aims to ensure the financial stability of the Bank and Group. The primary objective is to avoid undue and unexpected pressures on the financing needs of a short-term liquidity position and to ensure optimal financing sources and associated costs. This can be achieved by striking a balance between medium-term and long-term stable assets and adequate stable sources of financing.

(all amounts are expressed in thousands of KM, unless otherwise stated)

Restrictions are defined in the form of limits and alert levels:

- "limit" is a firm point that metrics should not exceed; in the event of a limit being exceeded, the escalation process is initiated and corrective actions are taken to re-align with the prescribed limit as soon as possible (position reduced within the limit);
- the alert level is the point in which the check and analysis process is triggered. The overreach signals the need for an active approach in monitoring the causes and the potential adoption of action plans, although corrective action is not necessary.

Adjusted NSFR

The adjusted NSFR ratio monitors structural liquidity in grades over three and over five, with specific rules for the following positions:

- short-term liability positions (weighted by appropriate factors for positions that provide stable financing) minus short-term asset positions (weighted by appropriate factors for positions that require stable financing) are considered to be a stable source of funding over the longest time period;
- non-performing receivables are shown on a net basis over the entire amount over the longest time period.

	UNICREDIT BANK D.D. (in KM million)			
	31 December 2019		31 December 2018	
ADJUSTED NSFR	>3Y	>5Y	>3Y	>5Y
Items that provide stable funding sources	1,204	1,098	1,078	989
Items that require stable funding sources	1,787	1,074	1,818	1,130
NET STL	2,836	2,836	2,542	2,542
Items that provide stable funding sources + NET STL	4,040	3,934	3,620	3,531
Warning level	126%	126%	106%	106%
RATIO	**226%**	**366%**	**199%**	**313%**

Items that provide stable funding sources and net current liabilities are sufficient to cover items that require stable funding sources in the relevant classes.

Structural FX Gap

Structural FX Gap monitors maturity maturity by material currencies (EUR, other) in the class for more than one year, based on the "adjusted NSFR" metric methodology, with the exception that cash flows from a contract with a currency clause are considered as cash flows in the original currency.

	UNICREDIT BANK D.D. (in KM million)	
EUR FX GAP >1G	31 December 2019	31 December 2018
Liabilities in classes >1G	363	273
NET STL	1,036	1,015
Receivables in classes >1G	1,202	1,248
Warning level (max)	(610)	(610)
RATIO	**197**	**40**

(all amounts are expressed in thousands of KM, unless otherwise stated)

38. RISK MANAGEMENT (CONTINUED)

38.2 Liquidity risk (continued)

38.2.1 Structural liquidity risk (continued)

Adjusted NSFR (continued)

	UNICREDIT BANK D.D. (in KM million)	
Adjusted NSFR (continued)	**31 December 2019**	**31 December 2018**
Liabilities in classes >1G	0.2	1
NET STL	157	153
Receivables in classes >1G	2	2
Warning level (max)	(98)	(98)
RATIO	**154**	**152**

Items that provide stable sources of funding and net current liabilities in significant currencies other than local currency (EUR and other currencies) are sufficient to cover items that require stable sources of funding in grades over one year.

Net stable funding ratio (NSFR) requirement

The NSFR (Net Stable Funding Ratio) requirement is the ratio between the amount of stable funding sources and the required funding sources. It aims to ensure a minimum acceptable level of long-term sources of financing for the current level and structure of the bank's assets, and to limit the ability to rely on short-term sources of financing, especially during periods of stress.

	UNICREDIT BANK D.D. (in KM million)	
NSFR	**31 December 2019**	**31 December 2018**
Items that provide stable funding sources	6,326	5,670
Items that require stable funding sources	6,700	6,098
Warning level	106%	106%
Limit	101%	101%
Stable funding source ratio requirement (%)	**156%**	**142%**

38.2.2 Future cash flows from financial instruments

The following table details the Bank's and Group's remaining contractual maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted cash flows of the financial assets including interest that will be earned on those assets except where the Bank and Group anticipate that the cash flow will occur in a different period.

(all amounts are expressed in thousands of KM, unless otherwise stated)

Maturity for non-derivative financial assets

	Weighted average effective interest rate	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Bank 31 December 2019							
Non-interest bearing	-	169,890	-	-	-	-	169,890
Variable interest rate instruments	4.92%	1,153,597	55,192	238,272	851,847	543,292	2,842,200
Fixed interest rate instruments	3.68%	1,384,733	304,224	549,947	1,198,103	440,367	3,877,373
		2,708,220	**359,416**	**788,219**	**2,049,950**	**983,659**	**6,889,463**
Bank 31 December 2018							
Non-interest bearing	-	175,870	-	-	-	-	175,870
Variable interest rate instruments	5.73%	1,082,398	47,570	215,804	791,659	550,071	2,687,502
Fixed interest rate instruments	3.94%	1,043,376	294,148	519,334	1,084,519	340,998	3,282,375
		2,301,644	**341,718**	**735,138**	**1,876,178**	**891,069**	**6,145,747**

The following table details the the Bank's and Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Bank and Group can be required to pay. The table includes both interest and principal cash flows.

Maturity for non-derivative financial liabilities

	Weighted average effective interest rate	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Bank 31 December 2019							
Non-interest bearing	-	1,493	1,733	11,404	9,002	2,641	26,275
Variable interest rate instruments	0.54%	3,219,693	32,549	122,274	189,905	298	3,564,719
Fixed interest rate instruments	0.87%	598,034	144,010	532,435	714,257	10,601	1,999,337
		3,819,223	**178,292**	**666,113**	**913,164**	**13,540**	**5,590,331**
Bank 31 December 2018							
Non-interest bearing	-	2,376	4,899	10,153	9,760	1,674	28,862
Variable interest rate instruments	0.19%	1,734,999	41,764	150,768	196,044	17,968	2,141,544
Fixed interest rate instruments	1.78%	804,527	221,344	513,082	542,524	6,092	2,087,570
		2,541,903	**268,007**	**674,003**	**748,328**	**25,734**	**4,257,976**

The Bank and Group expect to meet their other obligations from operating cash flows and proceeds of maturing financial assets and assets at fair value through other comprehensive income.

(all amounts are expressed in thousands of KM, unless otherwise stated)

38.3 MARKET RISK

38.3 Market risk

Market risk is defined as the effect that general and specific movements and market variable changes in the market have on the separate and consolidated statement of profit or loss and other comprehensive income and separate and consolidated statement of financial position of the Bank and Group.

Basic risk factors include:

- interest rate risk;
- credit margin risk, and
- currency risk and

The aim of market risk management on Bank and Group level is management and control of market risk exposure within acceptable parameters to ensure the solvency of the Bank and Group with the optimisation of risk return.

Overall exposure to market risks is monitored within Risk Management using various methodologies and techniques of risk measurement. Daily reports on market risk exposures are created together with defined limits of market risk exposure for the purpose of risk management. Revision of existing limits is conducted at least once a year. Alterations to the limits of the Bank and Group are coordinated by Zagrebačka banka. In addition to development and implementation of techniques for measuring market risk, the Bank and Group continuously works on improving its business processes and quality of data.

Market risk measurement techniques:

On Bank and Group level, market risk management includes continuous reporting on risk exposure, followed by use of limits and daily review of all positions where market risk exposures exist. The positions are aggregated on daily basis and compared with defined limits.

Market risk metrics, used both for measuring and internal reporting on Bank and Group's market risks, are compliant with UniCredit Group and they encompass:

- Value at Risk
- Sensitivity metrics (basis point value – BPV, basis point value for credit margin CPV, net open foreign currency position and other sensitivity measures),
- Alarming level of losses (applied to cumulative result through specific time horizon), and
- Results of stress resistance tests.

38.3.1 Value at Risk

The Bank and Group use Value-at-Risk methodology (VaR) to estimate the market risk and the maximum potential losses expected on positions held for trading and other activities.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements, as a measure of maximum potential loss for the defined holding period or a period in which the position could be closed. Loss can occur in the overall or individual positions, based on assumptions of various market variables.

The risk model calculates VaR daily with a confidence level of 99%. The model uses historical simulation based on last 500 observations of daily indicators.

Bank's VaR according to risk types in 2019 and 2018 is as follows:

Bank	Minimum 2019	Average 2019	Maximum 2019	End of 2019
Interest risk	(1,521)	(461)	(403)	(403)
Currency risk	(6)	(1)	(0)	(2)
Securities price risk	(534)	(414)	(370)	(389)
Total VaR	**(1,347)**	**(894)**	**(788)**	**(789)**

(all amounts are expressed in thousands of KM, unless otherwise stated)

Bank	Minimum 2018	Average 2018	Maximum 2018	End of 2018
Interest risk	(237)	(371)	(744)	(277)
Currency risk	-	(1)	(21)	(1)
Securities price risk	(737)	(1,045)	(1,281)	(878)
Total VaR	**(779)**	**(998)**	**(1,274)**	**(946)**

38.3.2 Stress-testing

Stress-testing is used to evaluate the effect of market risks on the Bank's and Group's portfolio. In the stress-testing process the Bank currently covers the following risk categories - currency risk and interest rate risk:

- Currency risk is tested for individual currencies and currency groups - testing includes appreciation and depreciation shocks of 5%, 10% and 30% for currencies KM and EUR.
- Interest rate risk is tested by each currency for the Bank's and Group's overall position. The scenarios include parallel shifts in interest rates by 200 basis points, interest rate level changes, curve rotation, increase of interest rates, including various shocks on currency interest rate curves.

Testing is performed monthly and test results are included into regular ALCO's reports.

38.4 Foreign currency risk

Foreign currency risk is the risk of losses caused by adverse exchange rate movements. Foreign currency exposure arises from credit, deposit-taking, and trading activities. It is monitored daily in accordance with regulations and internally set limits per certain foreign currencies, and in the total amount for all assets and liabilities denominated in foreign currencies or tied to foreign currencies.

Foreign currency risk management is performed in accordance with UniCredit Group standards by setting principles and limits for foreign currency exposures and by monitoring exposures against limits of open foreign currency positions stated in absolute values.

The Bank and Group direct bussines activities in order to minimise the gap between assets and liabilities denominated in foreign currency by aligning its positions with set limits.

(all amounts are expressed in thousands of KM, unless otherwise stated)

38. RISK MANAGEMENT (CONTINUED)

38.4 Foreign currency risk (continued)

Bank As of 31 December 2019	KM	EUR	USD	Other currencies	Total
Assets					
Cash and cash equivalents	518,708	167,630	16,660	57,049	760,047
Obligatory reserve at CBBH	535,483	-	-	-	535,483
Loans and receivables from banks	26,245	974,882	13,688	35,040	1,049,855
Financial assets at fair value through other comprehensive income	134,606	303,480	89,177	-	527,263
Financial assets at fair value through profit or loss	-	-	-	-	-
Loans and receivables from clients	2,165,696	1,387,217	-	-	3,552,913
Other assets and receivables	41,697	1,221	37	83	43,038
Investments in associates	460	-	-	-	460
	3,422,895	**2,834,430**	**119,562**	**92,172**	**6,469,059**
Liabilities					
Current accounts and deposits in banks	37,956	432,311	-	5	470,272
Current accounts and deposits from clients	3,060,764	1,776,990	119,445	89,744	5,046,943
Received deposits-down payments of lease users	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-
Borrowings and subordinated debt	-	43,130	-	-	43,130
Other liabilities	101,111	11,156	373	398	113,038
Provisions for liabilities and expenses	14,050	-	-	-	14,050
	3,213,881	**2,263,587**	**119,818**	**90,147**	**5,687,433**
Net position	**209,014**	**570,843**	**(256)**	**2,025**	**781,626**

(all amounts are expressed in thousands of KM, unless otherwise stated)

Bank As of 31 December 2018	KM	EUR	USD	Other currencies	Total
Assets					
Cash and cash equivalents	487,761	176,574	13,832	68,286	746,453
Obligatory reserve at CBBH	484,141	-	-	-	484,141
Loans and receivables from banks	15,571	662,371	22,696	18,048	718,686
Financial assets at fair value through other comprehensive income	149,066	257,548	85,332	-	491,946
Financial assets at fair value through profit or loss	-	608	-	-	608
Loans and receivables from clients	1,961,775	1,418,300	-	-	3,380,075
Other assets and receivables	41,535	709	52	77	42,373
Investments in associates	460	-	-	-	460
	3,140,309	**2,516,110**	**121,912**	**86,411**	**5,864,742**
Liabilities					
Current accounts and deposits in banks	36,735	502,344	-	-	539,079
Current accounts and deposits from clients	2,570,025	1,656,336	121,749	85,153	4,433,263
Received deposits-down payments of lease users	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	515	-	-	515
Borrowings and subordinated debt	-	35,155	-	-	35,155
Other liabilities	91,777	14,718	399	261	107,155
Provisions for liabilities and expenses	13,001	-	-	-	13,001
	2,711,538	**2,209,068**	**122,148**	**85,414**	**5,128,168**
Net position	**428,771**	**307,042**	**(236)**	**997**	**736,574**

38.4.1 Foreign currency sensitivity analysis

The Bank and Group are mainly exposed to EUR and USD. Since currency board arrangement is in force in Bosnia and Herzegovina, neither Bank nor the Group are exposed to risk of change of EUR exchange rate (fixed exchange rate, Convertible Mark (KM) is pegged to EUR). Received deposits – down payments of lease users.

The following table details the sensitivity to a 10% increase or decrease in KM against USD. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only receivables and liabilities denominated in foreign currency and adjusts their translation at the period end for a 10% change in USD. A positive number below indicates an increase in profit where KM strengthens 10% against USD. For a 10% weakening of KM against USD, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	USD Impact	
Bank	**31 December 2019**	**31 December 2018**
Profit/Loss	(3)	(18)

38.5 Interest rate risk

Interest rate risk represents the risk of decrease in asset values caused by adverse interest rate changes. Interest rate changes directly affect the net present value of future cash flows and consequently net interest income.

Interest rate change risk sources are:

- epricing risk resulting from unfavourable changes in the fair value of assets and liabilities in the remaining period until the next interest rate change;
- yield curve risk as the risk of changes in shape and slope of yield curve; and
- basis risk as the risk of different base rates of corresponding asset and liabilities (e.g. EURIBOR vs LIBOR).

(all amounts are expressed in thousands of KM, unless otherwise stated)

38. RISK MANAGEMENT (CONTINUED)

38.5 Interest rate risk (continued)

38.5.1 Interest rate sensitivity analysis

The sensitivity analysis below has been determined through the measurement of risk by calculating the net present value of a change in the value of the portfolio in a scenario where the interest rate changes by 0.01% (1 basis point) with the basis point value (BPV) limit applied as the sensitivity measure according to currencies and time periods. Daily compliance limits are set by UniCredit Group.

BPV sensitivity analysis for the Bank per currency:

Bank 31 December 2019	Up to 3 months	3 months to 1 year	1 to 3 years	3 to 10 y ears	Over 10 years	Total
KM	-	(12)	(13)	(201)	-	(227)
EUR	-	(36)	56	102	6	127
USD	-	(2)	(4)	(3)	-	(8)
Total	**-**	**50**	**72**	**306**	**6**	**362**

Values in 2019 are presented as absolute values.

BPV sensitivity analysis for the Bank per currency:

Bank 31 December 2018	Up to 3 months	3 months to 1 year	1 to 3 years	3 to 10 y ears	Over 10 years	Total
KM	1	(11)	(20)	(139)	-	(170)
EUR	2	(43)	54	134	11	159
USD	-	(3)	(4)	(6)	-	(12)
Total	**3**	**57**	**78**	**279**	**11**	**341**

Values in 2018 are presented as absolute values.

BPV limits are monitored through an internal model, IMOD, which is also used for the calculation of VaR (developed by the UniCredit Group).

38.5.2 Effective interest rates

The table below presents effective interest rates applicable to various balance-sheet categories calculated as the weighted average interest rates for the period:

	Bank 31 December 2019 %	Bank 31 December 2018 %
Cash and cash equivalents	(0.37)	(0.24)
Obligatory reserve at CBBiH	0.00	0.00
Financial assets at FVOCI	2.79	3.16
Loans and receivables from banks	(0.45)	(0.13)
Loans and receivables from clients	4.63	4.71
Current accounts and deposits from banks	0.05	0.02
Current accounts and deposits from clients	0.39	0.48
Interest-bearing borrowings	1.45	2.02

38.6 Operating risk

Operating risk is a risk of losses caused by inadequate or unsuccessful internal processes, personnel and systems or external events, including legal risk.

The Bank and Group are exposed to operating risk in all its activities, and as a consequence of this fact, through an established organizational structure, on a daily basis tends to affect the spread of culture and awareness of the importance of operating risk management.

The Bank and Group established an appropriate system for recognising, measuring, grading and monitoring of operating risks, aiming at its optimum management and reduction by using the positive experience of the UniCredit Group regarding operating risks, standards and principles defined by the local regulator and the Basel Committee as well as its own findings based on its own experience in this area.

Operating risk management is inbuilt throughout the entire organisational structure of the Bank, through regular, strategic, supervisory, and audit management. In this way the Bank and group have a special focus on continuous analysis and development of solutions to avoid, control and transfer operating risk to third parties.

With the system of adequate measures, the Bank and Group intend to decrease the possibility of operating risk events that would have negative implications for the Bank's and Group's operations, i.e. to decrease them when they occur. In that sense, the Bank and Group particularly ensured adequate management of the following, given their significance and scope:

- information system and information system risks
- outsourcing risks
- legal risk
- business continuity
- anti-money laundering and terrorism financing system, and
- other relevant systems in the Bank and Group.

The Bank and Group use standard procedures within its established operating risk management system, which include gathering information about default events, monitoring key operating risk indicators, assessing operating risk when implementing new products/systems/procedures or before conducting new business activities, assessment of risk of information and communication technology, scenario analysis and analysis and reporting of the Operating and reputational risk board, Management and other key management personnel and supervisory bodies on the Bank's exposure to operating risk, which also includes reporting on the results of operating risk management.

The Bank and group make decisions on operating risk management both strategically and in everyday working processes. Raising awareness on the operating risks management culture is continuous through employee education and adequate reporting system, and is additionally supported by adequate and efficient implementation of elements of operating risks management in Bank's and Group's specific policies, processes and procedures.

The central element of the Strategy is the concept of integrated risk management and synergy with business development. By focusing on the assessment of the most significant risks and their prevention and mitigation, we achieved one of the most important stepst toward the most successful implementation of business strategy and goals.

38.7 Reputational risk

Reputational risk represents the risk of loss of confidence in the Bank's integrity caused by unfavourable public opinion on the Bank's business practice, which arises from its activities, business relationships with individual clients or activities of the members of Bank's bodies, regardless of whether the basis for such public opinion exists.

The Bank and Group are exposed to reputational risks in all its activities since reputational risk represent current or future risk that may affect revenues or equity as a result of unfavorable seeing of the Bank's and Group's image by the clients, other counterparties, shareholders/investors, regulator or employees (stakeholders).

The Bank and Group recognise the importance of preventing and mitigating actions in reputational risk management. According to the standards of UniCredit Group, and own knowledge based on extensive experience and continuous improvements in the area, in its daily operating activities, the Bank and Group are systematically approaching to the strategy, monitoring and evaluation for each individual case of reputational risk, as well as continuous education of employees.

Reputational risk management system encompasses tools and mechanisms for continuous recognition, assessment and monitoring of actual or potential reputational risk events, and reporting to the higher management and responsible bodies on the Bank's and Group's exposure to reputational risk.

Responsibility for reputational risk management is distributed through the overall hierarchical structure of the Bank and Group, and continuous rising of awareness on importance of reputational risk is one of the pillars of the risk management.

39. CAPITAL MANAGEMENT

In compliance with laws, regulations and internal acts the Bank and Group monitor and report quarterly to regulators on its capital, risk-weighted assets and capital adequacy ratios.

Through its management reporting the Bank also regularly monitors capital movements, capital adequacy ratios as well as all changes in methodology which will have an impact on its capital.

During 2019, the Bank has been in compliance with all regulatory capital requirements and according to the local regulations in line with Basel III methodology had a capital adequacy ratio of 18%.

The regulatory capital of the Bank consists of core and supplementary capital.

The core capital of the Bank (fully equal to ordinary core equity) consists of paid shares, own treasury shares, share premium, retained unallocated profit and other reserves formed from profit after taxation on the basis of the decision of the Bank's General Assembly, net revaluation reserves based on changes in fair value of assets (accumulated comprehensive income), net of the amount of treasury shares, intangible assets and deferred tax assets.

Supplementary capital consists of general credit risk allowances, calculated as 1.25% of the risk-weighted exposure amount, minus the missing provisions for credit losses under regulatory requirements. Missing credit loss provisions are calculated in accordance with FBA regulations. Bank calculates provisions for credit losses by FBA methodology for each contract. A positive difference is shown as missing credit loss provisions. As at 31 December 2019, the missing credit loss provisions amounted to KM 63,183 thousand, and they are reduced for KM 20,682 thousand of reserves excluded from the core capital of the bank.

The minimum minimum capital requirements are as follows:

- regular core capital rate 6.75%
- core capital rate 9%
- regulatory capital rate 12%

In addition to the statutory minimum adequacy rate, the Bank is also required to provide a protection layer for capital preservation that is to be maintained in the form of regular core capital in the amount of 2.5% of the total exposure amount.

The total weighted risk used to calculate capital adequacy includes:

- the risk of weighted assets and credit equivalents,
- position, currency, commodity risk and
- operational risk.

The capital adequacy ratio under Basel III methodology for 2019 was significantly above the prescribed limit of 12%. The composition of capital and capital ratios as at 31 December 2019 is given in the table below.

(all amounts are expressed in thousands of KM, unless otherwise stated)

	Bank 31 December 2019
Regulatory capital	**685,736**
Core capital	*685,736*
Regular core capital	*685,736*
Issued share capital – Ordinary shares	119,011
Share premium	48,317
Accumulated comprehensive income	7,161
Statutory, regulatory and other reserves	532,811
Deductions from regular core capital	
intangible assets	*(19,620)*
own shares	*(215)*
deferred tax assets	*(14)*
significant investment in capital of financial sector entities	*(460)*
Deductions from additional core capital exceeding the additional core capital	(1,255)
Total regular core capital capital	**685,736**
Additional core capital	-
Core capital	**685,736**
Supplementary capital	**-**
Issued own capital – Priority shares	184
Own shares	(14)
General credit risk allowances	41,075
Missing credit loss provisions	(42,501)
Deductions from supplementary capital exceeding supplementary capital	1,255
Total regulatory capital	**685,736**
Risk weighted assets (unaudited)	**3,804,472**
Capital adequacy ratio	**18%**

(all amounts are expressed in thousands of KM, unless otherwise stated)

39. CAPITAL MANAGEMENT (CONTINUED)

	Bank 31 December 2018
Regulatory capital	**661,871**
Core capital	*660,104*
Regular core capital	*660,104*
Issued share capital – Ordinary shares	119,011
Share premium	48,317
Accumulated comprehensive income	2,403
Statutory, regulatory and other reserves	508,508
Deductions from regular core capital	
intangible assets	*(17,360)*
own shares	*(215)*
deferred tax assets	*(100)*
significant investment in capital of financial sector entities	*(460)*
Total regular core capital capital	**660,104**
Additional core capital	-
Core capital	**660,104**
Supplementary capital	**1,767**
Issued own capital – Priority shares	184
Own shares	(14)
General credit risk allowances	39,466
Missing credit loss provisions	(37,869)
Total regulatory capital	**661,871**
Risk weighted assets (unaudited)	**3,660,993**
Capital adequacy ratio	**18.1%**

The Bank is obligated to ensure and maintain financial leverage rate as an additional security and simple capital hedge, in the amount of at least 6%.

The Bank's financial leverage ratio is the ratio of the amount of the core capital to the total risk exposure of the Bank as at the reporting date, expressed as a percentage, and as at 31 December 2019 it is significantly above the stated minimum, amounting to 10.01%.

40. FAIR VALUE MEASUREMENT

This note provides information about how the Bank determines fair values of various financial assets and financial liabilities.

40.1 Fair value of Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis, from period to period

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. In addition, the information is given about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

(all amounts are expressed in thousands of KM, unless otherwise stated)

Bank 31 December 2019	Level 1	Fair values Level 2	Level 3
Financial assets at FVOCI (see Note 18)			
Listed equity securities in Bosnia and Herzegovina	154	-	55
Unlisted debt securities in Bosnia and Herzegovina:			
Bonds of the Government of Federation of BiH	-	181,297	-
Bonds of the Government of Republika Srpska	-	85,484	-
Bonds of the Government of Republic of Croatia	149,787	-	-
State Bonds of the Republic of Poland	61,072	-	-
State Bonds of the Republic of Slovenia	49,424	-	-
Foreign currency forward contracts (see Note 19)			
Assets	-	-	-
Liabilities	-	-	-

Bank 31 December 2018	Level 1	Fair values Level 2	Level 3
Financial assets at FVOCI (see Note 18)			
Listed equity securities in Bosnia and Herzegovina	154	-	55
Unlisted debt securities in Bosnia and Herzegovina:			
Bonds of the Government of Federation of BiH	-	191,605	-
Bonds of the Government of Republika Srpska	-	83,907	-
Bonds of the Government of Republic of Croatia	153,644	-	-
State Bonds of the Republic of Poland	48,477	-	-
State Bonds of the Republic of Slovenia	14,114	-	-
Foreign currency forward contracts (see Note 19)			
Assets	-	438	170
Liabilities	-	120	395

Valuation techniques and key inputs

Financial assets at fair value through other comprehensive income

For the securities presented under Level 1 valuation technique is based on quoted bid prices in an active market.

For the securities presented under Level 2 discounted mark to market technique is applied. Instruments that are not quoted in an active market are valued by using the models which include maximum relevant and available inputs and, also, unobservable inputs, but at minimum level. Depending on significance of inputs that are unobservable, debt securities are awarded with Level 2 or Level 3. Valuation is performed based on discounted future cash flows, considering the last available rate on owned or similar debt securities as yield rate.

For the securities presented under Level 3 discounted cash flow valuation technique is applied. Instruments classified in this category depend on factors not available on the market.

Foreign currency forward contracts

Valuation technique applied for forward contracts presented under Level 2 is discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between Level 1 and Level 2 during 2019 and 2018.

(all amounts are expressed in thousands of KM, unless otherwise stated)

40. FAIR VALUE MEASUREMENT (CONTINUED)

40.2 Fair value of the Bank's and Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis, from period to period (but fair value disclosures are required)

Except as detailed in the following table, the Management consider that the carrying amounts of financial assets and financial liabilities recognised in the financial separate and consolidated statements approximate their fair values.

	Bank 31 December 2019		Bank 31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables:				
Loans and receivables from clients	3,552,913	3,550,523	3,380,075	3,354,902
Financial liabilities				
Financial liabilities held at amortised cost:				
- Current accounts and deposits from clients	5,046,943	4,995,387	4,433,263	4,285,834
- Borrowings	43,130	42,689	35,155	33,986

Bank	Fair value hierarchy as at 31 December 2019			
	Nivo 1	Nivo 2	Nivo 3	Ukupno
Financial assets				
Loans and receivables:				
- Loans and receivables from clients	-	729,406	2,821,117	**3,550,523**
	-	**729,406**	**2,821,117**	**3,550,523**
Financial liabilities				
Financial liabilities held at amortised cost:				
- Current accounts and deposits from clients	-	-	4,995,387	**4,995,387**
- Borrowings	-	-	42,689	**42,689**
	-	**-**	**5,038,076**	**5,038,076**

The Bank and Group provide finance lease of equipment and vehicles.

(all amounts are expressed in thousands of KM, unless otherwise stated)

Bank	Fair value hierarchy as at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables:				
- Loans and receivables from clients	-	486,158	2,868,744	**3,354,902**
	-	**486,158**	**2,868,744**	**3,354,902**
Financial liabilities				
Financial liabilities held at amortised cost:				
- Current accounts and deposits from clients	-	-	4,285,834	**4,285,834**
- Borrowings	-	-	4,285,834	**33,986**
	-	**-**	**4,319,820**	**4,319,820**

Assumptions used for estimate and measurement of fair value of particular financial instruments for 2019 are based on requirements of IFRS 13, by applying the methodology developed on UnICredit Group level.

The fair values of the financial assets and financial liabilities included in the Level 2 and Level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties and the concept of risk neutral "Probability of Default" approach based on market parameters, introduced for determining fair value by restricting dependence on internal parameters. The parameters included in the calculation are market premium and correlation of assets return and the market.

For the purpose of classification of instruments in fair value hierarchy (Level 2 or Level 3), a value limit / materiality of the difference between the fair value of risk-free and full fair value was established. If the determined difference is equal or greater than 2% instrument is classified as Level 3. Accordingly, if the total fair value is not significantly different from the risk-free fair value (less than 2%), the instrument is classified as Level 2.

The table shows the calculations of fair value for performing loans and deposits from clients with fixed and variable interest rates.

Fair value of non-performing loans of clients is equaled to book value.

40.3 Reconciliation of Level 3 fair value measurements

Fair value of equity securities in Bosnia and Herzegovina, which do not have the price on the active market cannot be reliably measured. Therefore, they are measured at cost, as they have no material impact on the Bank's financial separate and consolidated statements.

41. APPROVAL OF THE FINANCIAL SEPARATE AND CONSOLIDATED STATEMENTS

The separate and consolidated financial statements on the pages 31 to 135 were approved by the Management Board on 14 February 2020 for the submission to the Supervisory Board:

UniCredit Bank dioničko društvo

President of Board
Amina Mahmutović

Member of the Board for Finance Management
Matteo Consalvi

Disciplined risk management. & controls

We run the business with disciplined origination, enhanced business accountability and in-depth monitoring by control functions. Our reinforced governance and steering ensure targeted actions wherever necessary.
A Group culture driven by the principle: "Do the right thing!" means that each employee is part of the first line of defense.

The financial statements presented in the form prescribed by the Regulations on the content and form of financial statements for banks and financial institutions

These financial statements include Balance Sheet (statement of financial position as at 31 December 2019) and Profit and Loss (statement on the overall result for the period from 1 January to 31 December 2019) for UniCredit Bank d.d. and Group UniCredit Bank d.d in the form that is prescribed by the Regulations on the content and form of financial statements for banks and financial institutions (Official Gazette of FBIH 82/10).

BALANCE SHEET

Statement of financial position as at 31 December 2019

in BAM

ITEM	Code for AOP	Current year			Previous year (initial balance)
		Gross	Impairment value	Net (3-4)	
1	2	3	4	5	6
Assets A. CURRENT ASSETS AND RECEIVABLES (002+008+011+014+018+022+030+031+032+033+034)	**0 0 1**	**6,808,228,626**	**305,725,481**	**6,502,503,145**	**5,895,200,979**
1. Cash and cash equivalents,gold and receivables from business (003 to 007)	0 0 2	821,617,440	7,002,168	814,615,272	800,666,105
a) Cash and cash equivalents in domestic currency	0 0 3	519,169,459	461,866	518,707,593	487,874,902
b) Other receivables in domestic currency	0 0 4	59,537,621	5,720,432	53,817,189	53,366,015
c) Cash and cash equivalents in foreign currency	0 0 5	241,755,023	286,380	241,468,643	258,692,603
d) Gold and other precious metals	0 0 6	36,541	0	36,541	36,541
e) Other receivables in foreign currency	0 0 7	1,118,796	533,490	585,306	696,044
2. Deposits and loans in local and foreign currency (009 + 010)	0 0 8	536,612,197	0	536,612,197	485,253,511
a) Deposits and loans in domestic currency	0 0 9	536,612,197	0	536,612,197	485,253,511
b) Deposits and loans in foreign currency	0 1 0	0	0	0	0
3. Fee and interest receivables,receivables based on sale and other receivables (012 + 013)	0 1 1	6,132,975	4,927,498	1,205,477	971,120
a) Fee and interest receivables,receivables based on sale and other receivables in local currency	0 1 2	5,932,849	4,741,763	1,191,086	965,767
b) Fee and interest receivables,receivables based on sale and other receivables in foreign currency	0 1 3	200,126	185,735	14,391	5,353
4. Loans and deposits (015 to 017)	0 1 4	4,045,906,925	100,746,399	3,945,160,526	3,440,779,826
a) Loans and deposits in local currency	0 1 5	1,918,843,278	55,591,087	1,863,252,191	1,678,887,888
b) Loans and deposits with hedge local currency currency	0 1 6	1,099,654,800	41,705,268	1,057,949,532	1,058,034,406
c) Loans and deposits in foreign currency	0 1 7	1,027,408,847	3,450,044	1,023,958,803	703,857,532
5. Securities (019 to 021)	0 1 8	520,094,944	0	520,094,944	485,337,784
a) Securities in local currency	0 1 9	134,525,434	0	134,525,434	148,637,478

ITEM	Code for AOP	Current year			Previous year (initial balance)
		Gross	Impairment value	Net (3-4)	
1	2	3	4	5	6
b) Securities with hedge local currency	0 2 0	111,678,575	0	111,678,575	105,985,016
c) Securities in foreign currency	0 2 1	273,890,935	0	273,890,935	230,715,290
6. Other placements and prepayments (023 to 029)	0 2 2	864,903,566	187,108,920	677,794,646	671,343,020
a) Other placements in local currency	0 2 3	3,330,690	3,330,690	0	9,809
b) Other placements with hedge local currency	0 2 4	40,703,975	3,194,186	37,509,789	50,929,440
c) Due placements and current maturities of long-term placements in local currency	0 2 5	782,993,834	166,664,187	616,329,647	593,255,110
d) Prepayments in local currency	0 2 6	14,493,185	370,849	14,122,336	12,614,893
e) Other placements in foreign currency	0 2 7	8,987,029	8,987,029	0	2,829,243
f) Due placements and current maturities of long-term placements in foreign currency	0 2 8	7,855,247	4,561,890	3,293,357	4,889,472
g) Prepayments in foreign currency	0 2 9	6,539,606	89	6,539,517	6,815,053
7. Inventories	0 3 0	12,960,579	5,940,496	7,020,083	10,849,613
8. Fixed available for sale assets	0 3 1	0	0	0	0
9. Assets of discontinued operations	0 3 2	0	0	0	0
10. Other assets	0 3 3	0	0	0	0
11. Value added tax prepayment	0 3 4	0	0	0	0
B. FIXED ASSETS (036+041)	**0 3 5**	**250,196,783**	**157,102,928**	**93,093,855**	**75,077,384**
1. Tangible assets and investment in property (037 to 040)	0 3 6	183,178,740	109,706,216	73,472,524	57,717,391
a) Tangible assets owned by the bank	0 3 7	145,325,247	87,602,050	57,723,197	47,250,461
b) Investment in property	0 3 8	24,670,561	22,104,166	2,566,395	1,394,051
c) Fixed assets acquired under financial lease	0 3 9	0	0	0	0
d) Advances and acquired but not brought into use	0 4 0	13,182,932	0	13,182,932	9,072,879
2. Intangible assets (042 to 046)	0 4 1	67,018,043	47,396,712	19,621,331	17,359,993
a) Goodwill	0 4 2	0	0	0	0
b) Investment in development	0 4 3	0	0	0	0
c) Intangible assets under financial lease	0 4 4	0	0	0	0
d) Other intangible assets	0 4 5	59,532,495	47,396,712	12,135,783	6,730,876
e) Advances and assets acquired but not brought into use	0 4 6	7,485,548	0	7,485,548	10,629,117
C. DEFFERED TAX ASSETS	**0 4 7**	**413,321**	**0**	**413,321**	**100,602**
D. OPERATING ASSETS (001+035+047)	**0 4 8**	**7,058,838,730**	**462,828,409**	**6,596,010,321**	**5,970,378,965**
E. OFF BALANCE SHEET ASSETS	**0 4 9**	**989,799,805**	**0**	**989,799,805**	**1,282,019,071**
F. TOTAL ASSETS (048+049)	**0 5 0**	**8,048,638,535**	**462,828,409**	**7,585,810,126**	**7,252,398,036**

BALANCE SHEET

Statement of financial position as at 31 December 2019 in BAM

ITEM	Code for AOP	Current year	Previous year (initial balance)
1	2	3	4
A. LIABILITIES (102+106+109+113)	**1 0 1**	**5,743,893,709**	**5,174,292,098**
1. Deposits and borrowings (103 to 105)	1 0 2	5,539,972,555	4,982,368,288
a) Deposits and interest-bearing borrowings in domestic currency	1 0 3	3,096,670,235	2,604,140,000
b) Hedging deposits and borrowings	1 0 4	60,182,997	42,008,193
c) Deposits and interest-bearing borrowings in foreign currency	1 0 5	2,383,119,323	2,336,220,095
2. Interests and fees (107+108)	1 0 6	8,000	8,000
a) Interests and fees in domestic currency	1 0 7	8,000	8,000
b) Interests and fees in foreign currency	1 0 8	0	0
3. Securities (110 to 112)	1 0 9	0	0
a) Securities in domestic currency	1 1 0	0	0
b) Hedging securities i domestic currency	1 1 1	0	0
c) Securities in foreign currency	1 1 2	0	0
4. Other liabilities and accruals (114 to 124)	1 1 3	203,913,154	191,915,810
a) Salaries and fees	1 1 4	2,620,107	2,643,580
b) Other liabilities in domestic currency , excluding liabilities for tax and contributions	1 1 5	89,889,012	89,639,287
c) Tax and contributions ,excluding current and deffered income tax	1 1 6	2,869,377	1,841,525
d) Current tax liability	1 1 7	13,513,577	12,784,309
e) Deffered tax liability	1 1 8	2,419,596	1,530,452
f) Provisions	1 1 9	36,706,451	34,008,954
g) Accruals in domestic currency	1 2 0	25,220,332	11,007,818
h) Commission operations,AFS assets,discontinued operation assets,subordinated debt liabilities and current liabilities	1 2 1	267,171	291,501
i) Other liabilities in foreign currency	1 2 2	11,740,166	15,419,901
j) Accruals in foreign currency	1 2 3	9,859,750	13,578,106
k) Commission operations, due and subordinated liabilities and current maturities in goreign currency	1 2 4	12,709,506	12,888,733
B. EQUITY (126+132+138+142-148)	**1 2 5**	**852,116,612**	**796,086,867**
1. Issued share capital (127+128+129-130-131)	1 2 6	167,283,583	167,283,583
a) Share capital	1 2 7	119,195,000	119,195,000

The financial statements presented in the form prescribed by the Regulations on the content and form of financial statements for banks and financial institutions (continued)

ITEM	Code for AOP	Current year	Previous year (initial balance)
1	2	3	4
b) Other forms of capital	1 2 8	0	0
c) Share premium	1 2 9	48,317,277	48,317,277
d) Registered but uncontributed capital	1 3 0	0	0
e) Repurchase of own shares	1 3 1	228,694	228,694
2. Reserves (133 to 137)	1 3 2	553,492,411	529,189,791
a) Reserves from profit	1 3 3	533,156,159	508,853,539
b) Other provisions	1 3 4	0	0
c) Provision for losses	1 3 5	20,336,252	20,336,252
d) General banking risk provisions	1 3 6	0	0
e) Transferred reserves (foreign exchange)	1 3 7	0	0
3. Revaluation reserve (139 to 141)	1 3 8	9,322,082	2,402,999
a) Revaluation reserve based on change in value of fixed assets and intangible investments	1 3 9	2,164,157	0
b) Revaluation reserve based on change in value of securities	1 4 0	7,157,925	2,338,941
c) Other revaluation resererves	1 4 1	0	64,058
4. Profit (143 to 147)	1 4 2	122,018,536	97,210,494
a) Profit for the year	1 4 3	101,071,456	97,210,480
b) Unallocated profit from prior years	1 4 4	20,947,080	14
c) Surplus of income over expenses for the period	1 4 5	0	0
d) Unallocated surplus of income over expenses for previous years	1 4 6	0	0
e) Retained earnings	1 4 7	0	0
5. Loss (149+150)	1 4 8	0	0
a) Loss for the period	1 4 9	0	0
b) Loss from previous years	1 5 0	0	0
C. LIABILITIES (101+125)	**1 5 1**	**6,596,010,321**	**5,970,378,965**
D. OFF BALANCE SHEET LIABILITIES	**1 5 2**	**989,799,805**	**1,282,019,071**
E. TOTAL LIABILITIES (151+152)	**1 5 3**	**7,585,810,126**	**7,252,398,036**

BALANCE SHEET

Statement of financial result for the period 01.01.2019-31.12.2019 u BAM

ITEM	Code for AOP	VALUE	
		Current year	Previous year (initial balance)
1	2	3	4
A. OPERATING INCOME AND EXPENSES 1. Interest income	**2 0 1**	**185,827,111**	**188,567,989**
2. Interest expense	2 0 2	23,747,366	22,428,228
Net interest income (201-202)	2 0 3	162,079,745	166,139,761
Net interest expense (202-201)	2 0 4	0	0
3. Fee and commissions income	2 0 5	111,256,386	104,673,705
4. Fee and commissions expense	2 0 6	26,822,996	21,472,857
Net fee and commission income (205-206)	2 0 7	84,433,390	83,200,848
Net fee and commission expense (206-205)	2 0 8	0	0
5.Gains from sale of securities and shares (210 to 213)	2 0 9	0	0
a) Gains from sale of securities at fair value through profit and loss	2 1 0	0	0
b) Gains from sale of available for sale securities	2 1 1	0	0
c) Gains from sale of securities held to maturity	2 1 2	0	0
d) Gains from sale of participation (share)	2 1 3	0	0
6. Losses from sale of securities and shares (215 to 218)	2 1 4	0	0
a) Losses from sale of securities at fair value through profit and loss	2 1 5	0	0
b) Losses from sale of available for sale securities	2 1 6	0	0
c) Losses from sale of securities held to maturity	2 1 7	0	0
d) Losses from sale of participation (share)	2 1 8	0	0
Net gains from sale of securities and shares (209-214)	2 1 9	0	0
Net losses from sale of securities and shares (214-209)	2 2 0	0	0
OPERATING PROFIT (201+205+209-202-206-214)	2 2 1	246,513,135	249,340,609
OPERATING EXPENSE (202+206+214-201-205-209)	2 2 2	0	0
B. OTHER OPERATING INCOME AND EXPENSE 1. Operating income (224+225)	**2 2 3**	**0**	**0**
a) Income from leasing activities	2 2 4	0	0
b) Other operating income	2 2 5	0	0
2. Operating expense (227 to 236)	2 2 6	125,248,796	122,066,756
a) Expenses of gross salaries and contribution expense	2 2 7	50,940,234	49,760,815
b) Expenses of fees for temporary and occasional work contracts	2 2 8	68,839	205,054
c) Other personnel expenses	2 2 9	4,091,081	3,568,792
d) Material expenses	2 3 0	3,364,320	4,061,175
e) Production services expenses	2 3 1	23,152,820	27,621,169
f) Depreciation expenses	2 3 2	14,920,754	10,374,363
g) Rashodi po osnovu lizinga	2 3 3	0	0
h) Nematerijalni troškovi (bez poreza i doprinosa)	2 3 4	26,599,409	24,415,322

ITEM	Code for AOP	VALUE	
		Current year	Previous year (initial balance)
1	2	3	4
i) Tax and contributions expenses	2 3 5	2,111,339	2,060,066
j) Other expenses	2 3 6	0	0
OTHER OPERATING PROFIT (223-226)	2 3 7	0	0
OTHER OPERATING EXPENSE (226-223)	2 3 8	125,248,796	122,066,756
C) GAIN AND LOSS ON PROVISIONS 1. Bad debts recovered (240 to 243)	**2 3 9**	**268,062,219**	**264,349,232**
a) Income from recovered provisions for placements	2 4 0	210,352,678	214,464,396
b) Income from recovered provisions for off-balance sheet items	2 4 1	56,955,535	48,330,459
c) Income from recovered provision for liabilities	2 4 2	754,006	1,554,377
d) Income from other provisions recovered	2 4 3	0	0
2. Provision charges (245 to 248)	2 4 4	271,883,315	283,538,976
a) Provisions charges for placements	2 4 5	210,994,783	229,309,405
b) Provision charges for off-balance sheet items	2 4 6	58,598,711	50,623,471
c) Charges based on provisions for liabilities	2 4 7	1,802,493	2,772,606
d) Other provision charges	2 4 8	487,328	833,494
PROVISIONS INCOME (239-244)	2 4 9	0	0
PROVISION CHARGES (244-239)	2 5 0	3,821,096	19,189,744
D. OTHER INCOME AND EXPENSES 1. Other income (252 to 258)	**2 5 1**	**2,600,508**	**3,040,955**
a) Income from bad debts previously written off	2 5 2	182,844	114,575
b) Losses from sales of fixed assets, and intangible investments	2 5 3	496,172	774,638
c) Income from reduction in liabilities	2 5 4	0	0
d) Income from dividends and shares	2 5 5	198,409	223,720
e) Surplus	2 5 6	28,055	41,425
f) Other income	2 5 7	1,695,028	1,886,597
g) Gains grom discounted operations	2 5 8	0	0
2. Other expense (260 to 266)	2 5 9	2,201,814	1,395,781
a) Expense from bad debts written off	2 6 0	0	0
b) Losses from depreciation and fixed assets write off, and intangible assets	2 6 1	0	0
c) Losses from disposals and write-offs of fixed and intangible assets	2 6 2	1,093,659	231,359
d) Shortfalls	2 6 3	16,870	4,814
e) Inventorywrite-offs	2 6 4	0	0
f) Other expenses	2 6 5	1,091,285	1,159,608
g) Expenses from discontinued operations	2 6 6	0	0
GAIN FROM OTHER INCOME AND EXPENSES (251-259)	2 6 7	398,694	1,645,174
LOSS FROM OTHER INCOME AND EXPENSES (259-251)	2 6 8	0	0
OPERATING GAIN (221+237+249+267-222-238-250-268)	2 6 9	117,841,937	109,729,283
OPERATING LOSS (222+238+250+268-221-237-249-267)	2 7 0	0	0

ITEM	Code for AOP	VALUE	
		Current year	Previous year (initial balance)
1	2	3	4
E. INCOME AND EXPENSES FROM CHANGE IN VALUE OFF ASSETS AND LIABILITIES **1. Income from changes in value of assets and liabilities (272 to 276)**	**2 7 1**	**173,160,230**	**161,734,668**
a) Income based on change in value of placements and receivables	2 7 2	0	0
b) Income based on change in value securities	2 7 3	0	0
c) Income based on change in value of liabilities	2 7 4	0	0
d) Income based on change in value of fixed assets, investment real estate and intangible investments	2 7 5	0	0
e) Income from positive foreign exchange differences	2 7 6	173,160,230	161,734,668
2. Expenses from change in value of assets and liabilities (278 to 282)	2 7 7	176,613,159	161,336,546
a) Expenses from change in value of placements and receivables	2 7 8	0	0
b) Expenses from change in value of securities	2 7 9	0	0
c) Expenses from change in value of liabilities	2 8 0	0	0
d) Expenses from change in value of fixed assets, investment real estate and intangible investments	2 8 1	4,363,296	483,689
e) Expenses from unfavorable foreign exchange differences	2 8 2	172,249,863	160,852,857
PROFIT ARISING FROM THE CHANGE IN VALUE OF ASSETS AND LIABILITIES (271-277)	2 8 3	0	398,122
LOSS FROM CHANGE IN VALUE OF ASSETS AND LIABILITIES (277-271)	2 8 4	3,452,929	0
PROFIT BEFORE TAX (269+283-270-284))	2 8 5	114,389,008	110,127,405
LOSS BEFORE TAX (270+284-269-283)	2 8 6	0	0
F. CURRENT AND DEFFERED INCOME TAX **1. Income tax**	**2 8 7**	**13,513,575**	**12,784,307**
2. Profit from increase of deffered tax assets and decrease of deffered tax liabilities	2 8 8	0	0
3. Loss from decrease of deffered tax assets and increase of deffered tax liabilities	2 8 9	-196,023	132,618
PROFIT AFTER TAX (285+288-287-289) ili (288-286-287-289)	2 9 0	101,071,456	97,210,480
LOSS AFTER TAX (286+287+289-288) ili (287+289-285-288)	2 9 1		0
G. OTHER PROFIT AND LOSSES FOR THE PERIOD **1. Capital gains (293 to 298)**	**2 9 2**	**7,687,870**	**135,341**
a) Income from decrease of revalorisation reserves in fixed assets and intangible investments	2 9 3	2,404,619	0
b) Income from change of fair value of securities available for sale	2 9 4	5,350,903	0
c) Income from transferring financial reports of foreign operations	2 9 5	0	0

ITEM	Code for AOP	VALUE	
		Current year	Previous year (initial balance)
1	2	3	4
d) Actuarial income from defined income scheme	2 9 6	-67,652	135,341
e) Effective part of income based on cash flow hedging	2 9 7	0	0
f) Other capital gains	2 9 8	0	0
2. Capital losses (300 to 304)	2 9 9	0	1,051,920
a) Losses from change in fair value of securities available for sale	3 0 0	0	1,051,920
b) Losses from transferring financial reports of foreign operations	3 0 1	0	0
c) Actuarial loss from defined income scheme	3 0 2	0	0
d) Effective part of loss from cash flow hedging	3 0 3	0	0
e) Other capital gains	3 0 4	0	0
NET GAIN/ LOSSES TOTAL RESULT FOR THE PERIOD (292-299) or (299-292)	3 0 5	7,687,870	-916,579
H. INCOME TAX RELATING TO OTHER TOTAL RESULT FOR THE PERIOD	**3 0 6**	**-768,787**	**22,141**
OTHER TOTAL RESULT FOR THE PERIOD (305±306)	3 0 7	6,919,083	-894,438
TOTAL NET PROFIT FOR THE YEAR (290±307)	3 0 8	107,990,539	96,316,042
TOTAL NET LOSS FOR THE PERIOD (291±307)	3 0 9	0	0
Part od profit/loss attributable to majority share-holders	3 1 0	0	0
Part od profit/loss attributable to minority share-holders	3 1 1	0	0
Basic earnings per share	3 1 2	850	817
Diluted earings per share	3 1 3	850	817
Average number of employees based on hours worked	3 1 4	1,252	1,257
Average number of employees based on periods end	3 1 5	1,249	1,253

CONSOLIDATED BALANCE SHEET

Statement of financial position as at 31 December 2019 u BAM

ITEM	Code for AOP	Current year Gross	Current year Impairment value	Current year Net (3-4)	Previous year (initial balance)
1	2	3	4	5	6
Assets A. CURRENT ASSETS AND RECEIVABLES (002+008+011+014+018+022+030+031+032+033+034)	**0 0 1**	**6,808,631,260**	**305,725,481**	**6,502,905,779**	**5,895,288,707**
1. Cash and cash equivalents,gold and receivables from business (003 to 007)	0 0 2	821,617,440	7,002,168	814,615,272	800,666,105
a) Cash and cash equivalents in domestic currency	0 0 3	519,169,459	461,866	518,707,593	487,874,902
b) Other receivables in domestic currency	0 0 4	59,537,621	5,720,432	53,817,189	53,366,015
c) Cash and cash equivalents in foreign currency	0 0 5	241,755,023	286,380	241,468,643	258,692,603
d) Gold and other precious metals	0 0 6	36,541	0	36,541	36,541
e) Other receivables in foreign currency	0 0 7	1,118,796	533,490	585,306	696,044
2. Deposits and loans in local and foreign currency (009 + 010)	0 0 8	536,612,197	0	536,612,197	485,253,511
a) Deposits and loans in domestic currency	0 0 9	536,612,197	0	536,612,197	485,253,511
b) Deposits and loans in foreign currency	0 1 0	0	0	0	0
3. Fee and interest receivables,receivables based on sale and other receivables (012 + 013)	0 1 1	6,132,975	4,927,498	1,205,477	971,120
a) Fee and interest receivables,receivables based on sale and other receivables in local currency	0 1 2	5,932,849	4,741,763	1,191,086	965,767
b) Fee and interest receivables,receivables based on sale and other receivables in foreign currency	0 1 3	200,126	185,735	14,391	5,353
4. Loans and deposits (015 to 017)	0 1 4	4,045,906,925	100,746,399	3,945,160,526	3,440,779,826
a) Loans and deposits in local currency	0 1 5	1,918,843,278	55,591,087	1,863,252,191	1,678,887,888
b) Loans and deposits with hedge local currency currency	0 1 6	1,099,654,800	41,705,268	1,057,949,532	1,058,034,406
c) Loans and deposits in foreign currency	0 1 7	1,027,408,847	3,450,044	1,023,958,803	703,857,532
5. Securities (019 to 021)	0 1 8	520,497,578	0	520,497,578	485,425,512
a) Securities in local currency	0 1 9	134,928,068	0	134,928,068	148,725,206
b) Securities with hedge local currency	0 2 0	111,678,575	0	111,678,575	105,985,016
c) Securities in foreign currency	0 2 1	273,890,935	0	273,890,935	230,715,290
6. Other placements and prepayments (023 to 029)	0 2 2	864,903,566	187,108,920	677,794,646	671,343,020
a) Other placements in local currency	0 2 3	3,330,690	3,330,690	0	9,809

ITEM	Code for AOP	Current year			Previous year (initial balance)
		Gross	Impairment value	Net (3-4)	
1	2	3	4	5	6
b) Other placements with hedge local currency	0 2 4	40,703,975	3,194,186	37,509,789	50,929,440
c) Due placements and current maturities of long-term placements in local currency	0 2 5	782,993,834	166,664,187	616,329,647	593,255,110
d) Prepayments in local currency	0 2 6	14,493,185	370,849	14,122,336	12,614,893
e) Other placements in foreign currency	0 2 7	8,987,029	8,987,029	0	2,829,243
f) Due placements and current maturities of long-term placements in foreign currency	0 2 8	7,855,247	4,561,890	3,293,357	4,889,472
g) Prepayments in foreign currency	0 2 9	6,539,606	89	6,539,517	6,815,053
7. Inventories	0 3 0	12,960,579	5,940,496	7,020,083	10,849,613
8. Fixed available for sale assets	0 3 1	0	0	0	0
9. Assets of discontinued operations	0 3 2	0	0	0	0
10. Other assets	0 3 3	0	0	0	0
11. Value added tax prepayment	0 3 4	0	0	0	0
B. FIXED ASSETS (036+041)	**0 3 5**	**250,196,783**	**157,102,928**	**93,093,855**	**75,077,384**
1. Tangible assets and investment in property (037 to 040)	0 3 6	183,178,740	109,706,216	73,472,524	57,717,391
a) Tangible assets owned by the bank	0 3 7	145,325,247	87,602,050	57,723,197	47,250,461
b) Investment in property	0 3 8	24,670,561	22,104,166	2,566,395	1,394,051
c) Fixed assets acquired under financial lease	0 3 9	0	0	0	0
d) Advances and acquired but not brought into use	0 4 0	13,182,932	0	13,182,932	9,072,879
2. Intangible assets (042 to 046)	0 4 1	67,018,043	47,396,712	19,621,331	17,359,993
a) Goodwill	0 4 2	0	0	0	0
b) Investment in development	0 4 3	0	0	0	0
c) Intangible assets under financial lease	0 4 4	0	0	0	0
d) Other intangible assets	0 4 5	59,532,495	47,396,712	12,135,783	6,730,876
e) Advances and assets acquired but not brought into use	0 4 6	7,485,548	0	7,485,548	10,629,117
C. DEFFERED TAX ASSETS	**0 4 7**	**413,321**	**0**	**413,321**	**100,602**
D. OPERATING ASSETS (001+035+047)	**0 4 8**	**7,059,241,364**	**462,828,409**	**6,596,412,955**	**5,970,466,693**
E. OFF BALANCE SHEET ASSETS	**0 4 9**	**989,799,805**	**0**	**989,799,805**	**1,282,019,071**
F. TOTAL ASSETS (048+049)	**0 5 0**	**8,049,041,169**	**462,828,409**	**7,586,212,760**	**7,252,485,764**

CONSOLIDATED BALANCE SHEET

Statement of financial position as at 31 December 2019

u BAM

ITEM	Code for AOP	Current year	Previous year (initial balance)
1	2	3	4
A. LIABILITIES (102+106+109+113)	**1 0 1**	**5,743,893,709**	**5,174,292,098**
1. Deposits and borrowings (103 to 105)	1 0 2	5,539,972,555	4,982,368,288
a) Deposits and interest-bearing borrowings in domestic currency	1 0 3	3,096,670,235	2,604,140,000
b) Hedging deposits and borrowings	1 0 4	60,182,997	42,008,193
c) Deposits and interest-bearing borrowings in foreign currency	1 0 5	2,383,119,323	2,336,220,095
2. Interests and fees (107+108)	1 0 6	8,000	8,000
a) Interests and fees in domestic currency	1 0 7	8,000	8,000
b) Interests and fees in foreign currency	1 0 8	0	0
3. Securities (110 to 112)	1 0 9	0	0
a) Securities in domestic currency	1 1 0	0	0
b) Hedging securities i domestic currency	1 1 1	0	0
c) Securities in foreign currency	1 1 2	0	0
4. Other liabilities and accruals (114 to 124)	1 1 3	203,913,154	191,915,810
a) Salaries and fees	1 1 4	2,620,107	2,643,580
b) Other liabilities in domestic currency , excluding liabilities for tax and contributions	1 1 5	89,889,012	89,639,287
c) Tax and contributions ,excluding current and deffered income tax	1 1 6	2,869,377	1,841,525
d) Current tax liability	1 1 7	13,513,577	12,784,309
e) Deffered tax liability	1 1 8	2,419,596	1,530,452
f) Provisions	1 1 9	36,706,451	34,008,954
g) Accruals in domestic currency	1 2 0	25,220,332	11,007,818
h) Commission operations,AFS assets,discontinued operation assets,subordinated debt liabilities and current liabilities	1 2 1	267,171	291,501
i) Other liabilities in foreign currency	1 2 2	11,740,166	15,419,901
j) PVR u stranoj valuti	1 2 3	5,957,859	9,859,750
k) Obveze po osnovu komisionih poslova, dospjelih i subordiniranih obveza i tekuća dospijeća u stranoj valuti	1 2 4	12,709,506	12,888,733
B. KAPITAL (126+132+138+142-148)	**1 2 5**	**852,519,246**	**796,174,595**
1. Osnovni kapital (127+128+129-130-131)	1 2 6	167,283,583	167,283,583
a) Dionički kapital	1 2 7	119,195,000	119,195,000

ITEM	Code for AOP	Current year	Previous year (initial balance)
1	2	3	4
b) Other forms of capital	1 2 8	0	0
c) Share premium	1 2 9	48,317,277	48,317,277
d) Registered but uncontributed capital	1 3 0	0	0
e) Repurchase of own shares	1 3 1	228,694	228,694
2. Reserves (133 to 137)	1 3 2	553,886,935	529,189,791
a) Reserves from profit	1 3 3	533,550,683	508,853,539
b) Other provisions	1 3 4	0	0
c) Provision for losses	1 3 5	20,336,252	20,336,252
d) General banking risk provisions	1 3 6	0	0
e) Transferred reserves (foreign exchange)	1 3 7	0	0
3. Revaluation reserve (139 to 141)	1 3 8	9,322,082	2,402,999
a) Revaluation reserve based on change in value of fixed assets and intangible investments	1 3 9	2,164,157	0
b) Revaluation reserve based on change in value of securities	1 4 0	7,157,925	2,338,941
c) Other revaluation resererves	1 4 1	0	64,058
4. Profit (143 to 147)	1 4 2	122,026,646	97,298,222
a) Profit for the year	1 4 3	101,079,566	97,298,208
b) Unallocated profit from prior years	1 4 4	20,947,080	14
c) Surplus of income over expenses for the period	1 4 5	0	0
d) Unallocated surplus of income over expenses for previous years	1 4 6	0	0
e) Retained earnings	1 4 7	0	0
5. Loss (149+150)	1 4 8	0	0
a) Loss for the period	1 4 9	0	0
b) Loss from previous years	1 5 0	0	0
C. LIABILITIES (101+125)	**1 5 1**	**6,596,412,955**	**5,970,466,693**
D. OFF BALANCE SHEET LIABILITIES	**1 5 2**	**989,799,805**	**1,282,019,071**
E. TOTAL LIABILITIES (151+152)	**1 5 3**	**7,586,212,760**	**7,252,485,764**

CONSOLIDATED PROFIT AND LOSS

Statement of financial result for the period 01.01.2019-31.12.2019 u BAM

ITEM	Code for AOP	VALUE	
		Current year	Prior year
1	2	3	4
A. OPERATING INCOME AND EXPENSES 1. Interest income	**2 0 1**	**185,827,111**	**188,567,989**
2. Interest expense	2 0 2	23,747,366	22,428,228
Net interest income (201-202)	2 0 3	162,079,745	166,139,761
Net interest expense (202-201)	2 0 4	0	0
3. Fee and commissions income	2 0 5	111,256,386	104,673,705
4. Fee and commissions expense	2 0 6	26,822,996	21,472,857
Net fee and commission income (205-206)	2 0 7	84,433,390	83,200,848
Net fee and commission expense (206-205)	2 0 8	0	0
5.Gains from sale of securities and shares (210 to 213)	2 0 9	0	0
a) Gains from sale of securities at fair value through profit and loss	2 1 0	0	0
b) Gains from sale of available for sale securities	2 1 1	0	0
c) Gains from sale of securities held to maturity	2 1 2	0	0
d) Gains from sale of participation (share)	2 1 3	0	0
6. Losses from sale of securities and shares (215 to 218)	2 1 4	0	0
a) Losses from sale of securities at fair value through profit and loss	2 1 5	0	0
b) Losses from sale of available for sale securities	2 1 6	0	0
c) Losses from sale of securities held to maturity	2 1 7	0	0
d) Losses from sale of participation (share)	2 1 8	0	0
Net gains from sale of securities and shares (209-214)	2 1 9	0	0
Net losses from sale of securities and shares (214-209)	2 2 0	0	0
OPERATING PROFIT (201+205+209-202-206-214)	2 2 1	246,513,135	249,340,609
OPERATING EXPENSE (202+206+214-201-205-209)	2 2 2	0	0
B. OTHER OPERATING INCOME AND EXPENSE 1. Operating income (224+225)	**2 2 3**	**0**	**0**
a) Income from leasing activities	2 2 4	0	0
b) Other operating income	2 2 5	0	0
2. Operating expense (227 to 236)	2 2 6	125,248,796	122,066,756
a) Expenses of gross salaries and contribution expense	2 2 7	50,940,234	49,760,815
b) Expenses of fees for temporary and occasional work contracts	2 2 8	68,839	205,054
c) Other personnel expenses	2 2 9	4,091,081	3,568,792
d) Material expenses	2 3 0	3,364,320	4,061,175
e) Production services expenses	2 3 1	23,152,820	27,621,169
f) Depreciation expenses	2 3 2	14,920,754	10,374,363
g) Expenses from leasing activities	2 3 3	0	0
h) Non-material expenses (excluding taxes and contributions)	2 3 4	26,599,409	24,415,322

ITEM	Code for AOP	VALUE Current year	Prior year
1	2	3	4
i) Tax and contributions expenses	2 3 5	2,111,339	2,060,066
j) Other expenses	2 3 6	0	0
OTHER OPERATING PROFIT (223-226)	2 3 7	0	0
OTHER OPERATING EXPENSE (226-223)	2 3 8	125,248,796	122,066,756
C) GAIN AND LOSS ON PROVISIONS 1. Bad debts recovered (240 to 243)	**2 3 9**	**268,062,219**	**264,349,232**
a) Income from recovered provisions for placements	2 4 0	210,352,678	214,464,396
b) Income from recovered provisions for off-balance sheet items	2 4 1	56,955,535	48,330,459
c) Income from recovered provision for liabilities	2 4 2	754,006	1,554,377
d) Income from other provisions recovered	2 4 3	0	0
2. Provision charges (245 to 248)	2 4 4	271,883,315	283,538,976
a) Provisions charges for placements	2 4 5	210,994,783	229,309,405
b) Provision charges for off-balance sheet items	2 4 6	58,598,711	50,623,471
c) Charges based on provisions for liabilities	2 4 7	1,802,493	2,772,606
d) Other provision charges	2 4 8	487,328	833,494
PROVISIONS INCOME (239-244)	2 4 9	0	0
PROVISION CHARGES (244-239)	2 5 0	3,821,096	19,189,744
D. OTHER INCOME AND EXPENSES 1. Other income (252 to 258)	**2 5 1**	**2,608,618**	**3,040,955**
a) Income from bad debts previously written off	2 5 2	182,844	114,575
b) Losses from sales of fixed assets, and intangible investments	2 5 3	496,172	774,638
c) Income from reduction in liabilities	2 5 4	0	0
d) Income from dividends and shares	2 5 5	206,519	311,448
e) Surplus	2 5 6	28,055	41,425
f) Other income	2 5 7	1,695,028	1,886,597
g) Gains grom discounted operations	2 5 8	0	0
2. Other expense (260 to 266)	2 5 9	2,201,814	1,395,781
a) Expense from bad debts written off	2 6 0	0	0
b) Losses from depreciation and fixed assets write off, and intangible assets	2 6 1	0	0
c) Losses from disposals and write-offs of fixed and intangible assets	2 6 2	1,093,659	231,359
d) Shortfalls	2 6 3	16,870	4,814
e) Inventorywrite-offs	2 6 4	0	0
f) Other expenses	2 6 5	1,091,285	1,159,608
g) Expenses from discontinued operations	2 6 6	0	0
GAIN FROM OTHER INCOME AND EXPENSES (251-259)	2 6 7	406,804	1,645,174
LOSS FROM OTHER INCOME AND EXPENSES (259-251)	2 6 8	0	0
OPERATING GAIN (221+237+249+267-222-238-250-268)	2 6 9	117,850,047	109,729,283
OPERATING LOSS (222+238+250+268-221-237-249-267)	2 7 0	0	0

ITEM	Code for AOP	VALUE	
		Current year	Prior year
1	2	3	4
E. INCOME AND EXPENSES FROM CHANGE IN VALUE OFF ASSETS AND LIABILITIES **1. Income from changes in value of assets and liabilities (272 to 276)**	**2 7 1**	**173,160,230**	**161,734,668**
a) Income based on change in value of placements and receivables	2 7 2	0	0
b) Income based on change in value securities	2 7 3	0	0
c) Income based on change in value of liabilities	2 7 4	0	0
d) Income based on change in value of fixed assets, investment real estate and intangible investments	2 7 5	0	0
e) Income from positive foreign exchange differ-ences	2 7 6	173,160,230	161,734,668
2. Expenses from change in value of assets and liabilities (278 to 282)	2 7 7	176,613,159	161,336,546
a) Expenses from change in value of placements and receivables	2 7 8	0	0
b) Expenses from change in value of securities	2 7 9	0	0
c) Expenses from change in value of liabilities	2 8 0	0	0
d) Expenses from change in value of fixed assets, investment real estate and intangible investments	2 8 1	4,363,296	483,689
e) Expenses from unfavorable foreign exchange differences	2 8 2	172,249,863	160,852,857
PROFIT ARISING FROM THE CHANGE IN VALUE OF ASSETS AND LIABILITIES (271-277)	2 8 3	0	398,122
LOSS FROM CHANGE IN VALUE OF ASSETS AND LIABILITIES (277-271)	2 8 4	3,452,929	0
PROFIT BEFORE TAX (269+283-270-284))	2 8 5	114,397,118	110,127,405
LOSS BEFORE TAX (270+284-269-283)	2 8 6	0	0
F. CURRENT AND DEFFERED INCOME TAX 1. Income tax	2 8 7	13,513,575	12,784,307
2. Profit from increase of deffered tax assets and decrease of deffered tax liabilities	**2 8 8**	**0**	**0**
3. Loss from decrease of deffered tax assets and increase of deffered tax liabilities	2 8 9	-196,023	132,618
PROFIT AFTER TAX (285+288-287-289) ili (288-286-287-289)	2 9 0	101,079,566	97,298,208
LOSS AFTER TAX (286+287+289-288) ili (287+289-285-288)	2 9 1		0
GUBITAK POSLIJE POREZA (286+287+289-288) ili (287+289-285-288)	2 9 1		
G. OTHER PROFIT AND LOSSES FOR THE PERIOD **1. Capital gains (293 to 298)**	**2 9 2**	**7,687,870**	**135,341**
a) Income from decrease of revalorisation reserves in fixed assets and intangible investments	2 9 3	2,404,619	0
b) Income from change of fair value of securities available for sale	2 9 4	5,350,903	0

ITEM	Code for AOP	VALUE Current year	Prior year
1	2	3	4
c) Income from transferring financial reports of foreign operations	2 9 5	0	0
d) Actuarial income from defined income scheme	2 9 6	-67,652	135,341
e) Effective part of income based on cash flow hedging	2 9 7	0	0
f) Other capital gains	2 9 8	0	0
2. Capital losses (300 to 304)	2 9 9	0	1,051,920
a) Losses from change in fair value of securities available for sale	3 0 0	0	1,051,920
b) Losses from transferring financial reports of foreign operations	3 0 1	0	0
c) Actuarial loss from defined income scheme	3 0 2	0	0
d) Effective part of loss from cash flow hedging	3 0 3	0	0
e) Other capital gains	3 0 4	0	0
NET GAIN/ LOSSES TOTAL RESULT FOR THE PERIOD (292-299) or (299-292)	3 0 5	7,687,870	-916,579
H. INCOME TAX RELATING TO OTHER TOTAL RESULT FOR THE PERIOD	**3 0 6**	**-768,787**	**22,141**
OTHER TOTAL RESULT FOR THE PERIOD (305±306)	3 0 7	6,919,083	-894,438
TOTAL NET PROFIT FOR THE YEAR (290±307)	3 0 8	107,998,649	96,403,770
TOTAL NET LOSS FOR THE PERIOD (291±307)	3 0 9	0	0
Part od profit/loss attributable to majority share-holders	3 1 0	0	0
Part od profit/loss attributable to minority share-holders	3 1 1	0	0
Basic earnings per share	3 1 2	850	817
Diluted earings per share	3 1 3	850	817
Average number of employees based on hours worked	3 1 4	1,252	1,257
Average number of employees based on periods end	3 1 5	1,249	1,253

Address and phone numbers

Headquarters

Address	Kardinala Stepinca b.b. Mostar
Phone	00387 (0) 36 312 112
Fax	00387 (0) 36 356 227
SWITCHBOARD	00387 (0) 36 312 112 00387 (0) 36 312 116
RETAIL	00387 (0) 36 312 112
CORPORATE	00387 (0) 36 312 112
RISK MANAGEMENT	00387 (0) 36 312 112
FINANCE	00387 (0) 36 312 112
GBS	00387 (0) 36 312 112

Capital and balance sheet management.

We will continue to take decisive actions to increase our flexibility, with a proactive approach to capital allocation, both top down and bottom up. In Team 23, one key commitment is to maintain a CET1 MDA buffer between 200 to 250 basis points.

Business network of UniCredit Bank d.d. as at 31 December 2019

Branch/address	Address	Location	PTT	Telephone	Telephone web
BUSINESS CENTER MOSTAR					
Branch 1 Mostar (Mepas)	Kardinala Stepinca bb	Mostar (Mepas mall)	88000	036/356 - 277	036/356-545
Branch 2 Mostar - Mostarka	Dubrovačka 4	Mostar (Mostarka)	88000	036/325 - 702	036/323-424
Branch 3 Mostar - Revija	Mostarskog bataljona 4	Mostar (Revija)	88000	036/501 - 412	036/501-418
Branch 5 Mostar (Rondo)	Kralja Petra Krešimira IV B2	Mostar (Rondo)	88000	036/333 - 902	036/333-902
Branch Čapljina	Gojka Šuška bb	Čapljina	88300	036/810 - 712	036/810-710
Branch Stolac	Hrvatskih branitelja bb	Stolac	88360	036/858 - 444	036/853-306
Branch Neum	Dr. Franje Tuđmana bb	Neum	88390	036/880 - 149	036/880-149
Branch Čitluk	Kralja Tvrtka 1	Čitluk	88260	036/640 - 439	036/640-435
Branch Konjic	Trg Državnosti Alije Izetbegovića bb	Konjic	88400	036/712-430	036/712-438
BUSINESS CENTRE ZAPADNA HERCEGOVINA					
Branch Grude	Dr. Franje Tuđmana br. 124	Grude	88340	039/660 - 123	039/660-746
Branch 1 Široki Brijeg	Fra Didaka Buntića 13	Široki Brijeg	88220	039/700 - 212	039/705-546
Branch Ljubuški	Ulica IV. Brigade HVO Stjepana Radića br.63	Ljubuški	88320	039/831 - 340	039/835-933;
Branch Livno	Kralja Tvrtka bb	Livno	80101	034/208 - 222	034/208-220
Branch Tomislavgrad	Brigade Kralja Tomislava bb	Tomislavgrad	80240	034/356 - 203	034/356-209
Branch Posušje	Fra Grge Martića 28	Posušje	88240	039/685 - 415	039/685-157
BUSINESS CENTRE SREDIŠNJA BOSNA					
Branch Vitez	Petra Krešimira IV	Vitez	72250	030/717 - 410	030/718-741
Branch 1 Vitez	Poslovni centar 96, FIS	Vitez	72250	030/718 - 683	030/718-684
Branch Uskoplje	Bana Jelačića bb	Uskoplje	70240	030/496 - 596	030/494-181
Branch Donji Vakuf	770 Slavne Brdske brigade 23	Donji Vakuf	70220	030/259 - 661	030/259-660
Branch Novi Travnik	Kralja Tvrtka bb	Novi Travnik	72290	030/795 - 500	030/795-500
Branch Fojnica	Mehmeda Spahe 18	Fojnica	71270	030/547 - 022	030/547-022
Branch 1 Travnik	Bosanska 56	Travnik	72270	030/547 - 017	030/547-012
Branch Jajce	Maršala Tita bb	Jajce	70101	030/654 - 564	030/654-562
Branch Rama	Kralja Tomislava bb	Rama	88440	036/770 - 919	036/771-990
Branch Bugojno	Zlatnih ljiljana 16	Bugojno	70230	030/259 - 577	030/259-576
Branch Kiseljak	Josipa Bana Jelačića bb	Kiseljak	71250	030/877 - 122	030/877-122
BUSINESS CENTRE ZENICA					
Branch Žepče	Stjepana Tomaševića bb	Žepče	72230	032/887 - 903	032/887-903
Branch 1 Visoko	Branilaca 20a	Visoko	71300	032/730 - 057	032/730-061
Branch Zenica	Školska bb	Zenica	72000	032/449 - 340	032/449-340
Branch 1 Zenica	Londža 81	Zenica	72000	032/202 - 623	032/202-620
Branch Kakanj	Alije Izetbegovića bb	Kakanj	72240	032/557 - 212	032/557-211
Branch Tešanj	Braće Pobrić bb	Tešanj	74260	032/665 - 197	032/665-197
Branch Jelah	Mustafe Ćemana 7	Jelah	74264	032/667 - 892	032/667-892
Branch Breza	Alije Izetbegovića 80	Breza	71370	032/786 - 014	032/786-011
Branch Zavidovići	Pinkasa Bandta bb	Zavidovići	72220	032/869 - 200	032/869-200
Branch Vareš	Zvijezda 63	Vareš	71330	032/848 - 032	032/848-031
Branch Olovo	Branilaca 17	Olovo	71340	032/829 - 535	032/829-530
Branch Maglaj	Aleja ljiljana bb	Maglaj	74250	032/609 - 811	032/609-810
BUSINESS CENTRE BIHAĆ					
Branch Bihać	Ulica V. Korpusa bb	Bihać	77000	037/229 - 975	037/229-970
Branch 1 Bihać	Bosanska bb	Bihać	77000	037/229 - 280	037/229-270
Branch Velika Kladuša	Maršala Tita 23	Velika Kladuša	77230	037/776 - 606	037/776-600

Business network of UniCredit Bank d.d. as at 31 December 2019

Branch/address	Address	Location	PTT	Telephone	Telephone web
Branch 1 Cazin	Cazinskih brigada bb	Cazin	77220	037/515 - 016	037/515-021
Branch Bosanska Krupa	511. Slavne brdske brigade bb	Bosanska Krupa	77240	037/476 - 880	037/476-885
Branch 1 Sanski Most	Trg oslobodilaca bb	Sanski Most	79260	037/688 - 547	037/688-543
BUSINESS CENTRE SARAJEVO STARI GRAD					
Branch 1 Sarajevo	Maršala Tita 48	Sarajevo	71000	033 253-383; 033/253-378	033/253-372
Branch 4 Sarajevo	Alipašina 45a	Sarajevo (Ciglane)	71000	033/560 - 790	033/560-795
Branch 11 Sarajevo	Gajev trg 2	Sarajevo	71000	033/251 - 955	033/251- 955
Branch 12 Sarajevo	Zelenih beretki 24	Sarajevo	71000	033/491 - 636	033/491-600
Branch 13 Sarajevo	Branilaca Sarajeva 53	Sarajevo	71000	033/491 - 997	033/491-931
Branch 16 Sarajevo	Zmaja od Bosne 4	Sarajevo (hotel Holiday)	71000	033/252 - 288	033/491-754
BUSINESS CENTRE NOVO SARAJEVO					
Branch 2 Sarajevo	Zmaja od Bosne 14C	Sarajevo	71000	033/723 - 690	033/723-691
Branch 7 Sarajevo	Trg međunarodnog prijateljstva 14	Sarajevo	71000	033/776 - 130	033/776-134
Branch 17 Sarajevo	Džemala Bijedića b.b. (PC Capital Tower)	Sarajevo (OTOKA)	71000	033/721 - 815	033/721-800
Branch 18 Sarajevo	Zmaja od Bosne 74	Sarajevo	71000	033/727 - 022	033/727-021
Branch 19 Sarajevo	Mustafe Kamerića 5	Sarajevo (Dobrinja)	71000	033/775 - 851	033/775-854
Branch Vogošća	Igmanska 60	Vogošća	71320	033/476 - 361	033/476-360
Branch Ilidža	Mala Aleja 10	Ilidža	71210	033/627 - 937	033/776-157
Branch Hadžići	Hadželi 153	Hadžići	71240	033/475 - 396	033/475-390
BUSINESS CENTRE TUZLA					
Branch 1 Tuzla	Džafer Mahala 53-55	Tuzla	75000	035/259 - 059	035/259-037
Branch 2 Tuzla	Armije BiH 3	Tuzla	75000	035/306 - 478	035/306-472
Branch 3 Tuzla	Aleja Alije Izetbegovića 10	Tuzla	75000	035/302 - 470	035/302-470
BranchGradačac	Ulica šehida 1	Gradačac	76250	035/822 - 500	035/822-500
Branch Lukavac	Kulina Bana 2	Lukavac	75300	035/551 - 331	035/551-331
Branch Gračanica	22 Divizije bb	Gračanica	75320	035/701 - 471	035/701-470
Branch Srebrenik	21 Srebreničke Brigade	Srebrenik	75350	035/646 - 093	035/646-093
Branch Živinice	Ulica Oslobođenja bb	Živinice	75270	035/743 - 143	035/743-143
Branch Kalesija	Trg šehida bb	Kalesija	75260	035/610 - 111	035/610-110
BUSINESS CENTRE POSAVINA					
Branch Orašje	Treća ulica 47	Orašje	76270	031/716 - 713	031/716-713
Branch Odžak	Titova 17	Odžak	76290	031/762 - 437	031/762-437
Branch Brčko	Trg mladih 1	Brčko	76120	049/233 - 760	049/233-760
BUSINESS CENTRE BANJA LUKA					
Branch Banja Luka	I Krajiškog korpusa br.39	Banja Luka	78000	051/348 - 063	051/348-063
Branch Prijedor	Zanatska bb	Prijedor	79101	052/240 - 764	052/240-764
Branch Doboj	Kralja Dragutina 2a	Doboj	74000	053/209 - 402	053/209-401
Branch Bijeljina	Majora Dragutina Gavrilovića 2 – Ulaz s ulice Svetog Save	Bijeljina	76300	055/225 - 090	055/225-080

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April, 2020

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