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PODRAVSKA BANKA

ANNUAL REPORT 2023

Report of the President of the Supervisory Board	6
Annual Report of the Management Board	8
Description of operations	12
Financial statements for the year ended 31 December 2023 together with the Independent Auditor's Report	30
About the Bank	116
Appendix I – Supplementary reports for the Croatian National Bank	122
Appendix II – Other legal and regulatory requirements	145

LETTER FROM THE PRESIDENT OF THE SUPERVISORY BOARD AND REPORT OF THE MANAGEMENT BOARD

LETTER FROM THE PRESIDENT OF THE SUPERVISORY BOARD

On behalf of the Supervisory Board of Podravska banka and on my own behalf, I present to you the Bank's business results for 2023.

Despite facing challenges such as geopolitical tensions, high inflation, and shifts in global monetary policies, the Bank has achieved commendable results, solidifying its position as a leading small bank in the Croatian financial landscape.

The past year was marked by persistent inflationary pressures, elevated reference interest rates, and several geopolitical escalations, all of which affected the financing landscape for both businesses and individuals. Nevertheless, Croatia's economy has demonstrated resilience by outpacing the European Union and eurozone averages in terms of growth. This growth can be attributed to robust private consumption, expansive fiscal policies, the positive impacts of eurozone and Schengen integration, as well as effective utilization of EU funds.

Bank has confronted these global challenges with resolve, maintaining a robust capitalization level and consistently delivering high-quality services to clients and partners. Through timely risk identification and active management, coupled with a proactive approach towards clients sensitive to inflation or interest rate fluctuations, Bank has achieved favorable business and operational outcomes, fostering high levels of client satisfaction.

As of the end of 2023, Podravska Banka ranked eighth among Croatian banks in terms of total capital. During the year, the Bank's total assets grew by over 12.1%, while customer deposits increased by 13.7%. The Bank remains committed to enhancing digital channels and user experiences, and will persist in efforts to attract new customers through ongoing digital advancements.

In the forthcoming period, the Bank will continue to pursue its strategic direction, placing a strong emphasis on understanding customer needs and product development to foster enduring and sustainable relationships. This includes further strengthening commercial activities, meticulous risk management, and elevating service quality.

Alongside process digitalization, the Bank's strategy will prioritize the promotion of sustainable banking practices through various initiatives. A heightened commitment to sustainability is not only seen as a business imperative but also as a moral obligation towards future generations and the communities we serve.

The optimism for the near future is further reinforced by the positive macroeconomic data indicating a continuation of favorable trends. In 2023, the Croatian economy demonstrated GDP growth exceeding the EU average. Despite encountering challenges, the unemployment rate has declined, and inflation has commenced a downward trajectory. These encouraging economic indicators underscore the stability and prosperity of the Croatian economy, which holds significant importance for all our shareholders.

I extend my heartfelt appreciation to all employees of Podravska Banka for their unwavering dedication and invaluable contributions to our operations.

Furthermore, I extend my gratitude to all members of the Supervisory Board for their active support in driving the Bank's development forward.

Miljan Todorović
President of the Supervisory Board

THE MANAGEMENT BOARD OF PODRAVSKA BANKA D.D. PRESENTS 2023 BUSINESS RESULTS

In 2023, Podravska banka generated a profit after tax of 4.05 million euros, an increase of 150.8% YoY.

Bank recorded an operating result of 25.62 million euros, an increase of 19.7% YoY. The main factors driving this growth were the increase in net interest income due to the rise of reference interest rates and increase in the volume of placements. The Bank's net interest income rose 64.9%, reaching 21.24 million euros, while net fee income increased 3.80% to 4.29 million euros.

ENVIRONMENT

The past year was characterized by persistent inflationary pressure, high reference interest rates and rising geopolitical risks around the world. International Monetary Fund (IMF) estimates that the global economy will grow 3.0% in 2023, which represents additional slowdown from 3.5% in 2022 and is significantly below historical average. At the same time, the global inflation rate slowed down from 9.2% in 2022 to 5.9% in 2023.

In 2023, Eurozone experienced the most significant change of the monetary policy direction since the introduction of the euro as a currency. The rise in reference interest rates began in mid-2022 and peaked in the course of 2023. Overall, European Central Bank's (ECB) reference interest rates increased 450 basis points. During the second half of 2023, the effects of the ECB's changing monetary policy direction continued to spill over to the financing conditions of businesses and citizens in banks, causing a rise in the deposit interest rates.

In 2023, Croatia successfully joined the Eurozone and the Schengen area, which will lead to further integration of the Croatian economy into European financial and economic flows, and increase the country's attractiveness for foreign investors. During 2023, the Croatian economy benefited significantly from of EU funds, which supported the growth of the domestic economy in a global environment of slowing economic activity. The expected that the potential of EU funds will have positive impact on the domestic economy during 2024.

Gross domestic product in 2023 recorded growth of 2.8% YoY according to the latest projection, significantly above the European union and Eurozone average. This positive trend could continue in the upcoming years, although there could be a decline in foreign demand. Growth of the domestic economy is the result of strong personal consumption, driven by wage growth, tourism growth, expansionary fiscal policy, accession to the Eurozone and the Schengen area, and the intensive withdrawal of funds from EU funds.

The Croatian banking system remains stable, highly capitalized and liquid. According to unaudited data, the average total capital ratio at the end of 2023 was 21.5%, which is of the highest capitalization rates in Europe. At the end of the year, a total of twenty banks were active on the Croatian market, as the market was further consolidated by the merger of Nove hrvatske banka d.d. and Hrvatska poštanska banka d.d.

BANK'S BUSINESS RESULT

In terms of total capital at the end of 2023, the Bank ranked 8th among twenty banks in Croatia. Bank's total assets at the end of 2023 amounted to 680.9 million euros, representing an increase of 12.1% YoY.

Customer deposits increased 13.7% to 524.5 million euros. Net loans to customers increased by 1.1% to 317 million euros YoY, with citizen loans increasing 2.2%, while loans to corporate decreased 0.1%.

Bank remains highly capitalised with a regulatory capital ratio at 20.8% at the end of 2023. The regulatory capital at the end of 2023 amounted to 77.3 million euros.

During 2023, Bank successfully implemented the euro as business currency and actively worked on further improving its digital channels. In line with its business strategy, Bank continues the process of digitalizing its processes and services, which led to growth in all business segments. Furthermore, employee education and new hires were carried out, while measures were taken to optimize business expenses.

Bank pays special attention to risk management, managing the loan portfolio in accordance with business policies and applicable standards.

Bank's operating income amounts to 25.62 million euros, and in the structure of operating income, the share of net interest income amounts to 82.9%, net fee and commission income to 16.7%, while other income accounts for 0.3%. The Bank's net interest income increased 64.9%, while net fee and commission income rose 3.8% YoY. The profit for the current year amounts to 4.05 million euros.

A LOOK INTO THE FUTURE

In the upcoming period, Bank's operations will be influenced by economic growth and risks arising from potential geopolitical escalations, fluctuations in inflation rates and instability in the energy sector. Bank will continue to focus on customers needs and will continue to develop products and services accordingly in order to improve and maintain long-term relationships.

The Bank's strategy for 2024 is based on the assumption of a moderately positive general economic and financial situation in Croatia, with a slight increase in economic activity and a decrease in inflation rates and reference interest rates. In the coming year, the Bank will focus most of its efforts on commercial activities, with the entire structure of the Bank focused on this goal.

Finally, I would like to take this opportunity to express my sincere gratitude to all our clients and business partners for their trust and cooperation which commits us to constantly improve our professional relationship and provide the best possible services.

I would also like to express appreciation to our shareholders and the members of the Supervisory Board for their exceptional cooperation and support, and all the Bank's employees for their dedication and commitment.

Daniel Unger
President of the Management Board

DESCRIPTION OF OPERATIONS

BUSINESS ENVIRONMENT IN 2023

OVERVIEW OF THE GLOBAL ECONOMY IN 2023

The global economy continued to recover and showed a surprising degree of resilience, despite the strong blow it received from the outbreak of the COVID pandemic, Russia's invasion of Ukraine and record-breaking inflation gains.

The year was characterised by war-related disruptions on the global energy and food markets as well as a tighter monetary policy by central banks to combat record-high inflation rates. Despite these circumstances, the global economy continued to grow, albeit slowly and unevenly. Although it appears that global economic activity bottomed out at the end of 2022 and inflation was gradually brought under control in the second half of 2023, recovery to pre-pandemic growth rates still seems out of reach, especially for developing countries.

The IMF estimates that the global economy will grow by 3.0% in 2023, a further slowdown from 3.5% in 2022 and well below the historical average, while at the same time the annual global inflation rate fell from 9.2% in 2022 to 5.9% in 2023.

According to the IMF's latest available estimate, some of the world's largest economies recorded growth rates of 2.1% in the US, 0.7% in the Eurozone, 0.5% in the UK, 5.0% in China and 6.3% in India in 2023. The US economy recorded very strong growth (1.2% in the third quarter of 2023) despite tighter financing conditions, thanks to strong investment activity and consumer optimism, reflecting the still very strong labour market.

After falling by almost 3.0% in the first half of the year, global consumer price inflation stagnated at 4.1% in the third quarter. The slowdown in the downward trend in inflation was observed in both the industrialised countries and the emerging markets. In addition to the resurgence in energy prices, the disappearance of the positive effects of the normalisation of global supply chains and the persistence of inflation in services and food also contributed to this trend. In October, inflation fell noticeably in many countries as financing conditions tightened and demand slowed. Under these circumstances, the central banks did not change the reference interest rates for the most part, and a smaller number began to lower them (e.g. Poland and Hungary).

Since the beginning of 2023, real economic activity in the Eurozone has stagnated. After modest success in the first half of the year during the summer months, there was a slight decline in economic activity, and most of the current forecasts for the last quarter of this year indicate a continuation stagnation or a possible slight decline. Performance of the Eurozone economy is mainly due to deteriorating developments in industrial and the construction sector. However, this has not had a noticeable impact on the labour market, which remains very strong with widespread labour shortages and an increase in nominal wages.

The current cycle of monetary policy tightening in the Eurozone is the strongest since the introduction of the euro as a currency. The increase in the key ECB interest rates began in July of 2022 and during the second half of that year were increased by 250 basis points and by an additional 200 basis points in 2023. The key ECB interest rates increased by 450 basis points in the period from July 2022 to September 2023. In the second half of 2023, the change in the monetary policy direction was also reflected in the financing conditions of enterprises and citizens. Interest rates for deposits have also risen.

OVERVIEW OF THE CROATIAN ECONOMY IN 2023

Despite falling foreign demand and tighter financing conditions, the Croatian economy continued to grow in 2023, well above EU and Eurozone average, and this trend could continue in the upcoming years. The relatively rapid growth of the Croatian economy reflects several factors, including strong demand for tourism services, more intensive use of EU funds and expansionary fiscal policy, as well as the consequences of Croatia's accession to the Schengen area and Eurozone.

Under these conditions, the favourable trend in the labour market continued, supporting solid growth in personal consumption Overall, real economic activity in 2023 could be 2.8% higher than in 2022.

Due to the weakening current inflationary pressures and the fading impact of previous price hikes of all major components, inflation declined steadily through most of 2023 and stood at 4.5% at the end of the year. he slowdown in inflation in the current year is primarily the result of significantly lower energy prices compared to the extremely high levels in 2022. The acceleration of inflation is influenced by various factors. High prices of energy, food and industrial raw materials on the world market have gradually affected domestic producer and consumer prices.

The acceleration of price growth has also been affected by pressures stemming from the staling in global supply chains, despite their recent loosening. In addition, the acceleration of inflation was also contributed by strong demand for services after the abolition of epidemiological measures, which largely related to the tourist demand of non-residents, against the backdrop of rising input costs, a lack of skilled labour and wage growth in the hospitality industry. In contrast, limiting the prices of some energy products and basic food products has relieved the intensity of acceleration of inflation.

Recent success of the key labour market indicators points to further favourable trends. The number of employed in 2023 could increase by 2.3% compared to the previous year considering good results in the first half of the year. In terms of wages, the expected gross wage growth rate in 2023 is 14.5%, with public sector wage growth contributing most of the growth.

Real wages, after a decrease in 2022, could grow by 5.7% in 2023.

After reaching its peak in November of the previous year, consumer price inflation slowed noticeably during 2023, with the intensity of the slowdown being milder during the summer months due to the strengthening of ongoing pressures during the tourist season.

TABLE 1: MACROECONOMIC INDICATORS FOR CROATIA

MACROECONOMIC INDICATORS FOR CROATIA	2023	2022	2021	2020
GROSS DOMESTIC PRODUCT, MILLION-EURO SIN CURRENT PRICES	73,150	67,993	58,408	50,569
GROSS DOMESTIC PRODUCT („GDP “, % CHANGE	2.6	6.3	13.8	-8.6
GDP PER CAPITA, EUROS	18,953	17,486	15,057	12,493
PERSONAL CONSUMPTION, % CHANGE	2.9	6.7	10.7	-5.1
PUBLIC SPENDING % CHANGE	4.0	2.7	3.0	4.3
INVESTMENTS, % CHANGE	4.3	0.1	6.6	-5.0
EXPORTS OF GOODS AND SERVICES, % CHANGE	-3.0	27.0	32.7	-25.7
IMPORT OF GOODS AND SERVICES % CHANGE	-4.8	26.5	17.3	-13.7
INDUSTRIAL PRODUCTION, % CHANGE2	-0.1	1.6	6.7	-3.4
UNEMPLOYMENT RATE (ILO) (% OF ACTIVE POPULATION)	6.9	7.0	7.6	7.5
AVERAGE ANNUAL INFLATION RATE (HIPC)	8.4	10.7	2.7	0.0
GENERAL GOVERNMENT BALANCE (% GDP) 2	-2	0.4	-2.5	-7.3
CURRENT ACCOUNT BALANCE (% GDP)	0.4	-2.8	1.0	-1.0
EXTERNAL DEBT (% GDP)	80.5	73.3	80.9	81.7

Source: CNB, 1) on 19th December 2023 2) CBS

During the second half of 2023, the effects of a change in the direction of the ECB's monetary policy continued to spill over to corporate and citizen financing costs in the domestic banks, although at a slightly weaker intensity compared to the first few months of this year.

The costs of citizen financing increased and the average interest rate on the first contracted home loans in October was 3.8% and 6.1% for cash loans. Compared to the period before the start of the normalisation of monetary policy of the ECB, a significant tightening of financing conditions was recorded in companies that borrowed at 338 basis points higher interest rate in October, and the population at 126 basis points for housing and 67 basis points for cash loans.

Interest rates on term deposits, especially citizen deposits, also recorded an increase, so the average interest rate on first-time time citizen deposits reached 2.5% in October 2023.

The current and capital account surplus could amount to 4.0% of GDP in 2023 and thus improve significantly from the deficit of -0.3% of GDP recorded in 2022. Marked improvement in the current account balance in 2023 primarily reflects an increase in net exports of services, especially tourism revenues, and a significantly smaller deficit in foreign trade in goods, especially due to the decline in net energy imports.

The improvement in the capital account balance is the result of the record use of EU funds in the past year, which is the last year of use of funds from the Multiannual Financial Perspective 2014-2020 and the European Solidarity Fund.

Croatia currently has the following credit rating:

- BBB+ with positive outlook assigned by S&P agency,
- BBB+ with positive outlook assigned by Fitch Ratings agency,
- Baa2 with positive outlook assigned by Moody's agency.

DESCRIPTION OF BANK'S OPERATIONS

PRODUCT AND SERVICES

In 2023, Bank continued its intensive commercial activities directed towards citizens and corporates, achieving a good business result from primarily the quality of service and clients' satisfaction in providing financial support.

Lower costs for access to services, security of use, time savings because electronic banking services can be used anywhere and at any time, speed of transactions and easier and simpler insight into the customers business are advantages recognized by customers and have consequently led to an increase in digital user's channel.

To strengthen the quality of service, numerous internal and external educations were organized where employees acquired new knowledge and skills to be able to respond to all challenges and be at the service of clients.

The growth of citizens' credit portfolios continued in 2023. To provide clients with safety when using credit products, primarily due to the growth of variable parameters such as EURIBOR, the Bank adjusted its credit offer by contracting loans to citizens exclusively at fixed interest rate for the entire time of loan repayment or combining two different fixed interest rates.

Advancements in technology are shaping the way the business world works, and digital channels are becoming a key element in the business of different sectors. In this context, the card business has become the primary means of payment that enables fast, secure, and convenient trade. The new era of digital banking brings innovative approaches to financial management, providing users with a wide range of services and tools to manage their funds through an online and mobile application. Also, to improve the system and optimize the user experience, it is crucial to continuously invest in technological innovations and the development of software solutions that support efficient card business.

The constant expansion and strengthening of the singlePOS terminal network enable greater availability of card payments in instalments, which contributes to an increase in transaction volume and client satisfaction. The acquisition of new clients for singlePOS solutions becomes an important goal to expand market impact and coverage, providing more opportunities for business growth and development. Dynamic trends in digital channels and card business represent an important foundation shaping the future of the financial sector and the way the Bank operates in the digital age.

Over the past year, we have continued to strengthen standard products and services for entrepreneurs. Cooperation has also continued under the programs available to commercial banks, which the Republic of Croatia, through implementing institutions (HBOR and HAMAG-BICRO) issues guarantees to cover their exposures to the bank.

Over the past year, the focus was on acquiring new clients, as well as expanding cooperation with the Bank's existing clients. Given the specific situation in 2023 related to the continued increase of energy and raw materials prices, as well as a noticeable increase in interest rates on the financial market, Bank placed great focus on the impact of these moments on the business of existing and new clients, all with the aim of timely reaction and real understanding of the needs of business entities.

Cooperation with local government in implementing loan programs in which local government subsidized interest on entrepreneurial loans continued. The Bank contracted business cooperation with counties and cities that support entrepreneurs with subsidies and strengthen their development in the county area.

With these cooperations, the Bank is present on the markets for new entrepreneurs – clients - throughout the territory of the Republic of Croatia and supports the development of entrepreneurs with good, profitable and safe projects, which are also supported by the local government.

A significant part of products and services in 2023 was placed to clients engaged in agricultural activities with the use of grants from EU funds. Given the general increase in the price of energy products on the market, the Bank has also focused on significant placements in the financing of renewable energy sources. The Bank recognized the need for more intensive care for the environment and supports the financing of clients who are oriented towards environmentally friendly activities. In addition, there is still a cooperation agreement with the Croatian Bank for Reconstruction and Development (HBOR) for guarantee programs for large enterprises and with the Croatian Agency for SMEs, Innovations, Investments (HAMAG-BICRO) for micro, small and medium-sized enterprises under which the Bank can cover new placements with state guarantees of up to 100%, depending on the sector within which the entrepreneur operates.

In 2024, the aim is to maintain positive growth trends in the operating business. The plan is to further strengthen our status as a quality banking partner in the market by expanding our cooperation with existing customers and acquiring new high-quality customers.

DEPOSIT OPERATIONS

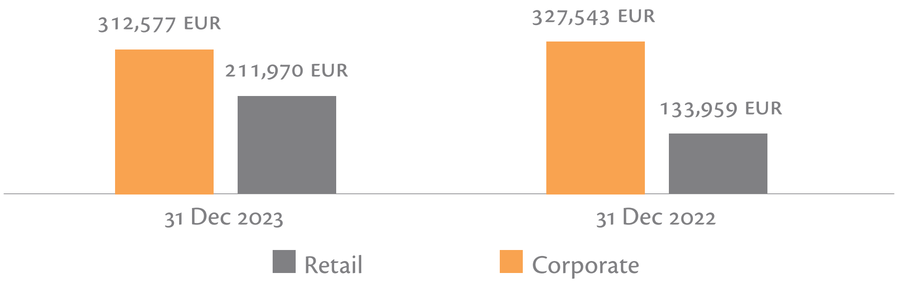
Total client deposits as of 31 December 2023, amounted to 524.5 million euros and increased by 13.66% compared to the previous year. According to the sectoral structure of client deposits, as of 31 December 2023, corporate deposits amounted to 211.9 million euros and increased by 58.2%, while citizen deposits amounted to 312.6 million euros and recorded a decrease of 4.6%.

The value of client assets in custody as of 31 December 2023, amounted to 133.5 million euros.

TABLE 2. OVERVIEW OF CLIENT DEPOSITS

CLIENT DEPOSITS (IN EUR 000)	31 DEC 2023	31 DEC 2022	CHANGE 2023/2022
RETAIL	312,577	327,543	-4.57%
CORPORATE	211,970	133,959	58.23%
TOTAL DEPOSITS	**524,547**	**461,502**	**13.66%**

FIGURE 1. CLIENT DEPOSITS



CREDIT OPERATIONS

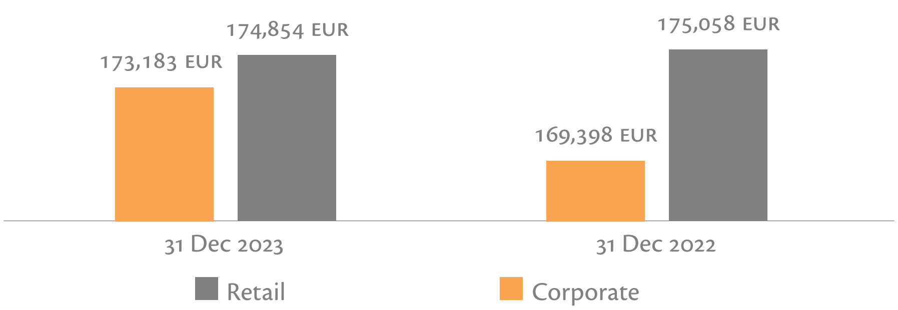
Total gross placements to clients as of 31 December 2023, amounted to 348.1 million euros, 1.04% more than in the previous year. If analysed by sectoral structure, as of 31 December 2023, placements to corporate amounted to 174.9 million euros and recorded a decrease of 0.1%, while placements to clients amounted to 173.2 million euros and recorded an increase of 2.2%.

TABLE 3. OVERVIEW OF PLACEMENTS TO CLIENTS

TOTAL LOANS TO CUSTOMERS (IN EUR 000)	31 DEC 2023	31 DEC 2022	CHANGE 2023/2022
TOTAL GROSS LOANS	**348,037**	**344,456**	**1.04%**
RETAIL	173,183	169,398	2.23%
CORPORATE	174,854	175,058	-0.12%
TOTAL RESERVES ON LOANS	-30,952	-30,856	0.31%
TOTAL NET LOANS	**317,085**	**313,600**	**1.11%**

In the structure of total citizen loans, the largest share hold cash loans (31.6%) and home loans (24.3%). In the structure of placements to corporate, the largest share hold the placements to the wholesale and retail trade sectors (21.1%), according to the manufacturing industry (16.1%) and the real estate sector (13.4%).

FIGURE 2. LOAN TO CUSTOMERS



TREASURY OPERATIONS

The Bank continued to operate in a high inflation and rising interest rates environment. Given high inflation rates, all major central banks continued to raise reference interest rates for most of the previous year. The U.S. FED raised interest rates from 4.25%-4.50% to 5.25%-5.50% in July 2023. Compared to the beginning of the year, the European Central Bank raised the interest rate on overnight deposits from 2.0% to 4.0% for major refinancing operations from 2.5% to 4.50%, and for lending options at the end of the day, from 2.75% to 4.75%.

Most of the surplus euro liquidity was placed in the form of overnight deposits at the Central bank, while part of the surplus was directed to debt securities with investment ratings, primarily government bonds and bonds issued by financial institutions. To a lesser extent, the Treasury invested in domestic and foreign equity securities. The Bank was active in the primary and secondary markets of government bonds in the Republic of Croatia. All purchased debt securities are distributed in a portfolio that is valued at amortized cost (ATR) in order to collect cash flows.

Surplus dollar liquidity is mainly directed towards buying U.S. Treasury bills, while one part is marketed in the form of short-term deposits with domestic banks in the interbank money market. Part of the liquidity is also directed towards the purchase of debt securities, mainly government bonds of the United States and the Republic of Croatia. CHF liquidity surpluses are placed in the form of short-term deposits on the domestic interbank market.

The value of the total portfolio of debt securities valued at amortised cost at the end of the year amounted to EUR 137.8 million. Issues from the Republic of Croatia that include government bonds of the Republic of Croatia and corporate issues play the dominant role in the portfolio. The total share of these types of issues in the portfolio is 63.1%. In the currency structure of the portfolio, the EUR segment refers to 89.8%, USD 9.1%, CHF 0.6% and CAD 0.5%.

In the asset structure of the equity portfolio, the share of foreign equity is 44.0%, while according to the currencies structure, the share of the USD segment is 29.0% and the share of the EUR segment is 71.0%. The equity portfolio on 31 December 2023, amounted to EUR 4.47 million, representing less than 1% of the Bank's total assets.

During 2023, Bank slightly increased its exposure to equity securities. Dividend income increased by 5.4% compared to 2022.

In 2024, with regard to the surplus of liquid euro assets, an increase in the portfolio of debt instruments is planned, primarily through investments in government bonds of the Republic of Croatia on the primary and secondary markets, whereby the remaining liquidity surpluses are to be continuously placed in an overnight deposit with the central bank.

Foreign currency liquidity will flow into time deposits at banks and into the purchase of treasury bills and foreign government bonds with short maturities in the currency of the country of residence.

PAYMENT TRANSACTIONS

The introduction of the euro as the national currency for payment systems in the Republic of Croatia means full interoperability with the clearing systems of other EU Member States and allows the bank's customers full availability of SEPA payments for the calculation of credit transfers and direct debits.

The safe and up-to-date functioning of payment operations is now regulated by EU regulations. The Croatian National Bank became a participant in the Eurosystem, and through the new consolidated Target platform, it provides banks with free money, securities, and collateral services across Europe. These services have several common features, such as centralised monitoring and liquidity management, securities settlement through Target2-Securities, the ISO 20022 payment messaging standard, and a single system of billing and price lists for payment transaction services. This has led to greater transparency and speed in the Bank's operations.

Bank has successfully adapted to new business conditions, providing complete and clear information to clients about the execution of payment transactions and enabling the use of services across different products. The new organisation and technology of work have brought good business results.

In 2023, the Bank carried out over 3.8 million client payment transactions worth over EUR 3.5 billion, representing an increase of 18.0% compared to the previous year. Cross-border payments within the European Union increased by 15.0%. Service fees charged recorded an increase of 3.0% while maintaining existing unit prices.

The Bank also actively participated in the capital markets, conducting the business of buying and selling equity and debt securities on the domestic and foreign markets, both for its portfolio and clients. Also, it used the settlement and custody services of Euroclear Bank Brussels, with the value of the purchase or sale settlements made for the Bank's bookkeeping portfolio over EUR 57.5 million and for custody operations over EUR 166.0 million. The Bank also conducted payment transactions through the SKDD worth 10.3milion euros.

In the upcoming period, the Bank will focus on providing new services, primarily through the new EuroNKSInst payment system, for the execution of payment transactions, between payers and payees in almost real-time, in just a few seconds. This system enables the debiting of the payer's IBAN account, the execution of the interbank statement of the default instant payment transaction and the approval of the payee's IBAN account.

BUSINESS NETWORK AND DIRECT CHANNELS

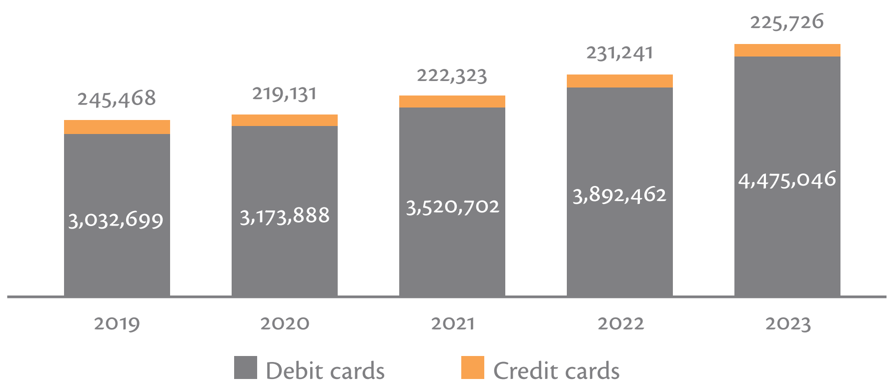
Podravska Banka is a universal bank that bases its business strategy on personal contact with clients. Bank's business network, distributed throughout the Croatian territory, consists of 21 branches organised in eight commercial centres. This way, the bank provides its customers, both citizens and businesses, with a wide range of products and services.

Through its branches, the Bank offers its customers with a wide range of credit products and services, deposit products in various currencies and maturities, and diversified investment products (brokerage and custody services, pension savings, and investment fund investment opportunities). In addition, numerous payment services and treasuries are available to customers.

Through direct channels, the Bank enables the acceptance of Maestro, Mastercard, VISA, and Diners cards at its ATMs. In addition to their ATMs, clients make free of charge cash withdrawals at over 1,000 MB NET ATMs across Croatia. In addition, the Bank has 422 EFTPOS terminals installed, and 1,759 single-POS EFTPOS terminals have been reported. During 2023, 463 thousand transactions were made at EFTPOS terminals, which amounts to an average of 1,097 transactions per terminal. At single-POS EFTPOS terminals, through cash registers, 299 thousand transactions were recorded, with an average of 170 transactions per terminal.

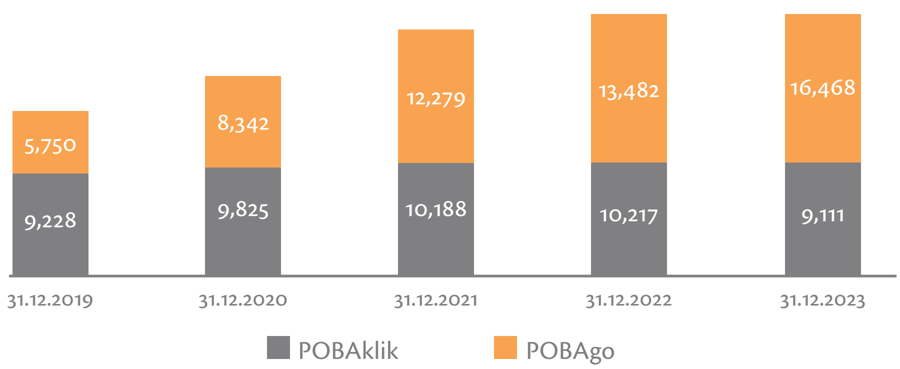
There was also an increase in payment card transactions in 2023. At the end of 2023, the number of card transactions increased by over 14.0% compared to the previous year.

FIGURE 3. CHANGES IN THE NUMBER OF CARD TRANSACTIONS



At the end of 2023, the total number of users of electronic services increased by 8.0% compared to the previous year. Particularly notable was the increase in users using mobile banking services (POBAgo), which recorded almost 22.0% more users compared to the previous year. On the other hand, there is a noticeable trend in the migration of existing internet banking users (POBAklik) towards mobile banking.

FIGURE 4. CHANGES IN THE NUMBER OF ELECTRONIC SERVICES USERS



In the upcoming period, the needs and expectations of clients will continue to require integrated distribution channels. Therefore, as a key digital transformation initiative, the Bank continues to improve its distribution channels: branches, internet and mobile banking, self-service devices, and telephone support.

HUMAN RESOURCES

As of 31 December 2023, the Bank had 226 employees. During 2023, 17 people were employed, mostly for the retail and corporate, while at the same time 27 employees quit. In the structure of employees out, of the total number of employees, 68.6% are female, while 52.0% of the total employees have higher education. More than 50.0% of the Bank's employees are engaged in direct work with clients.

The optimization of business processes takes place continuously through the implementation of new application solutions, which, together with the development of digitalization and the reorganization of companies, leads to a constant improvement of business processes and increases the efficiency of work and business. Great attention is paid to the professional development of employees through various forms of internal and external training, which were attended by almost two thirds of employees during the year. In 2024, the Bank will continue to invest in the professional development of employees and, if necessary, employ competent and professional personnel, primarily in the field of business with clients.

CAPITAL

The Bank's capital at the end of 2023 amounts to EUR 72,041 thousand and participated in 10.6% of the Bank's total sources of financing. Total capital increased by 15,469 thousand euros, or 27.3%, compared to the previous year.

The increase in total capital is mainly due to the good business performance in the year under review, the allocated profit from the previous year and the accumulated other comprehensive income due to the reclassification of the debt securities portfolio.

The Bank has decided to change the business model for debt securities it holds to collect cash flows and sell them into a holding business model for collecting contractual cash flows that includes the reclassification of the existing portfolio from 1 January 2023. The consequences of changing the business model and reclassifying the portfolio are reflected, among other things, in increasing the accumulated other comprehensive income by 11,284 thousand euros.

Based on the decision of the Bank's General Assembly, the total profit of the previous year in the amount of EUR 1,615,000 was allocated to the statutory reserves.

The increase in retained earnings by 134 thousand euros is the result of the purchase and sale of equity securities during the financial year.

The share capital amounts to EUR 36,781,000, and it consists of 668,749 ordinary shares in the name, each with a nominal value of EUR 55.00. As of 31 December 2023, the Bank has a total of 3,324 Treasury shares booked at procurement expense.

Based on the decision of the Bank's General Assembly, the conversion of share capital from kuna to euro was carried out while increasing the share capital at the expense of the Bank's reserves in the amount of EUR 1,278 thousand. Consequently, the nominal value of the share changed from EUR 53.09 (HRK 400.00) to EUR 55.00.

In 2023, there were no significant changes recorded in the stock structure. As in the previous year, a group of shareholders, including foreign individuals and legal entities acting jointly, holds 84.5% of the Bank shares. During 2023, the Bank did not acquire its own shares in the Treasury.

At the end of 2023, the regulatory capital amounted to EUR 77,332 thousand, of which EUR 61,811 thousand relates to Tier 1 capital and EUR 15,521 thousand to Tier 2 capital, and the regulatory capital rate is 20.5%.

The additional capital includes the non-depreciated part of three issues of subordinated bonds issued in the total nominal amount of EUR 16,172 thousand.

PROFIT AND LOSS STATEMENT

The Bank generated a profit before tax of EUR 5,131 thousand in 2023, while the net profit amounts to EUR 4,051 thousand.

Total operating income increased by 19.7% compared to the previous year. Net interest income amounts to 21,244 thousand euros and is higher by 8,359 thousand euros compared to the previous year, which is an increase of 64.9%. Interest income is higher by 9,301 thousand euros compared to 2022, while interest expenses are higher by 942 thousand euros.

In the structure of interest income, 33.9% refers to interest income from corporate clients, 33.5% to interest income from citizens, 17.3% to interest income from banks, 3.6% to interest income from public and other sectors, and 11.7% refers to interest income from investments in debt securities. Compared to the previous year, there is a significant increase in interest income from the placement of excess liquidity through deposits with the CNB.

In interest expenses, the largest part refers to citizens participating with 34.1%, while corporate clients' costs account for 32.3%, bank interest expenses account for 26.3%, and the remaining 7.3% refers to interest expenses to the public and other sectors.

Net fee and commission income amounts to EUR 4,291,000, which is EUR 157,000 more than in 2022 and represents an increase of 3.8%. During 2023, it generated EUR 270,000 more fees and commissions income, or more than 4.2% compared to 2022, of which the biggest increase in the amount of EUR 148,000, an increase of 33.1%, was realised from fees based on credit operations. Fee and commission costs are higher by 113 thousand euros, which is an increase of 4.8% compared to the previous year.

During the year, there was a significant shortfall in other operating income of EUR 85 thousand, mainly due to lower income from the sale of foreign currencies and the costs of adjusting the fair value of investments in securities.

Total administrative operating costs, which include material and service costs and employee costs, increased by 5.8% compared to 2022. Due to significant investments, primarily in software, and under the influence of leases under IFRS 16, depreciation costs increased by 13.9%.

After impairments and provisions that are higher by 5.2% compared to the previous year, the realised business results of Podravska Banka at the end of 2023 are in line with the planned sizes for the business year.

MANAGEMENT

STATEMENT ON THE APPLICATION OF THE CORPORATE GOVERNANCE CODE

Under the provisions of Article 272p. of the Companies Act, the Management and the Supervisory Board declare that Podravska banka d.d. applies the Corporate Governance Code jointly developed by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange. The Bank applies prescribed corporate governance measures with justifications for certain deviations within the Compliance Questionnaire and the Management Practices Questionnaire, where appropriate.

Information about internal supervision and risk management, as well as about the Bank's shareholders, is provided in the Notes to the Financial Statements. The rules on the appointment and revocation of appointments of members of the Management Board are contained in the Statute of the Bank.

The Bank's shareholders exercise their rights at the General Assembly of the Bank which decides on the issues determined by law and the Bank's Statute. The General Assembly is convened by the Management Board of the Bank, and it must be convened when requested by the Supervisory Board, the Management Board, or the shareholders, in accordance with law. Shareholders who wish to participate in the work of the General Assembly in person or by proxy must notify their participation in writing no later than the fifth day prior to the holding of the General Assembly meeting. Each ordinary share of the bank, with a nominal value of EUR 55.00, gives its holder the right to one vote.

In accordance with the provisions of the Statute, the Management Board of the Bank consists of two to five members, and the decision on the final number of members of the Management Board is made by the Supervisory Board. The President and members of the Management Board, with the prior consent of the Croatian National Bank, are appointed by the Supervisory Board for a term of up to five years with the possibility of reappointment.

The Supervisory Board may revoke its decision on the appointment of the President or Member of the Management Board when there is an important reason for doing so under the applicable law, and the President and Members of the Management Board may resign in writing.

The powers and responsibilities of the Bank's Management Board are determined by the Companies Act, the Credit Institutions Act, the Bank's Statute, and a special decision establishes the division of competencies among individual members of the Management Board. The Management Board of the Bank manages the Bank's operations and manages its assets, whereby it is obliged and authorized to take all actions and make all decisions necessary for the successful management of the Bank's operations.

Members of the Bank's Management Board must meet the requirements for holding the position of a member of the Management Board prescribed by the Companies Act, the Credit Institutions Act, relevant by-laws, and internal acts of the bank.

Members of the Management Board must jointly have the expertise, abilities, and experience necessary for independent and independent management of the Bank's business, and for understanding the activities and significant risks, i.e. collective adequacy derived from the assessment of the suitability of an individual member of the Bank's Management Board for the performance of the function of president or member of the Bank's Management Board.

Members of the Bank's Management Board are employed by the Bank in full-time employment.

In accordance with the decision of the Supervisory Board, the Bank's Management Board in 2023 had three members, the president and two members of the Management Board, appointed for a term of three years.

Members of the Bank's Management Board as of the date of this Report:
- Daniel Unger, President of the Management Board
- Goran Varat, Member of the Management Board
- Renata Vinković, Member of the Management Board

By the decision of the General Assembly of 21 January 2020, and its amendment 29 June 2021, the Bank's Management is authorized, depending on the Bank's financial condition, to acquire its shares in the organised securities market or by direct acquisition outside the organised securities market, i.e., through payment by direct purchase.

Members of the Supervisory Board must meet the requirements for holding the position of a member of the Supervisory Board prescribed by the Companies Act, the Credit Institutions Act, relevant by-laws, and internal acts of the bank.

Members of the Supervisory Board must jointly have the expertise, abilities, and experience necessary for independent and independent supervision of the Bank's activities, in particular for understanding the activities and significant risks, i.e. collective adequacy derived from the assessment of the suitability of an individual member of the Supervisory Board for the performance of the function of a member of the Supervisory Board.

Members of the Bank's Supervisory Board as of the date of this Report:
- Miljan Todorović, President of the Supervisory Board
- Sigilfredo Montinari, Deputy president of the Supervisory Board
- Michele Calcaterra Borri, Member
- Maurizio Dallocchio, Member
- Filippo Disertori, Member
- Antonio Moniaci, Member
- Dario Montinari, Member
- Dolly Predovic, Member
- Ezio Simonelli, Member

The powers of the Supervisory Board are regulated by legal and subordinate regulations, the Bank's Statute, and other internal acts.

During 2023, four regular meetings of the Supervisory Board were held, and besides that, the Supervisory Board decided in writing, whenever individual decisions should have been made without delay, mainly on granting the Supervisory Board's consent to the Bank's exposure to individual clients in accordance with legal regulations. All members of the Supervisory Board of the Bank were present at each meeting.

The Supervisory Board has established an Audit Committee and a Risk Committee. The tasks of the Remuneration Committee and the Nominations Committee are performed by the Supervisory Board.

The scope and manner of work of these boards are regulated by the regulations on the work of each board, in accordance with the relevant legal regulations. Members of these boards are appointed from among the Supervisory Board.

Risk Committee members:

- Sigilfredo Montinari – President of the Risk Committee
- Dolly Predovic – member of the Risk Committee
- Dario Montinari – member of the Risk Committee
- Miljan Todorović – member of the Risk Committee
- Ezio Simonelli – member of the Risk Committee

Committee members:

- Dolly Predovic – President of the Audit Committee
- Michele Calcaterra Borri – member of the Audit Committee
- Sigilfredo Montinari – member of the Audit Committee
- Dario Montinari – member of the Audit Committee
- Miljan Todorović – member of the Audit Committee

During 2023, the Audit and the Risk Committee held four meetings in the presence of all Committee members and discussed within the scope of their powers and responsibilities in accordance with the Bank's internal acts.

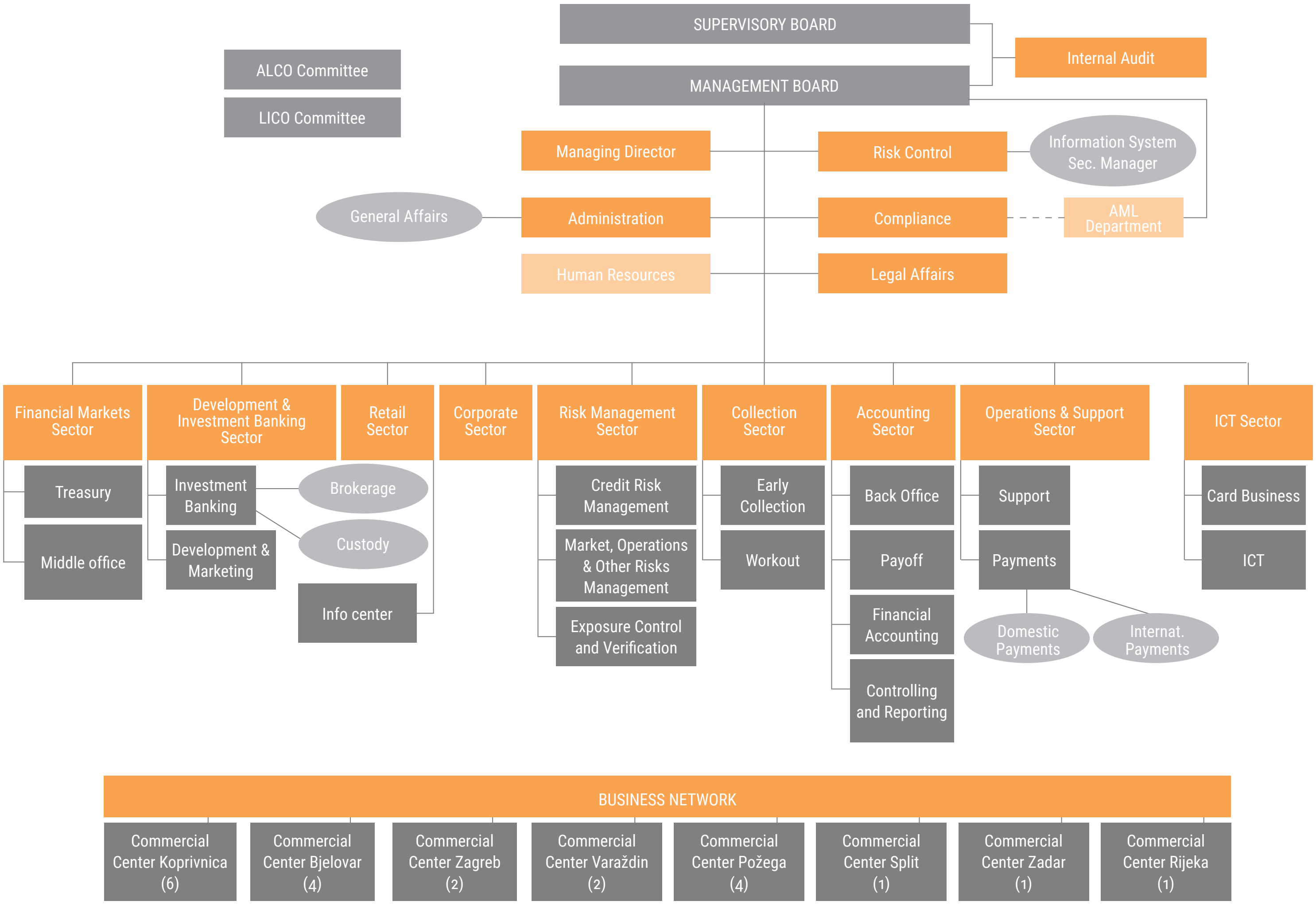
The diversity policy that is applied in relation to the members of the management and supervisory bodies has been established and is implemented in accordance with the adopted internal acts, the policy on the target structure of the Bank's Management Board and the policy on the target structure of the Supervisory Board. The rules on amendments to the Statute of the Bank are contained in the Statute itself. The decision on amendments is made by the General Assembly of the Bank in accordance with the law and the Statute, by votes representing at least three quarters of the share capital represented at the General Assembly when making the decision.

Amendments to the Statute are proposed by the Supervisory Board, the Management Board, and shareholders of the Bank. The Bank has established high standards of corporate governance to protect the interests of all investors, shareholders, clients, employees, and others who have an interest.

In accordance with the provisions of the Companies Act, this Statement on the Application of the Corporate Governance Code is an integral part of the Annual State of the Company Report for 2023.

The completed Share Issuer Compliance Questionnaire, containing all the answers and necessary clarifications, has been publicly published and is available on the Bank and Zagreb Stock Exchange websites.

ORGANISATIONAL STRUCTURE OF PODRAVSKA BANKA D.D.



* Number of Retail Centers within the Commercial Center

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 TOGETHER WITH THE INDEPENDENT AUDITOR`S REPORT

RESPONSIBILITIES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD FOR THE PREPARATION AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The Management Board of the PODRAVSKA BANKA d.d. (the "Bank") is required to prepare financial statements that give a true and fair view of the financial position of the bank and the results of its operations and cash flows, in accordance with International Financial Reporting Standards as established by the European Commission and published in the Official Journal of the European Union (IFRS), and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. The Management Board has a general responsibility for taking available measures to preserve the Bank's assets and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting appropriate accounting policies that are consistent with IFRSs that will be applied consistently, making reasonable and prudent judgements and assessments, and preparing financial statements based on the principle of unlimited operating time unless the assumption that the Bank will continue to operate is inappropriate.

The Management Board of the Bank is responsible for the submitting of annual report and financial statements to the Supervisory Board for approval. By granting the approval of the Supervisory Board to the annual report with financial statements, these reports are determined by the Management Board and the Supervisory Board and sent to the General Assembly for notification.

The Bank's financial statements on pages 11 to 98 are approved by the Management Board on 21 March 2024, for the purpose of their submission to the Supervisory Board, which was confirmed by the signature below.

The financial statements were approved by the Bank's Management on 21 March 2024, and they signed:

Daniel Unger	Goran Varat	Renata Vinković
President of the Management Board	Member of the Management Board	Member of the Management Board

Koprivnica, 21 March 2024

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Radnička cesta 180

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Podravska banka d.d., Koprivnica

The report on the audit of the annual financial statements

Opinion

We have audited the annual financial statements of Podravska banka d.d., Opatička 3, Koprivnica (further referred to as "the Bank"), which include the statement of financial position on 31 December 2023, the statement of comprehensive income, the statement of cash flows, and the statement of capital changes for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (further referred to as "the annual financial statements").

In our opinion, the attached annual financial statements present a true and fair view of the Bank's financial position on 31 December 2023, and its financial performance and cash flows for the year were then completed in accordance with the International Financial Reporting Standards established by the European Commission and published in the Official Journal of the European Union (IFRS).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (IAS). Our responsibilities under these standards are described in more detail in our independent Auditor's report in the section on the Auditor's responsibilities for the Audit of the annual financial statements. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including the International Standards of Independence issued by the International Standards of Ethics for Accountants Committee ("IESBA", "IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those that have been, in our professional judgement, of paramount importance to our audit of the annual financial statements of the current period and include the most significant risks of significant misrepresentation due to error or fraud with the greatest impact on our audit strategy, the allocation of our available resources, and the time spent by the engaged audit team. We have dealt with these matters in the context of our audit of the annual financial statements as a whole and in forming our opinion on them, and we do not give a separate opinion on these matters.

We have determined that the following matters are key audit matters and should be published in our Independent Auditor's Report:

Impairment of loans to clients

As of 31 December 2023, gross loans to customers in the financial statements amounted to EUR 348 million, associated impairment provisions amounted to EUR 31 million, and impairment cost recognised in the profit and loss account amounted to EUR 6.4 million (31 December 2022: gross loans to clients: EUR 344.5 million, impairment provisions: EUR 30.9 million, impairment cost recognised in the profit and loss account: 5.4 million euros).

Key audit matter

We focused on this area due to the significant amounts reported in the financial statements, as well as the nature of the judgements and assumptions that the Management Board is required to make.

Impairment represents the Management Board's best estimate of the risks of default and expected credit losses within the loan portfolio to clients at the reporting date.

IFRS requires the Management Board to make judgements about the future, and various items in the financial statements are subject to uncertainty of assessment. The estimates required to impair loans to customers represent significant estimates.

The main sources of uncertainty judgement related to the impairment of loans to customers are the identification of loans that are deteriorating, the assessment of a significant increase in credit risk, forecasting future cash flows, estimating inflows from collateral realisation, and determining the expected credit loss for loans and advances to clients that are inherently uncertain.

Impairment is measured either as a 12-month expected credit loss or as a lifelong expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

For individually significant clients or exposures to legal and individual persons who individually exceed EUR 40,000 and who have defaulted (non-performing exposures), the impairment assessment is based on the knowledge of each debtor, and often on the assessment of the fair value of the related collateral.

Related impairment provisions are determined on an individual basis based on the present value of discounted future cash flows.

The impairment of income exposures to citizen and legal entities, non-performing exposures to retail, and non-performing exposures to legal and individual persons of less than EUR 40,000 shall be determined using a model (collectively 'bulk impairment').

Historical experience, identification of exposures with significant deterioration in credit quality, future-related in-

How we addressed the key audit matter

In order to address the risk associated with the impairment of credit and advances to clients, an area designated as a key audit matter, we have designed audit procedures that have enabled us to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
Our audit procedures in this area included, among others:

- an overview of the Bank's methodology for calculating expected credit loss and assessing compliance with the relevant requirements of the International Financial Reporting Standard 9: Financial Instruments ("IFRS 9"),
- understanding the process of determining the impairment of loans to clients, IT applications used, assumptions for data used in the expected credit loss model,
- assessing the design, implementation, and operational effectiveness of controls in credit risk management and lending business processes and testing key controls related to the granting, recording, and monitoring of loans,
- testing the design, implementation, and operational efficiency of selected key controls, as well as controls related to the identification of impairment events, the adequacy of classification between yielding and non-performing loans and their segmentation into homogeneous groups, the calculation of delay days, the assessment of collateral value, and the calculation of impairment provisions,
- verifying, based on a sample, whether the definition of default is consistently applied and the correctness of the allocation at individual stages of credit risk is consistently applied in accordance with the relevant policies,
- evaluating the overall model for the calculation of expected credit losses, including the calculation of the main risk parameters and macroeconomic factors (probability of default (PD), default loss (LGD) and default exposure (EAD)),
- testing the adequacy of individual impairments, based on a sample of individual loans, with a focus on exposures, with potentially the greatest impact on annual financial statements due to their size and riskiness and smaller exposures which we independently assessed as high-risk,
- conducting an evidentiary test on the selected sample to assess the correctness of the classification of the loans to customers,
- in certain cases, we have used our own judgment to

formation, and Management assessments are included in the model assumptions. The Bank continuously adjusts the parameters of the model, which also requires our increased attention during the audit. ***Related disclosures in the corresponding annual financial statements*** For further information, see Note 2 of the Annual Financial Statements in which the accounting policies are published, Note 6 Impairment and Provision Expenses and Note 13 Loans to customers. We identified the valuation of investment properties as a key audit matter due to their significance and because significant judgement is involved in determining the inputs used in the valuation.	determine the parameters for calculating the impairment losses of loans to customers and to compare our calculations with the impairment calculated by the Bank, • evaluating the accuracy and completeness of disclosures in the financial statements.

Other information

Management Board is responsible for other information. Other information includes the information reported in the Bank's Annual Report but does not include the annual financial statements and our Independent Auditor's Report on them.

In connection with our audit of the annual financial statements, it is our responsibility to read the other information and, in doing so, consider whether the other information is materially contrary to the annual financial statements, our findings gained in the audit, or otherwise appears to be materially misrepresented.

Regarding the Management Board Report for the Bank and the Statement on the Application of the Corporate Governance Code, we have also implemented the procedures required by the Croatian Accounting Act ("Accounting Act"). These procedures include consideration of:

- whether the Management Board Report for the Bank has been prepared in accordance with Articles 21 and 24 of the Accounting Act;
- whether the specific information in the Declaration on the application of the Corporate Governance Code required by Article 22(1)(3) and (4) of Regulation (EU) No 1303/2013; Accounting Act ("relevant parts of the Statement on the Application of the Code of Corporate Governance"), prepared in accordance with the provisions of Article 22 of the Code of Accounting of the Accounting Act;
- whether the Statement on the Application of the Corporate Governance Code includes disclosures by Article 22(1), points 2, 5, 6 and 7 of the Accounting Act.

Based on the procedures required as part of our audit of the annual financial statements and the above procedures, in our opinion:

- The information contained in the Management Board Report for the Bank and the relevant parts of the Statement on the Application of the Corporate Governance Code for the year in which the financial statements have been prepared are aligned, in all material determinants, with the Bank's annual financial statements shown on pages 12 to 98, to which we have expressed an opinion as presented in the Opinion section above;
- The Management Board Report for the tank and the relevant parts of the Statement on the Application of the Corporate Governance Code have been prepared, in all material determinants, in accordance with Articles 21, 22 and 24 of the Accounting Act;
- The declaration of Application of the Corporate Governance Code includes the information required by Article 22(1), (2), (5), (6) and (7) of the Accounting Act.

Furthermore, considering the Bank's knowledge and understanding of the environment in which it operates, which we acquired during our audit, it is our duty to report whether we have identified significant misstatements in the Annual Report. In that sense, we have nothing to report.

Responsibilities of the Bank's Management Board and those in charge of management for the Annual Financial Statements

The Management Board is responsible for the preparation of annual separate and consolidated financial statements that give a true and fair view in accordance with IFRS and for those internal controls that the Management Board determines are necessary to enable the preparation of those financial statements, without material misrepresentation due to fraud or error. In preparing the annual financial statements, the Management Board is responsible for assessing the Bank's ability to continue operating indefinitely, disclosing, where applicable, issues related to timeless operations and the use of an accounting basis based on time limitlessness of operations, unless the Bank's Management Board either intends to liquidate the Bank or discontinue operations or has no realistic alternative but to do so.

Those in charge of management are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of annual financial statements

Our objectives are to gain reasonable assurance as to whether the annual financial statements are without significant misrepresentation due to fraud or error and to issue an independent auditor's report that includes our opinion. Reasonable belief is a higher level of belief, but it is not a guarantee that an audit carried out in accordance with ISAs will always reveal a significant misrepresentation when it exists. Misstatements may arise due to fraud or error and are considered significant if they can reasonably be expected to influence, individually or in total, the economic decisions of users made based on those annual financial statements.

As a part of the Audit in accordance with ISAs, we create professional judgements and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of a significant misstatement of annual financial statements due to fraud or error, design and perform audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not disclosing a significant misstatement due to fraud is greater than that due to error, as fraud may include secret agreements, counterfeiting, deliberate dropping, misrepresentation, or avoiding internal controls.
- gain an understanding of internal audit-relevant controls in order to design audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls.
- evaluate the adequacy of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the Bank's Management Board.
- conclude on the adequacy of the accounting base used based on the time limitlessness of operations used by the Bank's Management Board and, based on the audit evidence obtained, conclude whether there is significant uncertainty regarding events or circumstances that may create significant doubts about the Bank's ability to continue operating indefinitely. If we conclude that there is significant uncertainty, we are required to draw attention in our independent auditor's report to related disclosures in the annual financial statements or, if such disclosures are not appropriate, to modify our opinion. Our conclusions are

based on audit evidence obtained up to the date of our Independent Auditor's Report. However, future events or conditions may cause the Bank to cease operations for an indefinite period of time.
- evaluate the entire presentation, structure, and content of the annual financial statements, including disclosures, as well as whether the annual financial statements reflect the transactions and events on which they are based in a way that achieves a fair presentation.

We communicate with those in charge of management regarding, among other issues, the planned scope and timing of the audit and significant audit findings, including any significant gaps in internal controls that were detected during our audit.

We also give a statement to those in charge of management that we have complied with relevant ethical requirements regarding independence and will communicate with them on all relationships and other issues that may reasonably be considered to affect our independence, as well as, where applicable, related protections.

Among the issues communicated with those in charge of management, we determine those issues that are significant in the audit of the annual financial statements of the current period and are therefore key audit matters. We describe these matters in our Independent Auditor's Report, unless a law or regulation prevents the public disclosure of a matter or when we decide, in extremely rare circumstances, that the matter should not be communicated in our Independent Auditor's Report because it can reasonably be expected that the negative consequences of the communication would outweigh the benefits of the public interest from such communication.

Report on other legal requirements
On 25 May 2023, we were appointed by the General Assembly of the Bank to audit the annual financial statements for 2023.

As of the date of this Independent Auditor's Report, we are continuously engaged in carrying out the statutory audit of the Bank's annual financial statements for2019, which totals 5 years. In the audit of the Bank's annual financial statements for 2023, we determined the significance for the annual financial statements, as follows:
- for annual financial statements: EUR 1.4 million

representing approximately 2% of the Bank's net assets as of 31 December 2023,

We have chosen net assets as a measure of significance because we believe that this is the most appropriate measure of significance according to which users most often evaluate the success of the Bank's operations, and it is also a generally accepted scale.

Our audit opinion is consistent with the additional report for the Bank's audit board prepared in accordance with the provisions of Article 11 of Regulation (EU) No. 537/2014.

During the period between the starting date of the Bank's audited annual financial statements for 2023 and the date of this Report, we did not provide prohibited non-audit services to the Bank and did not provide services in the financial year prior to the aforementioned period to design and implement internal control procedures or risk management related to the preparation and/or control of financial information or the design and implementation of technological systems for financial information, and in performing audit, we have preserved independence from the Bank.

Based on the decision of the Croatian National Bank on the structure and content of the annual financial statements of banks (OG 42/18 and 122/20), the Management Board of the Bank has prepared the forms shown on pages 99 to 118 ("Forms"). The financial information presented in the forms is in accordance with the information presented in the annual financial statements shown on pages 11 to 98, to which we have expressed an opinion as presented in the Opinion section above.

Based on the obligation arising from the Credit Institutions Act (OG 159/13, 19/15, 102/15,15/18, 70/19, 47/20 and 146/20), the Bank presented the requested information on pages 119 to 120, which contains all the information prescribed by Article 164, paragraph 1 of the Credit Institution act. The information presented is derived from the Bank's financial statements shown on pages 11 to 98 to which we have expressed our opinion as presented in the Opinion section above.

Report based on the requirements of the ESEF Regulation
Report on the auditor's certificate of compliance of the annual separate and consolidated financial statements ('the financial statements'), prepared pursuant to article 462(5) of Regulation (EU) No.1306/2013; Capital Market Act (Official Gazette, No. 65/18, 17/20, and 83/21) by applying the requirements of Delegated Regulation (EU) 2018/815, which defines a single electronic reporting format for issuers (hereinafter: the ESEF Regulation).

We have engaged in expressing reasonable belief that the financial statements have been prepared for the purposes of public disclosure under Article 462(5) of the Treaty on the Functioning of the European Union. In accordance with Article 10 of the Capital Market Act, which is contained in the electronic file Godišnji financijski izvještaj Podravske banke 2023, prepared in all materially significant aspects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the Management Board and those in charge of management
The Bank's Management Board is responsible for the preparation and content of financial statements in accordance with the ESEF Regulation.

In addition, the Management Board of the Bank is responsible for maintaining a system of internal controls that, to a reasonable extent, ensures the preparation of financial statements without material non-compliance with the reporting requirements of the ESEF Regulation, whether due to fraud or error.

The Bank's Management Board is also responsible for:

- public disclosure of the financial statements contained in the annual report in the current XBRL format and
- selection and use of XBRL codes in accordance with the requirements of the ESEF Regulation.

Those in charge of management are responsible for supervising the preparation of financial statements in the ESEF format as part of the financial reporting process.

Responsibilities of the auditor
It is our responsibility to express a conclusion, based on the audit evidence collected, as to whether the financial statements are free of material non-compliance with the requirements of the ESEF Regulation. We have conducted this engagement with the expression of reasonable conviction in accordance with the International Standard on Belief Expression Engagements (MSIU) 3000 (amended)- Engagements with the expression of beliefs other than audits or insights into historical financial information.

Performed procedures

The nature, timeframe, and scope of the procedures selected depend on the auditor's judgment. Reasonable belief is a high degree of assurance; however, it does not ensure that the scope of the test will reveal any significant (material) non-compliance with the ESEF Regulation.

As part of the selected procedures, we have performed the following activities:

- we have read the requirements of the ESEF Regulation,
- we have gained an understanding of the Bank's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or error; and
- based on that, we have planned and designed procedures to respond to assessed risks and to obtain reasonable belief for the purpose of expressing our conclusion.

The aim of our actions was to assess whether:

- financial statements are prepared in a valid XHTML format,
- the information contained in the financial statements required by the ESEF Regulation, is marked, and all labels meet the following requirements:
  - The XBRL mark language was used,
  - the elements of the basic taxonomy listed in the ESEF Regulation with the closest accounting significance have been used, unless an additional element of taxonomy has been created in accordance with Annex IV of the ESEF Regulations,
  - the labels comply with the common labelling rules under the ESEF Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, based on the performed procedures and the evidence obtained, the financial statements presented in ESEF format, contained in the above-mentioned attached electronic file, and based on the provisions of Article 462, paragraph 5 of the Code of Civil Procedure. In accordance with Article 12 of the Capital Market Regulation prepared for the purpose of public disclosure, all significant determinants are in accordance with the requirements of the ESEF Regulation for the year ended 31 December 2023.

Our conclusion is not an opinion on the truthfulness and fair presentation of financial statements presented in electronic form. In addition, we do not express our assurance about other information published with documents in ESEF format.

The partner engaged in the audit of the Bank's annual financial statements for 2023, which results in this Independent Auditor's Report, is Ivan Čajko, certified auditor.

In Zagreb, 21 March 2024

BDO CROATIA
BDO Croatia d.o.o.
za pružanje revizorskih, konzalting
i računovodstvenih usluga
Zagreb, J. F. Kennedy 6/b

BDO Croatia d.o.o.
Radnička cesta 180
10000 Zagreb

Hrvoje Stipić, President of Management Board

Ivan Čajko, certified auditor

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

IN EUR THOUSANDS	NOTE	2023	2022
INTEREST INCOME AND SIMILAR INCOME	3	23,653	14,352
INTEREST EXPENSE AND SIMILAR EXPENSE	3	(2,409)	(1,467)
NET INTEREST INCOME		**21,244**	**12,885**
FEE AND COMMISSION INCOME	4	6,761	6,491
FEE AND COMMISSION EXPENSE	4	(2,470)	(2,357)
NET FEE AND COMMISSION INCOME		**4,291**	**4,134**
OTHER OPERATING INCOME, NET	5	85	4,386
OPERATING INCOME		**25,620**	**21,405**
IMPAIRMENT EXPENSES AND PROVISIONS	6	(5,936)	(5,645)
ADMINISTRATIVE EXPENSES	7	(12,685)	(11,987)
DEPRECIATION AND AMORTIZATION	8	(1,868)	(1,641)
PROFIT BEFORE TAX		**5,131**	**2,132**
CORPORATE INCOME TAX	9	(1,080)	(517)
NET PROFIT		**4,051**	**1,615**
OTHER COMPREHENSIVE INCOME			
NET INCREASE/(DECREASE) IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	15	10,640	(10,528)
DEFERRED TAX RECOGNISED IN CAPITAL	9	-	(20)
OTHER COMPREHENSIVE LOSS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS IN THE FUTURE		**10,640**	**(10,548)**
NET INCREASE/(DECREASE) IN THE FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUES THROUGH OTHER COMPREHENSIVE INCOME	15	919	(543)
DEFERRED TAX RECOGNISED IN CAPITAL	9	(141)	140
OTHER COMPREHENSIVE LOSS THAT IS NOT RECLASSIFIED TO PROFIT OR LOSS IN THE FUTURE		**778**	**(403)**
OTHER COMPREHENSIVE INCOME/(LOSS)		**11,418**	**(10,951)**
TOTAL COMPREHENSIVE INCOME/(LOSS) AFTER TAX		**15,469**	**(9,336)**
EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS	**10**	**6.06 EUR**	**2.41 EUR**

The attached accounting policies and notes on pages 42 to 113 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2023

IN EUR THOUSANDS	NOTE	31 DECEMBER 2023	31 DECEMBER 2022
ASSETS			
CASH AND BANK ACCOUNTS	11	179,882	150,225
PLACEMENTS WITH OTHER BANKS	12	15,474	691
LOANS TO CUSTOMERS	13	317,085	313,600
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	14	1,500	4,292
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	15	4,466	89,117
HELD-TO-MATURITY FINANCIAL ASSETS	16	137,526	23,077
INTANGIBLE ASSETS	17	7,749	7,752
PROPERTY AND EQUIPMENT	18	2,946	4,029
RIGHT-OF-USE ASSETS	19	4,066	4,598
INVESTMENT PROPERTY	20	2,831	2,835
NON-CURRENT ASSETS HELD FOR SALE	21	0	35
DEFERRED TAX ASSETS	9	858	879
OTHER ASSETS	22	6,540	6,171
TOTAL ASSETS		**680,923**	**607,301**
LIABILITIES AND SHAREHOLDERS EQUITY			
LIABILITIES			
LIABILITIES TO OTHER BANKS	23	7,405	3,821
LIABILITIES TO CUSTOMERS	24	524,546	461,502
OTHER BORROWED FUNDS	25	48,245	54,668
OTHER LIABILITIES	26	10,915	12,338
PROVISIONS FOR CONTINGENT LIABILITIES AND EXPENSES	27	1,432	2,060
ISSUED SUBORDINATED INSTRUMENTS	28	16,339	16,340
TOTAL LIABILITIES		**608,882**	**550,729**
SHARE CAPITAL			
SHARE CAPITAL	29	36,781	35,503
SHARE PREMIUM		400	400
TREASURY SHARES		(157)	(157)
RESERVES	30	29,621	18,000
PROFIT FOR THE YEAR		4,051	1,615
RETAINED EARNINGS		1,345	1,211
TOTAL SHAREHOLDERS' EQUITY		**72,041**	**56,572**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		**680,923**	**607,301**

The attached accounting policies and notes on the pages 42 to 113 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

IN EUR THOUSANDS	NOTE	2023	2022
PROFIT BEFORE TAX	**9**	**5,131**	**2,132**
ADJUSTED BY:			
DEPRECIATION AND AMORTISATION	8	1,868	1,641
NET INCOME ON THE SALE OF NON-CURRENT TANGIBLE ASSETS	5	(364)	(2,747)
NET INCOME ON THE SALE OF FORECLOSED ASSETS	5	(244)	(36)
INCREASE IN PROVISIONS FOR LOANS AND OTHER PROVISIONS	6	5,936	5,645
DIVIDEND INCOME	5	(175)	(166)
NET UNREALIZED GAIN/(LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	5	1,509	595
NET (POSITIVE) /NEGATIVE EXCHANGE RATE DIFFERENCES FROM ISSUED SUBORDINATE INSTRUMENTS	5	-	27
PROFIT FROM OPERATIONS BEFORE CHANGES IN OPERATING ASSETS		**13,661**	**7,091**
CHANGES IN OPERATING ASSETS			
NET DECREASE/(INCREASE) OF FUNDS WITH CROATIAN NATIONAL BANK		-	23,615
NET INCREASE OF LOANS TO CUSTOMERS		(9,849)	(32,039)
NET DECREASE / (INCREASE) OF PLACEMENTS TO BANKS		(5,371)	108
NET (INCREASE)/DECREASE OF OTHER ASSETS		(1,831)	(265)
NET (INCREASE) / DECREASE OTHER LIABILITIES		(624)	3,107
NET (INCREASE) / DECREASE OF LIABILITIES TO OTHER BANKS		3,584	1,708
INCREASE IN DEPOSITS FROM CUSTOMERS		63,044	47,226
CORPORATE INCOME TAX PAID		(975)	(442)
NET CASH FROM OPERATIONS		**61,639**	**50,109**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
PURCHASE OF PROPERTY AND EQUIPMENT	18	(101)	(249)
PURCHASE OF INTANGIBLE ASSETS	17	(609)	(1,744)
DISPOSAL OF PROPERTY AND EQUIPMENT		1,000	6,085
NET DECREASE / (INCREASE) OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		1,283	17,851
NET DECREASE / (INCREASE) OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		749	2,049
DIVIDENDS RECEIVED		175	166
INCREASE IN HELD-TO MATURITY INVESTMENTS		(19,051)	(23,084)
NET (INCREASE) / DECREASE OF FORECLOSED ASSETS		395	(3,928)
NET CASH FLOW FROM INVESTMENT ACTIVITIES		**(16,159)**	**(2,854)**
CASH FLOW FROM FINANCIAL ACTIVITIES			
EXPENDITURE FROM BORROWED FUNDS		(6,423)	(2,624)
RECEIPTS / (EXPENDITURE) FROM ISSUED BONDS		-	6,862
NET CASH FLOW FROM FINANCIAL ACTIVITIES		**(6,423)**	**4,238**
NET CASH RECEIVED / (PAID)		**39,057**	**51,493**
CASH AT THE BEGINNING OF THE PERIOD	**11**	**150,298**	**98,805**
CASH AT THE END OF THE PERIOD	**11**	**189,355**	**150,298**

The attached accounting policies and notes on the pages 42 to 113 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

IN EUR THOUSANDS	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	CAPITAL GAINS	RESERVES	RETAINED EARNINGS / (LOSS)	PROFIT FOR THE YEAR	TOTAL
BALANCE ON 31 DECEMBER 2021	**35,503**	**400**	**(157)**	**(555)**	**27,718**	**977**	**2,022**	**65,908**
PROFIT FOR THE YEAR	-	-	-	-	-	-	1,615	1,615
CHANGES IN THE FAIR VALUE RESERVES	-	-	-	-	(10,951)	-	-	(10,951)
SALE OF EQUITY INSTRUMENTS AT FVOCI	-	-	-	-	(234)	234	-	-
ALLOCATION OF 2021 PROFIT	-	-	-	-	2,022	-	(2,022)	-
BALANCE ON 31 DECEMBER 2022	**35,503**	**400**	**(157)**	**(555)**	**18,555**	**1,211**	**1,615**	**56,572**
RE-NOMINATION AND INCREASE OF SHARE CAPITAL	1,278	-	-	-	(1,278)	-	-	-
PROFIT FOR THE YEAR	-	-	-	-	-	-	4,051	**4,051**
CHANGES IN THE FAIR VALUE RESERVES	-	-	-	-	11,418	-	-	**11,418**
SALE OF EQUITY INSTRUMENTS AT FVOCI	-	-	-	-	(134)	134	-	-
ALLOCATION OF 2022 PROFIT	-	-	-	-	1,615	-	(1,615)	-
BALANCE ON 31 DECEMBER 2023	**36,781**	**400**	**(157)**	**(555)**	**30,176**	**1,345**	**4,051**	**72,041**

The attached accounting policies and notes on the pages 42 to 113 are an integral part of these financial statements.

1 GENERAL INFORMATION

Podravska banka d.d., Koprivnica (the "Bank") was incorporated in the Republic of Croatia and registered as a joint stock company at the Commercial Court in Bjelovar on 12 July 1995. The registered seat of the Bank is in Koprivnica, Opatička 3.

BASIS OF PREPARATION

Basis of accounting

The annual financial statements were prepared in accordance with the International Financial Reporting Standards established by the European Commission and published in the Official Journal of the European Union (IFRS).

The Bank's operations are subject to the Credit Institutions Act, according to which the Bank's financial reporting is determined by the Croatian National Bank ("CNB"), which is the central supervisory institution of the banking system in Croatia.

Basis of measurement

The financial statements are prepared on a fair value basis for derivative financial instruments, trading assets and liabilities, other financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income and non-financial assets, except for those for which a reliable measure of fair value is not available. Other financial assets and liabilities, and non-financial assets and liabilities, are stated at amortized or historical cost.

The financial statements are intended for informational purposes; they are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly, users should not rely exclusively on these financial statements when making decisions.

Functional and reporting currency

The items included in the Bank's financial statements are expressed in the currency of the primary economic environment in which the Bank operates (function currency). Given that the Republic of Croatia has introduced the euro as the official currency from 1 January 2023, in accordance with the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia, the Bank has, for the purpose of preparing the financial statements for the year ended 31 December 2023, changed the presentation currency from kuna to euro, and the financial statements for the year ended 31 December 2023, were the first prepared in euros. As of 1 January 2023, the euro is also the Bank's functional currency (until 1 January 2023, it was kuna). Although the change in the presentation currency in the financial statements represents a change in accounting policy that requires retroactive application, The Bank did not publish the third Statement of financial position in the financial statements for the year ended 31 December 2023, in accordance with International Accounting Standard 8 (IAS) Accounting Policy, changes in accounting estimates, and errors, since it found that the change in the presentation currency does not have a significant impact on the Bank's financial statements, due to the stable exchange rate of HRK/EUR in the last few years.

The financial statements for 2022 were prepared in kuna as a functional and reporting currency that was valid until 31 December 2022. In the financial statements for the year ended 31 December 2023, the financial data for 2022 are presented in euros and recalculated at the fixed conversion rate (1 EUR= 7.53450 kuna).

The amounts are rounded to the nearest thousand (unless otherwise stated).

Use of assessments and judgements

The preparation of financial statements in accordance with IFRS requires Management to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, the disclosure of contingent and assumed liabilities at the reporting date, as well as the amounts of income, expenses, and other comprehensive income during the reporting period. Actual results may differ from estimates.

Estimates and related assumptions are continuously reviewed. The effects of changes in accounting estimates are recognised in the period in which the estimate is amended, if the change affects only that period, or in the period of change and future periods if the change affects current and future periods.

Information on Management judgements, relating to the application of IFRS and having a significant impact on financial statements and information on estimates with a significant risk of possible significant adjustment in the following year, is published in Note 2.

2 BASIC ACCOUNTING POLICIES

ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND INTERPRETATIONS

The first application of new amendments to existing standards in force for the current reporting period

In the current reporting period, the following amendments to existing standards published by the International Accounting Standards Board ("OMRS") and adopted by the European Union are in force:

- IFRS 17 "Insurance Contracts" and related amendments to IFRS 17 "Insurance Contracts" - in force for annual periods starting on or after 1 January 2023
- Amendment to IAS 1 "Presentation of Financial Statements" and IFRS Statement of Practices 2- Disclosure of Accounting Policies, in force for annual periods commencing on or after 1 January 2023
- Amendment to IAS 8 "Accounting policies, changes in accounting estimates and errors"- Definition of accounting estimates, in force for annual periods starting on or after 1 January 2023
- Amendment to IAS 12 "Corporate Income Taxes"- Deferred taxes related to assets and liabilities arising from the same transaction, in effect for annual periods starting on or after 1 January 2023
- Amendment to IAS 12 "Corporate Income Taxes"- International Tax Reform, Model Rules Related to the Second Pillar, in force immediately and for annual periods starting on or after 1 January 2023

The adoption of these amendments to the existing standards did not lead to significant changes in the Bank's financial statements.

Standards and amendments to existing standards published by IASB and adopted in the European Union but not yet in force

On the date of approval of these financial statements, the following amendments to the existing standards published by the IASB and adopted in the European Union were published, but not in force:

- Amendment to IFRS 16 "Leases"- Lease-based liability in a lease-back sales transaction, in force for annual periods commencing on or after 1 January 2024
- Amendment to IAS 1 "Presentation of financial statements"- Classification of liabilities into short-term or long-term, classification of deferred liabilities on short-term and long-term and long-term liabilities related to covenants, in force for annual periods starting at or after 1 January 2024

New standards and amendments to existing standards published by OMRS but not yet adopted in the European Union

IFRS currently adopted in the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to existing standards, about which adoptions in the European Union on 31 December 2023, have not yet taken a place (the dates of entry into force listed below refer to IFRS issued by IASB):

- Amendment to IAS 7 "Cash Flow Statement" and IFRS 7 "Financial Instruments: Disclosure"-Supplier Financing Arrangements, in force for annual periods starting on or after 1 January 2024
- Amendment to IAS 21 "Effects of foreign currency exchange rate changes"- Effects of foreign exchange rate changes: inability to convert (effective for annual periods beginning on or after 1 January 2025

The Bank expects that the adoption of the following new standards and amendments to existing standards will not lead to significant changes in the Bank's financial statements in the period of the first application of the standard.

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Bank's principal accounting policies is set out below.

Basis of an accounting

The Bank keeps its business books in EUR in accordance with International Financial Reporting Standards (IFRS).

Interest income and expenses and similar income and expenses

Interest income is calculated based on outstanding principal and at the effective interest rates in place, which represent the rate at which estimated future cash inflows are discounted up to the net carrying amount of the financial asset during its expected life.

Interest income and expenses and similar income and expenses

Loan granting fees that are likely to be withdrawn are deferred, together with the associated direct costs of the authorisation and recognised as adjusting the effective return on credit, thus adjusting interest income.

Loans where impairment has occurred are reduced to the recoverable amount, and interest income is subsequently recognised off-balance sheet based on the interest rate used to discount future cash flows for the purpose of measuring the recoverable amount. Other fees are recognised at the time of earnings. Dividend income is recognised after voting.

Fee and commission income

Fee and commission income mainly consist of fees for granting guarantees and fees for other services of the bank, commissions for the management of funds of legal and individual persons, and fees for foreign and domestic payments.

Fees are recognised in revenue when a related service is performed. The fee for granting loans that are very likely to be realised is delimited and recognised as a correction of the actual yield.

Operating income

Operating income includes net interest income, net income from fees and commissions, income from the purchase and sale of foreign currencies, income from the purchase and sale of securities from the portfolio of financial assets at fair value through other comprehensive profits, income from the purchase and sale and changes in the fair value of financial assets at fair value through the profit and loss account, net income from the reduction of foreign currencies to the middle exchange rate, profits from the sale of property and equipment, dividends received, and other income from operations.

Foreign currencies

Revenues and expenses from transactions in foreign means of payment are converted into euros at the official exchange rate valid on the date of the transaction. Monetary assets and liabilities denominated in foreign currency were converted into euros at the middle exchange rate of the CNB, valid on the last day of the accounting period. Gains and losses arising from the conversion of foreign currencies are shown in the profit and loss account for the year to which they relate.

Expenses of employees

The right to annual leave is recognised during the period of its occurrence. The Bank recognises the obligation for accumulated allowances for leave from work based on unused vacation days on the reporting day.

The expenses of the members of the Supervisory Board are included in the expenses of employees in accordance with the remuneration policy. When preparing financial statements for the current business year, the expenses of the members of the Supervisory Board for 2023 were reclassified from the position of other material costs to the position of expenses of employees of the previous period.

Employee contributions

According to domestic legislation, the Bank has an obligation to pay contributions to pension and health insurance funds. This obligation applies to permanent employees, and according to it, the employer is obliged to pay contributions in a certain percentage amount determined based on gross salary:

	2023	2022
PENSION CONTRIBUTIONS	20%	20%
HEALTH INSURANCE CONTRIBUTIONS	16.5%	16.5%

The Bank also has an obligation to deduct said contributions from the gross salary of employees.

Contributions on behalf of the employee and on behalf of the employer shall be calculated as the expense of the period in which they were incurred.

During regular operations, when paying salaries, the Bank on behalf of its employees, who are members of mandatory pension funds, makes regular payments of contributions in accordance with the law. Mandatory pension contributions to funds are reported as part of the cost of salaries when accounted for. The Bank does not have an additional pension plan and therefore has no other obligations regarding employee pensions. Also, the Bank has no obligation to provide any other income to employees after their retirement.

Corporate income tax

The expense of corporate tax contains current and deferred corporate tax. Corporate income tax is calculated on taxable profits at the applicable rate. Corporate income tax is recognised in the profit and loss account, except for corporate income tax relating to items recognised directly in other comprehensive profit or capital, where the tax is also recognised in other comprehensive profit, that is, directly in equity. The Bank pays a profit tax of 18% on taxable profits, in accordance with the Corporate Income Tax Act.

Current corporate income tax

Current tax represents the expected tax liability calculated on taxable profit for the year using tax rates that were in force or were essentially valid at the reporting date and any adjustments to the tax liability from previous periods. The amount of tax liability or advances represents the best estimate of the expected amount of tax to be paid or received, which reflects uncertainties related to corporate income tax, if any.

Deferred corporate income tax

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effects of the temporary differences between the book value of assets and liabilities for financial reporting purposes and the value used for the purpose of corporate tax calculations. Deferred tax assets and liabilities are valued using tax rates that are expected to apply to taxable profits in years where those temporary differences are expected to be recovered or settled.

Deferred tax assets and liabilities are reported regardless of when temporary differences are expected to be cancelled. Deferred tax assets are recognised at a time when sufficient taxable profits are likely to be generated, to which deferred tax assets may apply. On the date of reporting, the Bank reassesses the inexpressible deferred tax assets and the adequacy of the book value of tax assets.

Cash and cash equivalents

For the purpose of preparation of the Statement of Cash Flows, cash and cash equivalents include balances with a maturity of less than 90 days and include cash and current accounts with other banks and placements with other banks.

Financial instruments

Financial assets and financial liabilities reported in the Statement of Financial Position include cash and cash equivalents, marketable securities, receivables and liabilities, long-term loans and deposits, and investments. The accounting methods for monitoring these instruments are found in the appropriate accounting policies.

The Bank shows financial assets and financial liabilities in the Statement of Financial Position only when it becomes a participant in contractual obligations related to transactions with financial instruments.

Classification
The classification of a financial instrument is determined by the intention of managing (business model) the financial instrument and, on the other hand, by the characteristics of the associated contractual cash flows.

Investments in financial instruments are classified into three business models:
- The "hold to collect" business model – collecting the contracted cash flows

It implies financial assets that are acquired with the intention of holding in order to collect contractual cash flows and are measured at amortisation cost provided that the cash flows of those assets constitute payment of principal and interest only (the "SPPI test").

- The "hold and sell" business model – collecting the contracted cash flow and selling financial assets

It implies financial assets that are acquired with the intention of holding to collect contractual cash flows and sell assets and are measured at fair value through other comprehensive income, also subject to passing the SPPI test.

- Other business models that do not meet the criteria of the first two models

This model implies financial assets that are not acquired with the intention of holding in one of the previous two business models and are measured at fair value through a profit and loss account. The FV TPL option and the FV OCI option are also allowed by IFRS 9 (the latter applies for equity securities).

The Bank's financial assets are classified into portfolios depending on the Bank's intention at the time of acquisition of the financial asset and the characteristics of the corresponding cash flows.

Financial assets are classified into a portfolio of "financial assets measured at fair value through a profit and loss account", "financial assets measured at fair value through other comprehensive income" and "financial assets measured at amortized cost". Financial liabilities are classified as "financial liabilities at amortised cost". The fundamental difference between the mentioned categories is in the approach to measuring financial assets and recognising fair value in financial statements, as described further below.

All regular transactions with financial instruments are recognised in the statement of financial position on the date of settlement. The settlement date is the date on which the financial assets were delivered or transferred by the bank. According to the method of recognition of transactions on the date of settlement, by which the underlying assets or liabilities are not recognized until the date of settlement, changes in the fair value of the underlying assets and liabilities are recognised in the Statement of financial position starting from the trading date.

At initial recognition, the Bank measures a financial asset or liability at its fair value plus, except in the case of financial assets at fair value through profit and loss, transaction expenses directly related to the acquisition or delivery of a financial asset or liability.

Derecognition of financial assets due to significant changes in contractual terms
The Bank derecognizes financial assets, such as loans to customers, when the terms of the contract have changed significantly so that it is a new loan. The difference is recognized as a gain or loss on derecognition, to the extent that no impairment was previously recognized. Newly recognized loans are classified in risk group A1 for the pur-

pose of measuring expected credit losses, unless a new loan is classified in the "POCI" category. In assessing whether to derecognize a loan, in addition to quantitative factors, the Bank considers the following: whether the loan currency has changed, the introduction of contractual provisions for equity investments, changes in the counterparty, and whether the change is such that the instrument no longer meets SPPI criteria.

Changes in financial assets that do not result in significantly different cash flows
There is no derecognition if the changes do not result in significantly different cash flows. The Bank recognizes a gain or loss on changes in contractual terms depending on the changed cash flows discounted at the original effective interest rate, to the extent that the impairment was not previously recognized.

Derecognition of financial assets for reasons other than significant changes in contractual terms
Financial assets (or part thereof, or a group of financial assets) are derecognized when the rights to receive cash flows from the assets have expired or the cash flows have been transferred and

(i) The Bank transfers substantially all the risks and rewards of ownership, or

(ii) The Bank has neither transferred nor retained substantially all the risks and rewards of ownership or retained control.

The Bank considers that the transfer of control occurred only when the transferee had the practical possibility to sell the asset in its entirety to an unrelated third party and when it could do so unilaterally without imposing additional restrictions on the transfer. When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the assets, it continues to recognise the assets to the extent that the Bank's participation in the assets has continued.

Collateral (e.g. shares and bonds) given by the Bank in ordinary repurchase agreements and in securities-based loan transactions shall not be recognized. Based on the pre-determined repurchase price, the Bank retains almost all risks and rewards, therefore, the conditions for derecognition are not met.

Offset of financial instruments
Financial assets and liabilities are offset and presented in the statement of financial position in net amount, only when there is a legally enforceable right to set off recognised amounts and there is an intention to settle on a net basis or the realisation of assets and settlement occurs simultaneously. Income and expenses are presented in net amount only if permitted by accounting standards or for gains and losses arising from a set of similar transactions, such as the Bank's trading activities.

Write-offs
Financial assets are written off in part or in full, only when the Bank has ceased to obtain collection. If the amount to be written off is greater than the cumulated amount of the impairment reservation, the reservation is first increased for the difference, and then the write-off is carried out by reducing the gross receivables at the expense of the reservation. Any subsequent charges are recognised as income in the statement of profit or loss.

Financial assets at fair value through a profit and loss statement
Financial assets that are measured at fair value through profit and loss are assets that do not meet the requirement that the corresponding cash flows constitute only pay-

ment of principal and interest on the principal amount outstanding, i.e. they are assets that do not meet the criteria of the other two categories of financial assets.

The financial assets included in this portfolio are financial instruments held for trading and purchased to gain profit from short-term price movements, or are securities included in a portfolio in which there is a pattern of short-term profit.

These instruments are initially reported at the cost of procurement and later re-measured at fair value based on quoted purchase prices in the active market.

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

- financial assets are held within the framework of a business model whose objective is also achieved by collecting contractual cash flows, selling financial assets, and
- based on the contractual terms of the financial asset, cash flows are generated on certain dates, which are only the payment of principal and interest on the principal amount outstanding.

Within this portfolio, we differentiate between investments in debt securities and investments in equity securities.

At the initial recognition of a financial asset measured at fair value through other comprehensive income for investments in debt securities, the asset is recorded at its fair value plus transaction costs directly attributable to the acquisition of those financial assets.

The subsequent measurement is carried out at fair value, and the effects of the subsequent measurement are recognized in other comprehensive income.

Interest and dividends are recognised in the profit and loss statement, and impairment and exchange rate differences are recognised in other comprehensive income.

In the event of the termination of recognition of the financial instrument, the amounts recognised through other comprehensive income are not recognised in the profit and loss statement.

Financial assets at amortised cost
Financial assets are measured at amortized cost if both conditions are met:

- Financial assets are held within a business model whose objective is to hold a financial asset for the purpose of collecting contractual cash flows and
- based on the contractual terms of the financial asset, cash flows are generated on certain dates, which are only the payment of principal and interest on the principal amount outstanding.

At initial recognition of a financial asset measured at amortised cost, the asset is recorded at its fair value plus transaction costs that can be attributable directly to the acquisition of those financial assets.

Subsequent measurement is carried out at amortized cost, and the effects of subsequent measurement are recognized in the income statement. Interest, depreciation and exchange rate differences are also recognized in the profit and loss account. In this portfolio, the Bank primarily classifies loans and advances granted to clients and other receivables.

Loans and receivables are measured initially at fair value and later at amortised cost using the effective interest rate method, with less correction due to impairment. Costs to third parties, such as loan insurance fees, are treated as part of the transaction cost, as are client fees. Loan granting fees at which funds are likely to be withdrawn shall be deferred, together with any associated direct costs, and recognised as adjusting the effective return on credit and adjusting interest income for them.

Impairment of financial assets

In the area of impairment, the Bank has established a methodology for calculating expected credit losses (abbreviated ECL) and modelling risk parameters, which include all the parameters necessary to project expectations about future factors.

With the impairment methodology, the Bank defines an increase in credit risk based on changes in creditworthiness, orderliness in the settlement of debtors obligations, and the quality of collaterals.

Financial assets measured at amortised cost, including off-balance sheet exposures from borrowing commitments and financial guarantee contracts, as well as financial assets measured at fair value through other comprehensive income, other than equity instruments and receivables for which the impairment terms and conditions are applicable, for the purpose of estimating the amount of impairment losses and provisions for expected credit losses based on the assessment of the level of expected credit losses, the Bank classifies them into the following categories on the reporting dates:

Risk category A1 – in accordance with the internal act, exposures where no significant increase in credit risk (from the moment of initial recognition) has been determined are allocated. Impairment losses and provisions for impairment losses are determined based on 12-month expected credit losses, which represent part of the lifetime expected credit losses that would occur if the default of the obligation within the next 12 months is reached.

In risk category A2 (increased level of credit risk) - in accordance with the internal act, exposures where a significant increase in credit risk has been determined from the point of initial recognition, however, there is no objective evidence of impairment. The impairment allowances and provisions for credit losses are determined based on lifetime expected credit losses.

In risk categories B and C (impairment losses), according to internal acts, exposures in the status of default, i.e. exposures in which objective evidence of impairment has been identified, are classified. The Bank also considers restructured exposures in the status of default as well as exposures to debtors over whom bankruptcy or liquidation is initiated.

The level of impairment for certain exposures classified in risk categories B and C is determined as a positive difference between the gross carrying amount of each exposure and the present value of the estimated future debtor's cash flows discounted using the effective interest rate, considering the minimum levels of impairment prescribed by internal acts.

For exposures in risk categories B and C (Stage 3), expected credit losses within small loan portfolios are determined according to days past due, considering the minimum levels of impairment prescribed by internal acts.

The Bank establishes a required impairment based on the calculation of expected credit losses, whereby the chosen approach and future horizons to which credit losses relate depend on the status and type of exposure. The calculation of expected credit losses is based on the calculation of risk parameters. They are modelled based on historical data.

Expected credit losses are calculated as the product of PD (probability of default), loss due to default (LGD) and exposure at the time of the loss event (EAD).

For the purpose of assessing the value of the PD parameter, the Bank has assigned all segments of credit client in the rating classes, and each rating class, which is considered to be a PD homogeneous group, was appropriately assigned the one-year value of the PD as well as the corresponding multi-annual maturity structure of the PD, which is adjusted to the expected values of the relevant macroeconomic factors.

Loss given default (LGD) represents an internal estimate of the level of loss related to credit exposure at default. The Bank has estimated the value of the LGD parameter through the so-called "work-out" method based on the analysis of historical post-default collection cases. The obtained LGD values are grouped by homogeneous groups and secured and unsecured placements, and a representative value of the LGD parameter is applied to each of them.

Exposure at default (EAD) represents the total amount of exposure for which it is necessary to create impairment.

The Bank applies conversion factor 1 in the estimation of provisions for off-balance sheet items.

In estimating cash flows, management makes judgements about the debtor's financial situation and the net realisable value of any underlying collateral.

Measurement of fair value

Fair value is the price that would have been obtained on the measurement date through the sale of an asset or that would have been paid to transfer the liability in a regular transaction in the principal or most favourable market to which the Bank has access at that date.

When possible, the Bank measures the fair value of the instrument using a quoted price in the main market to which the Bank has access (mark-to-market). A financial instrument is considered to be quoted in an active market if quoted prices are readily and regularly available on the price service, from intermediaries, brokers, or pricing agencies, or from a regulatory agency, and such prices represent actual and regular market transactions under normal market conditions.

If the market for a financial instrument is not active, in the case of unlisted securities, or if, for any reason, fair value cannot be measured reliably based on market prices, the Bank determines fair value using one of the valuation techniques (except for certain equity and debt securities). which are not listed on the stock exchange), which use relevant and recognisable parameters to the greatest extent possible, and parameters that are unrecognisable on the market to the least extent.

The selected valuation techniques include all the factors that market participants would use to evaluate the transaction. Valuation techniques include: the comparable company's method, the carrying amount method and the discounted cash flow method, with the comparable company's method and the carrying amount method, being the primary valuation methods. Assumptions and inputs used in valuation techniques include risk-free and reference interest rates, credit margins, bond and stock prices, exchange rates, stock index prices, and volatility and correlations.

Valuation models are reviewed during their development and periodically to ensure consistency in maintaining valuation objectives. The use of market parameters allows for limitations in the discretionary nature of estimates and ensures that fair value can be verified.

Debt securities for which there is no active market are valued at amortized cost using the effective interest method.

The fair value of the demand deposit is not less than the amount to be repaid on demand, discounted from the first date the payment can be claimed.

Hierarchy of fair values

For the purposes of financial reporting, fair value measurements are classified in Level 1, 2, or 3 according to their degree of availability and significance in relation to the total measure of fair value, which are as follows:

- Level 1 inputs are (unadjusted) quoted prices in active markets for the same type of assets or liabilities that are available to the entity at the measurement date,
- Level 2 inputs are inputs that do not include quoted prices that are included in Level 1 and are available for the asset or liability in question, either directly or indirectly, and
- Level 3 inputs are inputs on the asset or liability in question that are not available.

Foreclosed assets

Occasionally, by means of the enforcement procedure, the Bank acquires assets in exchange for outstanding claims. In the statement of financial position, foreclosed assets are classified as other assets held for sale. The Bank acquires the ownership of such assets based on the Order awarding ownership. The assets are recognised at cost of acquisition or the net recoverable amount, depending on what is less. Foreclosed assets are reviewed for impairment annually. Impairment loss is determined as the difference between the carrying amount of the asset and its recoverable amount and recognised in the profit or loss for the period in which the loss is determined. The recoverable amount is the fair value of an asset less costs to sell the asset. Fair values of those assets are determined based on independent market value appraisal performed by a licensed appraiser or based on a tentative agreement on the sale of property.

The Bank does not depreciate assets classified as assets held for sale. Impairment losses on subsequent measurement of non-current assets are recognised in profit or loss. Gains on subsequent increase in the fair value of assets previously impaired are recognised in profit or loss at the moment of the sale. The Bank derecognises an asset held for sale if such asset is sold. Gains or losses from the sale of assets held for sale are recognised in profit and loss account.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are initially measured at cost, including transaction costs. After initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they have arisen. All the Bank's property interests held under operating leases in order to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they have arisen.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, which is calculated as the difference between the net disposal proceeds and the carrying amount of the assets, is included in profit or loss in the period in which the property is derecognized.

Assets held for sale

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, i.e., disposal groups, and its sale is highly probable. Bank's Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Sale and repurchase agreements

Securities sold under sale and repurchase agreements (repos) are included in the financial statements, and the liability to the counterparty is included in amounts due to clients. Securities purchased under agreements to resell them (reverse repo) are recognised as amounts due from banks or loans to clients, as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of repo agreements.

Property and equipment

Property and equipment are carried at cost, less accumulated depreciation, and permanent impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts, and any gain or loss resulting from the disposal is included in the statement of profit or loss. The initial cost of property and equipment comprises its purchase price, including customs duties, non-refundable taxes, and any costs directly attributable to bringing an asset to its working condition and location for its intended use. Expenditures incurred after an item of property or equipment has been put into use, such as repairs and maintenance, are normally charged to profit or loss in the period in which the expenditure is incurred. Assets under construction include those properties and equipment that are in progress and are carried at cost. The cost includes the cost of construction and other direct costs. Assets under development are not depreciated until they are completed, put to use, and classified into the appropriate category of property and equipment. Property and equipment are depreciated on a straight-line basis over the useful life of the assets. The useful life of assets is shown as follows:

	2023	**2022**
BUILDINGS	40	40
FURNITURE	5	5
COMPUTERS	4	4
MOTOR VEHICLES	5	5
EQUIPMENT AND OTHER ASSETS	2 - 10	2 - 10

Land is not depreciated. The asset's residual values, useful lives, and depreciation methods are reviewed, and adjusted if appropriate, at least at the end of each financial year. The carrying amounts of property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets

Intangible assets are initially recognised at cost. Intangible assets are recognised if it is probable that the future economic benefits attributable to an asset will flow to the Bank and the cost of the asset can be measured reliably. After initial recognition, intangible assets are recognised at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. The amortisation period and the amortisation method are reviewed in each reporting period.

Intangible assets are amortised over a period of 5 to 15 years (software). The amortisation period and amortisation method should be reviewed at least at each year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in an asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Impairment of non-financial assets

Property, equipment, and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where the carrying amount of an asset exceeds its recoverable amount, an impairment loss for items of property and equipment and intangibles carried at cost is recognised in the profit and loss statements. Depending on which is higher, the recoverable amount is the amount of the net selling price of the asset or its use value.

Right-of-use assets

When concluding a contract, the Bank assesses whether it is a lease agreement or whether an individual contract contains elements of the lease. Right-of-use assets consist of leased property for which, under the lease agreement, the right of direct use and control over its use have been granted for a fixed period of time in exchange for compensation.

Exemptions are short-term leases where the lease term is less than 12 months or is a low-value rental property (up to USD 5,000, for example, renting a laptop, printer, telephone, money counter, small office furniture, etc.). All payments related to such leases in the lessee's books of account are recognised as an expense over the lease term.

In the financial records, right-of-use assets are recorded as leased assets, depending on the subject of the lease (e.g., buildings, equipment, motor vehicles, etc.).

Right-of-use assets are initially measured at cost, which includes

- amount of the initial lease obligation
- all lease payments made on or before the first day of the lease, less any payments received in connection with the lease
- all initial direct costs incurred by the lessee (e.g., brokerage fees, legal, administrative costs of contract processing, etc.).

After initial disclosure, the right-of-use assets are subsequently measured using the cost model, that is, depreciated until the expiration of the lease period or until the end of its useful life, whichever is earlier, and reduced by accumulated depreciation.

Lease liabilities

The lease liability is initially measured at the present value of all lease payments that were not made on the first day of the lease, plus fixed lease payments. VAT is not included in the monthly amount of the discounted instalment.

Payments must be discounted at the interest rate contained in the lease. If the interest rate is not included in the lease contract and it is not easy to determine, the discounting should be carried out at the incremental interest rate of the borrowing.

The incremental borrower's borrowing rate refers to the rate that the lessee would have to pay to borrow, within a similar timeframe and with similar guarantees, the funds needed for the purchase of assets of similar value to the concerned right-of-use assets in a similar economic environment.

The lease liability is subsequently measured in such a way that:

- increases the carrying amount of the liability by the amount of interest on the lease liability,
- reduces the carrying amount of the lease payment obligation (excluding VAT),
- remeasures and adjusts book value to reflect any reassessment, lease modification, or revision of a fixed lease payment

The Bank reports right-of-use assets in the statement of financial position in the position Right-of-use assets (Note 19), and lease liabilities within the position Other liabilities (Note 26 - Liabilities for the use of assets).

Goodwill

An impairment loss is assessed annually for possible losses. Testing for impairment is carried out using the cost method of capital - CAPM model, which includes both general and specific risks. For the purpose of impairment testing, goodwill is allocated to each cash-generating unit arising from the acquisition (from which future benefits are expected). The organisational cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that such an organisational unit may be impaired.

Where the recoverable amount of a unit is below its carrying amount, the impairment loss is first allocated to reduce the carrying amount of the goodwill allocated to that unit and then proportionally to all other organisational units generating cash. Any gain or loss on remeasurement at fair value is included in profit or loss. An impairment loss recognised for goodwill is not reversed in the subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Provisions for contingent liabilities

Provisions are recognised when the Bank has a present obligation, legal or constructive, because of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle obligations, and a reliable estimate can be made of the amount of the obligation.

Managed funds

The Bank manages a significant amount of assets on behalf of third parties and charges a fee for the concerned services. These assets are not included in the Bank's statement of financial position (see Note 29).

2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates

The Bank makes certain judgements and estimates about uncertain events, including estimates and judgements concerning the future. Such accounting assumptions and estimates are regularly reviewed and are based on past experience and other factors, such as the expected course of future events based on reasonable current assumptions in the given circumstances, but nevertheless represent sources of uncertainty. In applying the Bank's accounting policies, the key areas of judgement made by the Management Board, other than those involving estimates, having the most significant impact on the amounts reported in the financial statements are as follows.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimating 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 are discussed below.

Provisions for impairment losses on loans and receivables

The Bank reviews its loans and receivables at least quarterly (Note 13) to assess whether there is objective evidence of impairment. Through its internal acts, the Bank has prescribed indicators for determining the increased credit risk of debtors that are used to transfer exposures from risk subgroup A1 to risk subgroup A2.

The Bank has also prescribed by internal acts the criteria for determining the status of default.

In determining whether an impairment loss should be recognised, the Bank assesses whether there is objective evidence that an estimated future cash flow is impaired before the impairment loss of a single loan in the portfolio is determined. The methodology and assumptions used in estimating the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual losses.

Litigation provisions

Provisions (Note 27) are recognised when the Bank has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Management maintains provisions at a level that is considered sufficient to cover the estimated losses and determines the sufficiency of provisions by reviewing individual items receivable, the current legal circumstances, as well as other relevant factors.

Provisions for employee benefits

Provisions for employee benefits are based on the Bank's Employee Benefit Policy and the related internal rules, which constitute a framework defining the basic principles and rules applying to employee benefits. The concerned by-laws define the general requirements for benefits that apply to all employees as well as specific requirements applicable only to certain qualifying employees, as well as the components, types, and ratios of fixed and variable benefit components. Variable benefits include bonuses, individual awards, incentives for overall performance, and as similar payments, awarded in cash or financial instruments. The obligations arising from employee benefits are recognised in the period in which the related service is rendered and at amounts expected to be paid.

Corporate income tax expense
The Bank is a corporate taxpayer in the Republic of Croatia. The Bank recognises liabilities for expected possible tax issues during a tax audit, which are based on estimates of whether an additional tax liability will arise. If the final tax outcome of these tax issues differs from the amount originally calculated, the resulting difference will affect the provisions for corporate income tax and deferred tax in the period in which the said provision arose. Calculations that support the tax return may be subject to review and approval by local tax authorities.

3 INTEREST INCOME AND EXPENSE AND SIMILAR INCOME AND EXPENSES

IN EUR THOUSANDS	2023	2022
INTEREST INCOME		
CORPORATE CUSTOMERS	8,019	4,895
INDIVIDUALS	7,926	7,387
SECURITIES	2,779	1,170
BANKS	4,085	54
PUBLIC AND OTHER SECTORS	844	846
	23,653	**14,352**
INCOME EXPENSE		
CORPORATE	(778)	(94)
CITIZENS	(821)	(653)
BANKS	(635)	(630)
PUBLIC AND OTHER SECTORS	(175)	(90)
	(2,409)	**(1,467)**
NET INTEREST INCOME	**21,244**	**12,885**

Interest income includes deferred fees per loan totalling EUR 743,000 (in 2022: EUR 686,000), which are recognised in accordance with the effective interest rate method.

IN EUR THOUSANDS	2023	2022
INTEREST INCOME OF:		
PARTLY RECOVERABLE LOANS	32	272
FULLY IRRECOVERABLE LOANS	284	74
	316	**346**

4 FEE AND COMMISSION INCOME AND EXPENSE

IN EUR THOUSANDS	2023	2022
FEE AND COMMISSION INCOME		
PAYMENT TRANSACTIONS - RELATED FEES AND COMMISSIONS	2,390	2,304
CARD RELATED FEES AND COMMISSIONS	2,926	2,899
FEES AND COMMISSIONS FROM LENDING OPERATIONS	595	447
FEES AND COMMISSIONS FROM SECURITY TRADING	191	158
OTHER FEE AND COMMISSION INCOME	659	683
	6,761	**6,491**
FEE AND COMMISSION EXPENSE		
CASH OPERATIONS FEES AND COMMISSIONS	(533)	(492)
PAYMENT OPERATIONS FEES	(327)	(361)
INTERBANK OPERATION CHARGES	(52)	(62)
CARD RELATED FEES	(907)	(888)
OTHER FEE AND COMMISSION EXPENSES	(651)	(554)
	(2,470)	**(2,357)**
NET FEE AND COMMISSION INCOME	**4,291**	**4,134**

Other fee revenue is mostly related to fees collected at the Bank counters per payments made in the amount of EUR 379,000 (in 2022: EUR 401,000).

5 OTHER OPERATING INCOME, NET

IN EUR THOUSANDS	2023	2022
NET REALISED INCOME FROM THE SALE OF SECURITIES IN THE PORTFOLIO FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	46
INCOME FROM THE SALE OF FOREIGN CURRENCIES	96	902
RENTAL INCOME	189	303
INCOME FROM THE SALE OF SECURITIES CLASSIFIED AS AT FAIR VALUE THROUGH THE PROFIT AND LOSS STATEMENT	(1,582)	(701)
NET INCOME FROM THE SALE OF PROPERTY AND EQUIPMENT	364	2,747
DIVIDEND INCOME	175	166
REFUND OF LITIGATION EXPENSES	421	251
NET INCOME FROM THE SALE OF ACQUIRED ASSETS	244	36
REDUCING FOREIGN CURRENCIES TO THE MIDDLE EXCHANGE RATE	31	417
OTHER INCOME	147	219
	85	**4,386**

6 IMPAIRMENT LOSSES AND PROVISIONS

IN EUR THOUSANDS	2023	2022
PROVISIONS FOR LOANS AND ADVANCES TO CLIENTS AND BANKS (NOTE 11, 12, 13)	(6,353)	(5,435)
IMPAIRMENT OF DEBT SECURITIES IN THE PORTFOLIO AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (NOTE 15)	-	75
CANCELLATION/ (IMPAIRMENT) OF EQUITY SECURITIES (NOTE 15)	-	(2)
IMPAIRMENT OF DEBT SECURITIES IN A HOLDING PORTFOLIO UNTIL MATURITY (NOTE 16)	(63)	(7)
IMPAIRMENT OF OTHER ASSETS (NOTE 22)	(47)	17
IMPAIRMENT OF ACQUIRED ASSETS (NOTE 22)	(3)	(8)
IMPAIRMENT OF INVESTMENT PROPERTIES (NOTE 20)	(98)	(189)
CANCELLATION / (REDUCTION) OF GUARANTEES AND CONTINGENT LIABILITIES (NOTE 25)	(403)	(96)
RESERVATIONS FOR LITIGATION (NOTE 27)	1,031	-
	(5,936)	**(5,645)**

7 ADMINISTRATIVE EXPENSES

IN EUR THOUSANDS	2023	2022
EMPLOYEES EXPENSES	7,635	6,976
MATERIAL AND SERVICES EXPENSES	3,720	3,628
LEASES AND SOFTWARE MAINTENANCE	717	652
COSTS OF PREMIUMS FOR INSURANCE OF SAVINGS DEPOSITS	240	474
TAXES AND CONTRIBUTIONS	201	202
OTHER EXPENSES	172	55
	12,685	**11,987**

Other expenses include propaganda, sponsorship, donations, and other expenses.

Employee expenses

IN EUR THOUSAND	2023	2022
NET SALARIES	3,882	3,725
PENSION INSURANCE EXPENSES	1,004	953
HEALTH INSURANCE EXPENSES	910	869
TAX AND SURTAXES	632	590
PROVISIONS FOR EMPLOYEE BENEFITS	252	(43)
EXPENSES OF SUPERVISORY BOARD MEMBERS	581	559
OTHER EMPLOYEE EXPENSES	374	323
	7,635	**6,976**

As of 31 December 2023, the Bank employs 226 employees (2022: 235 employees).

8 DEPRECIATION OF TANGIBLE AND INTANGIBLE ASSETS

IN EUR THOUSANDS	2023	2022
DEPRECIATION OF PROPERTY AND EQUIPMENT (NOTE 18)	548	590
DEPRECIATION OF RIGHT-OF-USE ASSETS (NOTE18.1.)	708	552
DEPRECIATION OF INTANGIBLE ASSETS (NOTE 17)	612	499
	1,868	**1,641**

9 CORPORATE INCOME TAX EXPENSE

Corporate income tax is calculated at a rate of 18% on taxable income (in 2022: 18%). Tax returns remain open and are subject to control for a period of at least three years. Management believes that tax liabilities are appropriately reserved in the attached financial statements.

The tax expenses comprise the following:

IN EUR THOUSANDS	2023	2022
CURRENT TAX EXPENSE	1,229	761
DEFERRED TAX EXPENSE	(120)	(193)
CORPORATE INCOME TAX ON REALISED EFFECTS ON EQUITY SECURITIES	(29)	(51)
TAX EXPENSE	**1,080**	**517**

The reconciliation of accounting and tax income is:

IN EUR THOUSANDS	2023	2022
PROFIT BEFORE TAX	**5,131**	**2,132**
STATUTORY TAX RATE	18%	18%
EXPECTED TAX	**924**	**384**
TEMPORARY DIFFERENCES		
UNREALISED LOSS ON FINANCIAL ASSETS	1,612	782
DELIMITED FEES FOR GRANTING LOANS	50	56
PROVISION FOR LITIGATION – INTEREST	(299)	-
PROVISIONS FOR PAYMENTS TO EMPLOYEES	259	(46)
REALISED LOSSES – SALE OF ACQUIRED ASSETS (INVESTMENTS)	(76)	(20)
IMPAIRMENT OF ACQUIRED ASSETS	101	297
LOSS ON FINANCIAL ASSETS	(398)	,-
NET TEMPORARY DIFFERENCES	**1,249**	**1,069**

PERMANENT DIFFERENCES		
TAX EFFECT OF NON-TAXABLE INCOME	**(58)**	**(62)**
DIVIDENDS RECEIVED	(58)	(62)
TAX EFFECT OF NON-DEDUCTIBLE EXPENSES	**512**	**1,090**
ENTERTAINMENT AND TRANSPORT	59	51
DEPRECIATION ABOVE THE PRESCRIBED AMOUNTS	15	15
INTEREST FROM RELATED-PARTY RELATIONSHIPS	12	-
EFFECTS OF ASSETS IN OPERATIONAL LEASE	86	46
WRITTEN-OFF RECEIVABLES	136	691
RETAINED INCOME FROM THE SALE OF EQUITY SECURITIES	163	286
OTHER	40	1
NET PERMANENT DIFFERENCES	**453**	**1,028**
TAXABLE PROFIT	**6,833**	**4,229**
TAX BASE	**6,833**	**4,229**
CORPORATE INCOME TAX RATE	18%	18%
CORPORATE INCOME TAX LIABILITY	1,229	761
CURRENT TAX EXPENSE	**1,229**	**761**
DEFERRED TAX (INCOME)/EXPENSES	**(120)**	**(193)**
CORPORATE INCOME TAX ON REALISED GAINS ON EQUITY SECURITIES	**(29)**	**(51)**
TOTAL TAX EXPENSE	**1,080**	**517**
EFFECTIVE TAX RATE	**23.95%**	**35.69%**

Changes in deferred tax assets and tax liabilities can be presented as below:

				2023
IN EUR THOUSANDS	**INITIAL BALANCE**	**AT THE EXPENSE OF PROFIT OR LOSS**	**RECOGNISED IN OTHER COMPREHENSIVE INCOME**	**CLOSING BALANCE**
LOSSES FROM FINANCIAL ASSETS	71	-	-	71
LOSSES FROM OTHER INVESTMENTS	193	(31)	-	162
DELIMITED LOAN APPROVAL FEES	162	9	-	171
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	187	-	(141)	46
IMPAIRMENT OF FINANCIAL ASSETS	189	149	-	338
PROVISION FOR LITIGATION – INTEREST	59	(54)	-	5
PROVISIONS FOR PAYMENTS TO EMPLOYEES	18	47	-	65
	879	**120**	**(141)**	**858**

IN EUR THOUSANDS	INITIAL BALANCE	CHARGED TO PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	CLOSING BALANCE 2022
LOSSES FROM FINANCIAL ASSETS	71	-	-	71
LOSSES FROM OTHER INVESTMENTS	143	50	-	193
DELIMITED LOAN APPROVAL FEES	152	10	-	162
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	67	-	120	187
IMPAIRMENT OF FINANCIAL ASSETS	48	141	-	189
PROVISION FOR LITIGATION – INTEREST	59	-	-	59
PROVISIONS FOR PAYMENTS TO EMPLOYEES	26	(8)	-	18
	566	**193**	**120**	**879**

Deferred tax assets and deferred tax liabilities are recognised at a rate of 18% (2022 at a rate of 18%).

10 EARNINGS PER SHARE

To calculate earnings per share, for earnings is taken the profit of the current year (profit after tax) belonging to the owners of ordinary shares.

	2023	2022
PROFIT FOR THE YEAR (IN EUR THOUSANDS)	**4,051**	**1,615**
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR THE YEAR	668,749	668,749
EARNINGS PER SHARE (IN EUROS) – BASIC AND DILUTED	**6.06**	**2.41**

11 CASH AND CASH EQUIVALENTS

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
GIRO ACCOUNT WITH THE CROATIAN NATIONAL BANK	5,234	128,329
OVERNIGHT DEPOSITS WITH THE CROATIAN NATIONAL BANK	162,554	-
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH FOREIGN BANKS	2,368	6,121
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH DOMESTIC BANKS	1,370	4,597
CASH IN THE REGISTER	8,370	11,251
	179,896	**150,298**
IMPAIRMENT ALLOWANCES	(14)	(73)
	179,882	**150,225**

Changes by provisions for expected credit losses

IN EUR THOUSANDS	2023	2022
BALANCE ON 1 JANUARY	**73**	**44**
INCREASE/(DECREASE)	(67)	27
EXCHANGE DIFFERENCES	8	1
BALANCE ON 31 DECEMBER	**14**	**72**

For purposes of the Statement of cash flows, cash and cash equivalents can be presented as below:

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
GIRO ACCOUNT WITH THE CROATIAN NATIONAL BANK	5,234	128,329
OVERNIGHT DEPOSITS WITH THE CROATIAN NATIONAL BANK	162,554	-
CASH EQUIVALENTS – DEPOSITS WITH OTHER BANKS (NOTE 12)	9,459	-
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH FOREIGN BANKS	2,368	6,121
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH DOMESTIC BANKS	1,370	4,597
CASH IN THE REGISTER	8,370	11,251
	189,352	**150,298**

12 PLACEMENTS WITH OTHER BANKS

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
TERM DEPOSITS	9,459	-
LONG TERM DEPOSITS	5,157	-
REVERSE REPURCHASE LOAN	908	693
	15,524	**693**
IMPAIRMENT ALLOWANCES	(50)	(2)
	15,474	**691**

Term deposits with banks in 2023 refer to short-term deposits concluded with two domestic banks, and long-term deposits concluded also with a domestic bank. In 2022, the Bank had no term deposits with banks.

Reverse repo loans in the amount of EUR 908 thousand in 2023 refer to two contracts concluded with a domestic client, and as the basis of the repo transaction, bonds of the domestic issuer ISIN HREUDSO27CE8 with a nominal value of EUR 675,000 and bonds of a foreign issuer ISIN XS1185941850 with a nominal value of EUR 715,000 were received.

Reverse repo loans in the amount of EUR 694,000 in 2022 refer to a single contract concluded with a domestic client, and corporate bonds of domestic issuers ISIN HRMRULO277E9 with a nominal value of EUR 700,000 and equity securities of the domestic issuer ISIN HRJDOSRA0001 with a nominal value of EUR 10,352 were received as the basis for the repo transaction.

Changes by provisions for expected credit losses

IN EUR THOUSANDS	2023	2022
BALANCE ON 1 JANUARY	**2**	**2**
INCREASE/(DECREASE)	45	2
EXCHANGE RATE DIFFERENCES	3	(2)
BALANCE ON 31 DECEMBER	**50**	**2**

Geographical analysis

Geographical analysis includes term deposits and current accounts (Note 11) opened with foreign banks.

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
UNITED STATES OF AMERICA	1,066	1,076
BELGIUM	639	1,702
AUSTRIA	487	2,003
MONTENEGRO	85	390
ITALY	57	68
CANADA	23	743
SLOVENIA	10	56
SWEDEN	0	83
	2,367	**6,121**

13 LOANS TO CUSTOMERS

a) Analysis by the type of client

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
RETAIL		
- IN DOMESTIC CURRENCY, INCLUDING LOANS WITH A CURRENCY CLAUSE	173,183	164,657
- IN FOREIGN CURRENCY	-	4,741
	173,183	**169,398**
CORPORATE		
- IN DOMESTIC CURRENCY, INCLUDING LOANS WITH A CURRENCY CLAUSE	174,665	159,567
- IN FOREIGN CURRENCY	189	15,491
	174,854	**175,058**
GROSS LOANS TO CLIENTS'	**348,037**	**344,456**
IMPAIRMENT ALLOWANCES	(30,952)	(30,856)
NET LOANS TO CLIENTS'	**317,085**	**313,600**

b) Analysis by sector

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
RETAIL	173,183	169,398
WHOLESALE AND RETAIL TRADE	36,818	37,479
PROCESSING AND MANUFACTURING	28,166	23,812
REAL ESTATE OPERATIONS	23,499	11,844
AGRICULTURE AND FORESTRY	14,988	13,465
CONSTRUCTIONS	13,777	17,676
HOTELS AND RESTAURANTS	9,575	12,546
ENERGY, GAS, AND WATER SUPPLY	5,829	4,776
TRANSPORT, STORAGE, COMMUNICATIONS	5,093	4,580
FOOD AND BEVERAGE PRODUCTION	3,985	4,735
OTHER SECTORS	33,124	44,145
	348,037	**344,456**
IMPAIRMENT ALLOWANCES	(30,952)	(30,856)
	317,085	**313,600**

c) Changes in the principal of fully recoverable, partially, and fully irrecoverable loans

		2023	
IN EUR THOUSANDS	STAGE 1	STAGE 2	STAGE 3
BALANCE ON 1 JANUARY	**290,842**	**14,067**	**39,548**
TRANSFER TO STAGE 1	(8,866)	2,985	5,881
TRANSFER TO STAGE 2	1,508	(2,077)	569
TRANSFER TO STAGE 3	130	482	(612)
CHARGE	(27,437)	(285)	(939)
REPAYMENT + WRITE-OFFS	(54,122)	(2,389)	(7,915)
NEW ASSETS	89,568	2,760	4,341
BALANCE ON 31 DECEMBER	**291,624**	**15,543**	**40,871**

		2022	
IN EUR THOUSANDS	STAGE 1	STAGE 2	STAGE 3
BALANCE ON 1 JANUARY	**262,503**	**10,022**	**41,639**
TRANSFER TO STAGE 1	(3,669)	2,264	1,405
TRANSFER TO STAGE 2	2,682	(3,584)	902
TRANSFER TO STAGE 3	111	7,252	(7,362)
CHARGE	(22,619)	(1,744)	(2,301)
REPAYMENT + WRITE-OFFS	(71,818)	(1,205)	(6,238)
NEW ASSETS	123,652	1,062	11,503
BALANCE ON 31 DECEMBER	**290,842**	**14,067**	**39,548**

During 2023, 3,888 thousand euros of client's loans were reprogrammed (in 2022: 4 thousand euros).

In 2023, the Bank sold part of the loan portfolio with default status granted to retail and corporate clients. The gross amount of loans sold in 2023 was 3,632 thousand euros (2022: 278 thousand euros).

d) Provisions for losses

IN EUR THOUSANDS	2023	2022
BALANCE ON 1 JANUARY	**30,856**	**27,189**
INCREASE IN IMPAIRMENT ALLOWANCES	27,747	20,156
CHARGED AMOUNTS	(21,369)	(14,787)
EXCHANGE RATE DIFFERENCES	(13)	45
WRITTEN-OFF AMOUNTS	(6,269)	(1,747)
BALANCE ON 31 DECEMBER	**30,952**	**30,856**

The Bank manages its exposure to credit risk by applying a variety of control measures, including regular assessment using agreed credit criteria and diversification of sector risk in order to avoid concentration in a single industry. The Bank also obtains acceptable collateral to reduce the level of credit risk.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT OR LOSS

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
INVESTMENTS IN INVESTMENT FUNDS	1,500	4,292
	1,500	**4,292**

Changes in investments during the year

a) shares in investment funds

U EUR THOUSANDS	2023	2022
BALANCE ON 1 JANUARY	**4,292**	**22,739**
INCREASE	1,685	1,050
DECREASE	(2,895)	(18,795)
CHANGE IN FAIR VALUE/ REALIZATION	(1,582)	(701)
BALANCE ON 31 DECEMBER	**1,500**	**4,293**

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
TREASURY BILLS OF THE REPUBLIC OF CROATIA	-	1,369
BONDS	-	83,452
EQUITY SECURITIES	5,798	5,628
	5,798	**90,449**
IMPAIRMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	(1,332)	(1,332)
	4,466	**89,117**

Investments in debt securities are presented as follows:

a) Treasury bills of the Republic of Croatia

IN EUR THOUSANDS	2023	2022
BALANCE ON 1 JANUARY	**1,369**	**-**
RECLASSIFICATION	(1,369)	-
BALANCE ON 1 JANUARY – AFTER RECLASSIFICATION	**-**	**-**
PURCHASE	-	1,572
COLLECTION	-	(195)
CHANGE IN FAIR VALUE	-	(8)
IMPAIRMENT ALLOWANCES	-	-
BALANCE ON 31 DECEMBER	**-**	**1,369**

b) Bonds

IN EUR THOUSANDS	2023	2022
BALANCE ON 1 JANUARY	**83,452**	**97,017**
RECLASSIFICATION	(83,452)	-
BALANCE ON 1 JANUARY – AFTER RECLASSIFICATION	**-**	**97,017**
PURCHASE	-	32,111
SALE	-	(35,202)
REALISED GAIN	-	46
CHANGE IN FAIR VALUE	-	(10,444)
WRITE-OFFS	-	-
IMPAIRMENT ALLOWANCES	-	(76)
BALANCE ON 31 DECEMBER	**-**	**83,452**

The table below presents the Bank's bond i.e. debt instrument portfolio structure:

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
BONDS OF DOMESTIC ISSUERS		
- CROATIAN MINISTRY OF FINANCE	-	47,964
- LOCAL GOVERNMENT	-	270
- FINANCIAL INSTITUTIONS	-	2,598
- NON-FINANCIAL INSTITUTIONS	-	12,128
	-	**62,960**
BONDS OF FOREIGN ISSUERS		
- FOREIGN GOVERNMENT BONDS	-	14,700
- FINANCIAL INSTITUTIONS	-	2,642
- NON-FINANCIAL INSTITUTIONS	-	3,150
	-	**20,492**
TOTAL BONDS	**-**	**83,452**

Change of business model for debt securities as of 1 January 2023

The Bank has decided to change the business model for debt securities it holds to collect cash flows and sell them into a holding business model to collect contractual cash flows. The decision also includes the reclassification of portfolios of debt securities that were deployed in the holding business model for the purpose of collecting cash flows and selling them into a holding business model for the purpose of collecting cash flows, in accordance with point 4.4.1 under the International Financial Reporting Standard 9 (IFRS 9): Financial instruments. The date of the accounting reclassification of financial instruments was set as 1 January 2023, since it is the same first day after the reporting period in which the business model changed.

The consequences of the change in the business model, i.e. the portfolio reclassification, are reflected in the decrease of debt securities at fair value through other comprehensive income by EUR 84,820 thousand, the increase in debt securities at amortised cost by EUR 95,488 thousand, and the increase in accumulated other comprehensive income, in capital and reserves by EUR 10,640 thousand.

Investments in equity securities are shown as follows:

c) *Equity securities*

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
LISTED SECURITIES	4,872	5,189
UNLISTED SECURITIES	926	439
	5,798	**5,628**
IMPAIRMENT OF EQUITY SECURITIES	(1,332)	(1,332)
TOTAL	**4,466**	**4,296**

Changes in equity securities during the year:

IN EUR THOUSANDS	2023	2022
BALANCE ON 1 JANUARY	**4,296**	**5,145**
PURCHASE	3,355	3,877
SALE	(4,104)	(4,181)
CHANGES IN FAIR VALUE	785	(777)
REALISATION	134	234
IMPAIRMENT OF EQUITY SECURITIES	-	(2)
BALANCE ON 31 JANUARY	**4,466**	**4,296**

The table below presents the Bank's equity instrument portfolio structure:

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
EQUITY SECURITIES OF DOMESTIC ISSUERS		
- FINANCIAL INSTITUTIONS	375	214
- NON-FINANCIAL INSTITUTIONS	2,818	2,854
	3,193	**3,068**
EQUITY SECURITIES OF FOREIGN ISSUERS		
- FINANCIAL INSTITUTIONS	942	860
- NON-FINANCIAL INSTITUTIONS	1,663	1,700
	2,605	**2,560**
	5,798	**5,628**
IMPAIRMENT OF EQUITY SECURITIES	(1,332)	(1,332)
	4,466	**4,296**

d) Fair value reserve from financial assets at fair value through other comprehensive income

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
TYPE OF SECURITIES:		
DEBT SECURITIES	-	(10,640)
EQUITY SECURITIES	(252)	(1,037)
ACCRUED DEFERRED TAX (NOTE 9)	45	187
TOTAL FAIR VALUE RESERVE	**(207)**	**(11,490)**

Changes in the fair value reserve

IN EUR THOUSANDS	2023	2022
BALANCE ON 1 JANUARY	**(11,490)**	**(306)**
RECLASSIFICATION - TREASURY BILLS	7	-
RECLASSIFICATION - BONDS	10,661	-
RECLASSIFICATION - TRANSFER TO RETAINED EARNINGS	(28)	-
BALANCE ON 1 JANUARY – AFTER RECLASSIFICATION	**(850)**	**(306)**
CHANGE IN THE FAIR VALUE OF DEBT SECURITIES	-	(10,452)
CHANGE IN THE FAIR VALUE OF EQUITY SECURITIES	785	(777)
CHANGES IN PROVISIONS FOR EXPECTED CREDIT LOSSES ON FVOCI FINANCIAL ASSETS	-	(75)
ACCRUED DEFERRED TAX RECOGNISED IN EQUITY (NOTE 9)	(141)	120
BALANCE ON 31 DECEMBER	**(206)**	**(11,490)**

Changes in the impairment of financial assets at fair value through comprehensive income

IN EUR THOUSANDS	2023	2022
BALANCE ON 1 JANUARY	**1,332**	**1,330**
INCREASE	-	14
DECREASE	-	(12)
BALANCE ON 31 DECEMBER	**1,332**	**1,332**

16 HELD-TO-MATURITY FINANCIAL ASSETS

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
TREASURY BILLS	2,529	935
BONDS	135,088	22,149
GROSS ASSETS VALUE	**137,617**	**23,084**
IMPAIRMENT ALLOWANCES	(92)	(7)
TOTAL NET ASSET VALUE	**137,525**	**23,077**

a) Treasury bills

Investment structure

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
TREASURY BILLS OF FOREIGN COUNTRIES	2,529	935
GROSS ASSETS VALUE	**2,529**	**935**
IMPAIRMENT ALLOWANCES	(1)	-
TOTAL NET ASSET VALUE	**2,528**	**935**

Changes in held-to-maturity financial assets

IN EUR THOUSANDS	2023	2022
BALANCE ON 1 JANUARY	**935**	**-**
RECLASSIFICATION	1,376	-
BALANCE ON 1 JANUARY – AFTER RECLASSIFICATION	**2,311**	**-**
PURCHASE	23,235	1,426
CHARGED	(23,018)	(491)
BALANCE ON 31 DECEMBER	**2,528**	**935**

b) Bonds

Investment structure

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
BONDS OF REPUBLIC OF CROATIA	72,103	8,171
BONDS OF LOCAL SELF-GOVERNMENT	333	-
BONDS OF FOREIGN COUNTRIES	25,546	6,321
BONDS OF DOMESTIC BANKS	2,803	2,510
BONDS OF FOREIGN BANKS	18,297	5,147
CORPORATE BONDS	16,006	-
GROSS ASSET VALUE	**135,088**	**22,149**
IMPAIRMENT ALLOWANCES	(90)	(7)
TOTAL NET ASSET VALUE	**134,998**	**22,142**

Changes in held-to-maturity financial assets

IN EUR THOUSANDS	2023	2022
BALANCE ON 1 JANUARY	**22,142**	**-**
RECLASSIFICATION	94,112	-
BALANCE ON 1 JANUARY – AFTER RECLASSIFICATION	**116,254**	**-**
PURCHASE	46,938	23,221
CHARGED	(26,870)	(1,072)
SALE	(1,213)	
WRITE-OFFS	(48)	-
IMPAIRMENT ALLOWANCES	(63)	(7)
BALANCE ON 31 DECEMBER	**134,998**	**22,142**

17 INTANGIBLE ASSETS

IN EUR THOUSANDS	SOFTWARE	GOODWILL	ASSETS UNDER DEVELOPMENT	TOTAL INTANGIBLE ASSETS
PURCHASE OR ESTIMATED VALUE				
BALANCE ON 1 JANUARY 2022	**7,492**	**2,239**	**480**	**10,211**
INCREASE	1,047	-	697	1,744
TRANSFER FROM ASSETS UNDER DEVELOPMENT	1,123	-	(1,123)	-
DISPOSALS AND WRITE-OFFS	-	-	-	-
BALANCE ON 31 DECEMBER 2022	**9,662**	**2,239**	**54**	**11,955**
INCREASE	484	-	125	609
TRANSFER FROM ASSETS UNDER DEVELOPMENT	-	-	-	-
DISPOSALS AND WRITE-OFFS	-	-	-	-
BALANCE ON 31 DECEMBER 2023	**10,146**	**2,239**	**179**	**12,564**
VALUE CORRECTION				
BALANCE ON 1 JANUARY 2022	**3,704**	**-**	**-**	**3,704**
EXPENSE FOR THE YEAR	499	-	-	499
DISPOSALS AND WRITE-OFFS	-	-	-	-
BALANCE ON 31 DECEMBER 2022	**4,203**	**-**	**-**	**4,203**
EXPENSE FOR THE YEAR	612	-	-	612
DISPOSALS AND WRITE-OFFS	-	-	-	-
BALANCE ON 31 DECEMBER 2023	**4,815**	**-**	**-**	**4,815**
NET BOOK VALUE				
BALANCE ON 31 DECEMBER 2022	**5,459**	**2,239**	**54**	**7,752**
BALANCE ON 31 DECEMBER 2023	**5,331**	**2,239**	**179**	**7,749**

Goodwill is allocated to the cash-generating unit acquired through the merger of Požeška banka d.d. The recoverable cash amount of cash-generating units is determined based on profitability calculations. For these calculations, cash flow forecasts based on financial projections for five-year period were used. The discount rate for determining the value in use is 8.5% (2022: 10.8%) and the long-term growth rate is -2.0% (2022: 0.0%).

The planned gross margin was determined based on experience and expected operating results in the future. The discount rate used reflects the specific risks associated with the relevant business segment.

The Bank conducts stress tests of individual input data used in determining the value in use, where there are three scenarios. A specific scenario in which the discount rate is the same as used, while the expected profitability is lower by 30% due to the reduction of interest and fee income and simultaneous increase in costs on the same basis at the rate of 30%, a systemic scenario in which the discount rate has increased to the level of 4.4% due to the deterioration of the credit rating of the Republic of Croatia, and a combined scenario that simultaneously includes the assumptions of a 55% decrease in profitability and deterioration of macroeconomic indicators and the country's credit rating, whereby the discount rate increases to the level of 4.4%.

The test results are provided below:

	BALANCE ON 31 DECEMBER 2023	SPECIFIC SCENARIO	SYSTEMIC SCENARIO	COMBINED SCENARIO
INVESTMENT COST	5,769	5,769	5,769	5,769
TOTAL PRESENT VALUE	19,380	13,217	15,253	4,978
IMPAIRMENT				**(790.94)**

	BALANCE ON 31 DECEMBER 2022	SPECIFIC SCENARIO	SYSTEMIC SCENARIO	COMBINED SCENARIO
INVESTMENT COST	5,769	5,769	5,769	5,769
TOTAL PRESENT VALUE	12,956	8,943	11,599	5,190
IMPAIRMENT				**(578.41)**

The result of the stress test is positive in a specific and systemic scenario, while in the combined scenario, the assumption of reverse testing was used to achieve a negative result. The test showed that the recoverable amount of the money-generating unit is greater than its book value, and there is no need for impairment.

Goodwill, expressed in the Bank's business books, was created during the acquisition of Požega Bank, which was merged with Podravska banka d.d on 1 July 2006.

18 PROPERTY AND EQUIPMENT

IN EUR THOUSANDS PURCHASE OR ESTIMATED VALUE	LAND AND BUILDING	FURNITURE AND EQUIPMENT	MOTOR VEHICLES	IT EQUIPMENT	LEASEHOLD IMPROVEMENTS	ASSETS UNDER CONSTRUCTION	TOTAL
BALANCE ON 1 JANUARY	**11,924**	**5,179**	**127**	**3,067**	**908**	**1**	**21,206**
INCREASES	73	138	-	36	-	2	249
TRANSFER FROM ASSETS UNDER CONSTRUCTION	-	2	-	-	-	(2)	-
RECLASSIFICATION OF ASSET	385	-	-	-	-	-	385
DISPOSALS AND WRITE-OFFS	(7,747)	(538)	-	(179)	-	-	(8,464)
BALANCE ON 31 DECEMBER 2022	**4,635**	**4,781**	**127**	**2,924**	**908**	**1**	**13,376**
INCREASES	-	84	-	17	-	-	101
TRANSFER FROM ASSETS UNDER CONSTRUCTION	-	-	-	-	-	-	-
DISPOSALS AND WRITE-OFFS	(1,077)	(115)	-	(25)	(39)	(1)	(1,257)
BALANCE ON 31 DECEMBER 2023	**3,558**	**4,750**	**127**	**2,916**	**869**	**-**	**12,220**
VALUE CORRECTION							
BALANCE ON 1 JANUARY 2022	**6,900**	**4,902**	**72**	**2,310**	**908**	**-**	**15,092**
EXPENSE FOR THE YEAR	161	93	25	311	-	-	590
DISPOSALS AND WRITE-OFFS	(5,618)	(538)	-	(179)	-	-	(6,335)
BALANCE ON 31 DECEMBER 2022	**1,443**	**4,457**	**97**	**2,442**	**908**	**-**	**9,347**
EXPENSE FOR THE YEAR	100	116	25	307	-	-	548
DISPOSALS AND WRITE-OFFS	(442)	(116)	-	(24)	(39)	-	(621)
BALANCE ON 31 DECEMBER 2023	**1,101**	**4,457**	**122**	**2,725**	**869**	**-**	**9,274**
NET BOOK VALUE							
BALANCE ON 31 DECEMBER 2022	**3,192**	**324**	**30**	**482**	**-**	**1**	**4,029**
BALANCE ON 31 DECEMBER 2023	**2,457**	**293**	**5**	**191**	**-**	**-**	**2,946**

The Bank does not have tangible assets pledged as collateral for deposits or other funds received in 2023 and 2022.

19 RIGHT-OF-USE ASSETS

IN EUR THOUSANDS	LAND AND BUILDINGS	MOTOR VEHICLES	IT EQUIPMENT	TOTAL
PURCHASE OR ESTIMATED VALUE				
BALANCE ON 1 JANUARY 2022	**2,231**	**325**	**541**	**3,097**
NEW LEASES AND CHANGES IN CONDITIONS	6,312	103	-	**6,415**
TERMINATION OF LEASES AND CHANGES IN CONDITIONS	(3,067)	(81)	-	**(3,148)**
BALANCE ON 31 JANUARY 2022	**5,476**	**347**	**541**	**6,364**
NEW LEASES AND CHANGES IN CONDITIONS	820	199	-	**1,019**
TERMINATION OF LEASES AND CHANGES IN CONDITIONS	(858)	(389)	-	**(1,247)**
BALANCE ON 31 JANUARY 2023	**5,438**	**157**	**541**	**6,136**
VALUE CORRECTIONS				
BALANCE ON 1 JANUARY 2022	**997**	**167**	**100**	**1,264**
EXPENSE FOR THE YEAR	400	84	68	**552**
TERMINATION OF LEASES AND CHANGES IN CONDITIONS	(44)	(6)	-	**(50)**
BALANCE ON 31 JANUARY 2022	**1,353**	**245**	**168**	**1,766**
EXPENSE FOR THE YEAR	566	74	68	**708**
TERMINATION OF LEASES AND CHANGES IN CONDITIONS	(131)	(273)	-	**(404)**
BALANCE ON 31 JANUARY 2023	**1,788**	**46**	**236**	**2,070**
NET BOOK VALUE				
BALANCE ON 31 DECEMBER 2022	**4,123**	**102**	**373**	**4,598**
BALANCE ON 31 DECEMBER 2023	**3,650**	**111**	**305**	**4,066**

IFRS 16 requires the lessee to recognise in its business books assets with the right of use and liability based on lease.

Right-of-use property consists of leased property, for which, under the lease agreement, the right to directly use and control its use over a certain period has been ceded in exchange for compensation. The exemption is for short-term lease agreements where the rental period is less than 12 months or is a low-value lease.

In business books, Right-of-use property is recorded as an asset in rent depending on the lease (e.g. construction facilities, equipment, cars, etc.).

20 INVESTMENT PROPERTY

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
INVESTMENT PROPERTY	1,614	1,614
INVESTMENT PROPERTY – FORECLOSED ASSETS	2,170	2,076
	3,784	**3,690**
CHANGES IN FAIR VALUE	(953)	(855)
	2,831	**2,835**

Change in the fair value of property

IN EUR THOUSANDS	2023	2022
BALANCE ON 1 JANUARY	**855**	**399**
DECREASE IN FAIR VALUE	98	189
SALE	-	181
RECLASSIFICATION IN TANGIBLE ASSET	-	86
BALANCE ON 31 DECEMBER	**953**	**855**

Investment property relates to foreclosed assets in exchange for uncollectible receivables and own assets not used for business operations and that are leased without constraining clauses with for the purpose of earning income from assets and saving maintenance costs. Operating costs related to leased assets are charged to lessees. Subsequent measurement of assets in 2023 recorded a decrease in the value of assets in the total amount of 98 thousand euros (in 2022: a decrease of 189 thousand euros).

Investment properties are valued at fair value minus sales costs. The fair value of such assets is estimated annually, and these valuations are level 3 of the fair value hierarchy.

To assess the fair value of assets, the Bank engages independent and authorised appraisers who have experience in valuing similar assets and have no interests in the property in question or interests related to the amount of the estimated value of the property. Appraisers prepare an appraisal study in accordance with the Property Valuation Act (OG 78/2015) and the accompanying Ordinance on Methods of Appraisal of Property Valuation (OG 105/2015), according to the law and appropriate methods.

The valuation method was not changed during the year.

21 ASSETS HELD FOR SALE

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
ASSETS HELD FOR SALE	-	35
	-	**35**
IMPAIRMENT ALLOWANCES	-	-
	-	**35**

Changes in impairment of assets held for sale

IN EUR THOUSANDS	2023	2022
BALANCE ON 1 JANUARY	**-**	**-**
IMPAIRMENT	-	-
SALE	-	-
BALANCE ON 31 JANUARY	**-**	**-**

A portfolio of assets held for sale refers to foreclosed assets in exchange for non-performing receivables.

The property is exposed to sale through external real estate agencies with which the Bank has concluded Brokerage Agreements. The expected sale period is one year.

During 2023, the Bank did not acquire new or sold assets held for sale. During 2023 and 2022, there was no change in the value of the portfolio of assets held for sale. In 2023, the Bank reclassified all acquired assets from this asset class into investment property portfolio.

22 OTHER ASSETS

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
FORECLOSED ASSETS IN EXCHANGE FOR NON-PERFORMING RECEIVABLES	5,168	5,455
ACCRUED FEES AND COMMISSIONS	597	631
PAID EXPENSES OF THE FUTURE PERIOD	238	260
OTHER ADVANCES	76	147
OTHER ASSETS	1,058	407
	7,137	**6,900**
IMPAIRMENT ALLOWANCES	(597)	(729)
	6,540	**6,171**

Foreclosed assets in exchange for non-performing receivables are not used for the needs of the Bank. In the Bank's accounts, concerned assets are recognised in accordance with IFRS 5 - Fixed Assets intended for sale and termination of operations. As of 31 December 2023, the net asset value of the acquired assets is EUR 5,000 (in 2022: EUR 5,000). During 2023, there was no takeover of a new or sale of these assets of significant amounts. During 2022, the Bank assumed a significant asset value in exchange for uncollected receivables from a single company.

Foreclosed assets in exchange for non-performing receivables are valued at the cost of acquisition, i.e. net recoverable value, depending on which is less. The impairment of acquired assets is examined annually. To assess the fair value of assets, the Bank engages independent and authorised appraisers who have experience in valuing similar assets and have no interests in the property in question or interests related to the amount of the estimated value of the property. Appraisers prepare an appraisal study in accordance with the Property Valuation Act and the accompanying Ordinance on Property Valuation Methods, prescribed and appropriate by law. By subsequently measuring the acquired assets in exchange for non-performing receivables, in 2023, the impairment of the foreclosed assets was recorded in the total amount of EUR 3,000 (in 2022: impairment of EUR 8,000).

Changes in adjustments for possible losses in other assets were as follows:

IN EUR THOUSANDS	2023	2022
BALANCE ON 1 JANUARY	**729**	**769**
IMPAIRMENT OF OTHER ASSETS	329	227
CHARGED AMOUNTS	(282)	(245)
EXCHANGE RATE DIFFERENCES	-	1
WRITE-OFFS	(106)	(11)
IMPAIRMENT OF ACQUIRED ASSETS	3	8
SALE OF ACQUIRED ASSETS	(76)	(20)
BALANCE ON 31 DECEMBER	**597**	**729**

23 LIABILITIES TO BANKS

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
SIGHT DEPOSITS, IN FOREIGN CURRENCIES	341	3,820
SIGHT DEPOSITS, IN DOMESTIC CURRENCIES	7,064	1
	7,405	**3,821**

Liabilities to banks in 2023 and 2022 relate to sight deposits received from foreign banks.

24 LIABILITIES TO CUSTOMERS

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
RETAIL		
SIGHT DEPOSITS		
- IN DOMESTIC CURRENCY	222,744	144,807
- IN FOREIGN CURRENCIES	9,618	107,640
TERM DEPOSITS		
- IN DOMESTIC CURRENCY	68,679	17,860
- IN FOREIGN CURRENCIES	11,536	57,236
TOTAL RETAIL	**312,577**	**327,543**
CORPORATE		
SIGHT DEPOSITS		
- IN DOMESTIC CURRENCY	135,959	93,518
- IN FOREIGN CURRENCIES	1,090	27,492
TERM DEPOSITS		
- IN DOMESTIC CURRENCY	74,920	10,915
- IN FOREIGN CURRENCIES	-	2,034
TOTAL CORPORATE	**211,969**	**133,959**
TOTAL DEPOSITS TO CLIENTS	**524,546**	**461,502**

25 OTHER LOANS

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
LOANS FROM HBOR	11,199	13,961
REPO LOANS FROM THE CNB	33,488	37,582
OTHER LOANS FROM BANKS	3,558	3,125
	48,245	**54,668**

Loans from HBOR are intended for granting retail or corporate loans in accordance with HBOR's programs for incentives for small and medium-sized enterprises, tourism, and agriculture. Repo loans refer to loans received for which the Bank has pledged securities with the obligation to repurchase them on a certain future date. In 2023, the Bank had two long-term repo loans with the Croatian National Bank at an interest rate of 0.25% per annum. In 2022, the Bank had three long-term repo loans with the Croatian National bank with interest rates of 1.20% and 0.25% per year. For all repo contracts in 2023 and 2022, the Bank pledged bonds of the Ministry of Finance of the Republic of Croatia and the bond of Erste&Steiermärkische bank d.d.

As of 31 December 2023, the Bank has contracted one loan with a foreign bank at an interest rate of 3.00% per annum. On 31 December 2022, the Bank contracted one loan with a foreign bank at an interest rate of 1.10% per year.

26 OTHER LIABILITIES

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
LEASE LIABILITIES	4,253	4,715
LIABILITIES IN THE CALCULATION OF GIVEN LOANS	3,391	4,109
SUPPLIER LIABILITIES	487	950
EMPLOYEES LIABILITIES	515	518
LIABILITIES IN THE PAYMENT PROCESS	222	484
LIABILITIES IN THE CALCULATION ON RECEIVED AMOUNTS	581	385
CURRENT CORPORATE INCOME TAX	665	355
CALCULATED PREMIUM FOR SAVINGS DEPOSIT INSURANCE	0	249
PROVISIONS FOR SEVERANCE PAY AND SIMILAR BENEFITS TO EMPLOYEES	400	147
ACCRUED FEES AND COMMISSIONS	95	67
LIABILITIES FOR DIVIDENDS	13	14
OTHER LIABILITIES	347	345
	10,969	**12,338**

27 PROVISIONS FOR CONTINGENT LIABILITIES AND EXPENSES

a) Analysis

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
PROVISIONS FOR FRAMEWORK LOANS	740	615
PROVISIONS FOR GUARANTEES	606	328
PROVISIONS FOR LITIGATION	81	1,112
PROVISIONS FOR UNCOVERED LETTERS OF CREDIT	-	1
PROVISIONS FOR OTHER CONTINGENT LIABILITIES	5	4
	1,432	**2,060**

b) Changes in provisions

IN EUR THOUSANDS	2023	2022
BALANCE ON 1 JANUARY	**2,060**	**1,964**
INCREASE IN PROVISIONS MADE WITH RESPECT TO CREDIT RISK	2,946	2,108
DECREASE IN THE BALANCE OF PROVISIONS WITH RESPECT TO CREDIT RISK	(2,543)	(2,012)
INCREASE IN PROVISIONS FOR LITIGATION	(1,031)	-
BALANCE ON 31 DECEMBER	**1,432**	**2,060**

28 ISSUED SUBORDINATED INSTRUMENTS

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
ISSUED SUBORDINATED INSTRUMENTS	16,339	16,340
	16,339	**16,340**

On 29 May 2018, the Bank conducted an issue of subordinated bonds marked PDBA-O-255E, ISIN: HRPDBAO255E4 in dematerialized form, on behalf of the total amount of the issue of EUR 9,407 thousand in the denomination of 1 euro, with a fixed interest rate of 4.0% per annum and semi-annual payment, and a one-off principal maturity on 29 May 2025.

Subordinate bonds of PDBA-O-255E were issued by public offering, without publishing a prospectus, with simultaneous early redemption of all or part of the bond issues PDBA-O-188A and PDBA-O-21CA.

On 26 October 2021, a new series of subordinated bonds coded PDBA-O-29AE, ISIN, were issued:

HRPDBAO29AE2 in dematerialized form, in a name, in the total amount of emissions of EUR 8,501 thousand in the denomination of 1 euro, with a fixed interest rate of 4.0% per annum with a semi-annual payment, and a one-off principal maturity on 26 October 2029. The new issue was carried out with the simultaneous early purchase and replacement of existing PDBA-O-255E bonds in the amount of the subscribed amount of the newly issued PDBA-O-29AE bonds (EUR 8,501 thousand).

On 15 February 2022, the Bank carried out the subscription of a new series of registered subordinated bonds, code PDBA-O-312E, ISIN: HRPDBAO312E3, issued in dematerialized form, in the total amount of issuance of EUR 6,765,005 in the denomination of 1 euro, with a fixed interest rate of 4.0% per annum and semi-annual payment and a one-off principal maturity on 15 February 2031. Subordinated bonds were issued by public offering, without publishing a prospectus. The balance of issued subordinated bonds as of 31 December 2023, includes ISIN HRPDBAO255E4 worth 909 thousand euros, ISIN HRPDBAO29AE2 worth 8,563 thousand euros, and ISIN HRPDBAO312E3 value of 6,867 thousand euros.

The balance of subordinated bonds issued on 31 December 2022, includes ISIN HRPDBAO255E4 in value of EUR 909 thousand, ISIN HRPDBAO29AE2 in value of EUR 8,564 thousand, and ISIN HRPDBAO312E3 in value of EUR 6,867 thousand.

The Bank's Tier 2 capital includes the non-amortised amount of subordinated bonds issued.

29 SHARE CAPITAL

Share capital consists of ordinary shares. The total number of issued shares at the end of 2023 amounts to 668,749 ordinary shares with a nominal value of EUR 55.00 per share (in 2022, 668,749 ordinary shares with a nominal value of HRK 400 per share).

In accordance with the changes in the registration in the court register, during 2023, the conversion (redenomination) of the Bank's share capital from the HRK currency to EUR was carried out, while increasing the share capital at the expense of the Bank's reserves.

The Bank has 3,324 treasury shares as of 31 December 2023 (3,324 in 2022), recorded at the acquisition cost.

The Bank's most significant shareholders as of 31 December are as follows:

		2023		2022
SHAREHOLDERS	NUMBER OF SHARES	ORDINARY SHARES %	NUMBER OF SHARES	ORDINARY SHARES %
ANTONIA GORGONI	66,278	9.91	66,278	9.91
MARIO GORGONI	65,870	9.85	65,870	9.85
ASSICURAZIONI GENERALI S.P.A.	63,791	9.54	63,791	9.54
CERERE S.P.A	63,735	9.53	63,735	9.53
PAOLO GORGONI	62,638	9.37	52,104	7.79
MILJAN TODOROVIĆ	55,731	8.33	55,731	8.33
SIGILFREDO MONTINARI	38,529	5.76	38,529	5.76
DARIO MONTINARI	38,526	5.76	38,526	5.76
ANDREA MONTINARI	38,515	5.76	38,515	5.76
PIERO MONTINARI	38,515	5.76	38,515	5.76
GINEVRA SEMERARO	27,494	4.11	27,494	4.11
OTHER SHAREHOLDERS (INDIVIDUALLY LESS THAN 3%)	109,127	16.32	119,661	17.90
	668,749	**100.00**	**668,749**	**100.00**

30 RESERVES

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
LEGAL RESERVES	27,472	27,135
RESERVES FOR OWN SHARES	2,234	2,234
GENERAL BANKING RISK RESERVE	677	677
NON-DISTRIBUTABLE RESERVES	**30,383**	**30,046**
CAPITAL LOSS ON TRADING IN TREASURY SHARES	(555)	(555)
FAIR VALUE RESERVE	(207)	(11,491)
DISTRIBUTABLE RESERVES	**(762)**	**(12,046)**
	29,621	**18,000**

Pursuant to the Companies Act, part of the Bank's net profit is mandatorily transferred to non-distributable legal reserves until the total amount of reserves does not reach 5% of the Bank's share capital or a higher amount determined by the statute. Reserves for general bank risks were allocated according to the regulations of the Croatian National bank from the net profit generated in 2006. General bank risk reserves may be allocated at the end of a period of three consecutive years in which the Bank achieves exposure growth at a rate below 15% per annum. Other reserves may only be distributed upon approval by the General Meeting of shareholders.

The Bank's distributable and non-distributable reserves are determined and expressed in these financial statements in accordance with Croatian regulations and decisions of the Croatian National Bank.

31 FUNDS MANAGED IN THE NAME AND ON BEHALF OF THIRD PARTIES AND SECURITIES CUSTODY SERVICES

The Bank manages funds in the name and for the accounts of third parties. Managed assets are reported separately from the Bank's assets. Income and expenses from these funds belong to third parties, and in the ordinary course of business, the Bank has no obligations in relation to these transactions. For its services, the Bank charges a fee.

Funds and sources by loans in the name and for the account can be presented as follows:

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
FUNDS		
LOANS TO INDIVIDUALS	1,195	1,192
CORPORATE LOANS	96	95
CASH	72	69
TOTAL	**1,363**	**1,356**
SOURCES		
FINANCIAL INSTITUTIONS	1,005	1,005
PUBLIC SECTOR	117	113
CORPORATE	241	238
TOTAL	**1,363**	**1,356**

The Bank also provides custody services for securities in the name and account of third parties. The value of the financial instruments managed for in the name and for the account can be presented as follows:

	31 DECEMBER 2023	31 DECEMBER 2022
VALUE OF FINANCIAL INSTRUMENTS	133,518	112,426

32 CONTINGENT LIABILITIES AND COMMITMENTS

a) Litigation

On 31 December 2023 there were several legal cases outstanding against the Bank. According to the Management Board's assessment, provisions in the amount of EUR 81,000 (2022: EUR 1,112,000) have been set aside for costs that could arise from litigation against the Bank.

b) Guarantees, letters of credit and undrawn loans commitments

Total outstanding amounts under guarantees, letters of credit and undrawn loans at the year-end were as follows:

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
COMMITMENTS – UNUSED LOANS	33,488	34,203
COMMITMENTS – UNUSED FRAME LOANS ON TRANSACTION ACCOUNTS	23,267	21,529
GUARANTEES	22,391	12,221
FX LETTERS OF CREDIT	-	24
	79,146	**67,977**

The primary purpose of commitments and contingencies is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that customers cannot meet their obligations to third parties, carry the same credit risk as loans.

c) Operating lease

Future minimum payments under operating leases are as follows:

IN EUR THOUSANDS	31 DECEMBER 2023	31 DECEMBER 2022
UP TO 1 YEAR	10	10
TOTAL	**10**	**10**

Lease agreements are renewable at the end of the lease period at the market price. The Bank concludes lease agreements for business premises, vehicles, and equipment.

By applying the IFRS 16 standard from 2019, the value of assumed liabilities per operating lease has decreased significantly as long-term leases and leases of assets of more than USD 5, are recorded in the books of account as assets with a right of use and lease liabilities (Note 18.1).

On 31 December 2022 and 31 December 2021, liabilities stated under operating leases refers to the lease of business premises for ATMs. Contracts for this type of lease are classified as leases of low value assets, while other lease agreements are an integral part of note 18.1. – Right-of-use assets (application of the IFRS 16 standard). All payments related to such low-value leases in the Bank's accounts shall be recognised as expense over the lease term.

33 RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one Party has the ability to control the other party or if it has significant influence over the other party in making financial or business decisions. Related party transactions are part of ordinary course of business. These transactions are carried out under market conditions with application of market interest rates. In considering each possible related party relationship, the substance of the relationship is considered, and not merely the legal form. The Bank does not form a group of related parties and has no subsidiaries.

Transactions with key management and related persons are shown in the table below:

IN EUR THOUSANDS	KEY MANAGEMENT PERSONNEL AND THEIR RELATED PERSONS		SUPERVISORY BOARD	
	2023	2022	2023	2022
LOANS				
OPENING BALANCE	201	134	2,721	5,778
INCREASE / (DECREASE) DURING YEAR	161	67	(1)	(3,057)
CLOSING BALANCE	**362**	**201**	**2,720**	**2,721**
REALISED INTEREST INCOME	12	6	123	192
DEPOSITS RECEIVED				
OPENING BALANCE	893	800	429	2,455
INCREASE / (DECREASE) DURING YEAR	(543)	93	(246)	(2,026)
CLOSING BALANCE	**350**	**893**	**183**	**429**
REALISED INTEREST EXPENSE	1	1	1	4

Management remuneration

IN EUR THOUSANDS	2023	2022
GROSS SALARIES AND OTHER SHORT-TERM BENEFITS	1,980	1,943

The Bank's Management Board consists of three members. The gross salaries and other short-term benefits comprise the total payroll costs and benefits in kind provided to the members of the Management Board, the Bank's officers holding general power of attorney as well as provisions for bonuses and fees to the Supervisory Board members. In 2023 and 2022, no costs are foreseen for bonuses to management. Fees to members of the Supervisory Board in 2023 amounted to 688 thousand euros (in 2022: 663 thousand euros).

Number of shares held by members of the Bank's Management Board and Supervisory Board:

	31 DECEMBER 2023	31 DECEMBER 2022
MANAGEMENT BOARD	10,727	10,727
SUPERVISORY BOARD	132,786	132,786
TOTAL:	**143,513**	**143,513**

b) Transactions with other related parties are presented in the following table:

IN EUR THOUSANDS	2023	2022
BANK ACCOUNTS		
OPENING BALANCE	389	432
INCREASE / (DECREASE) DURING YEAR	(305)	(43)
CLOSING BALANCE	**84**	**389**
LIABILITIES TO BANKS AND ON ISSUED SUBORDINATE INSTRUMENTS		
OPENING BALANCE	3,747	2,023
INCREASE / (DECREASE) DURING YEAR	3,047	1,724
CLOSING BALANCE	**6,794**	**3,747**

IN EUR THOUSANDS	2023	2022
INTEREST INCOME	-	-
FEE AND COMMISSION INCOME	17	17
TOTAL INCOME	**17**	**17**
INTEREST EXPENSE	236	165
FEE AND COMMISSION EXPENSE	6	8
TOTAL EXPENSE	**242**	**173**

34 FINANCIAL RISK MANAGEMENT POLICIES

This note provides details of the Bank's exposure to financial risks and describes the methods used by the Management to control the risk.

The Bank's operations are exposed to various types of financial risks, and some of these operations include analysing, assessing, accepting, and managing a certain level of risk or a combination of risks. Risk underwriting is a fundamental feature of financial operations, and risks are inherent to such operations. The Bank's aim is to achieve an appropriate balance between risk and return, while minimising potential negative effects on its financial performance.

Risk management policies have been designed to identify and analyse those risks in order to define appropriate limits and controls, monitor those risks, and compliance with limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect any changes in its markets, products, and best practices. The most significant types of financial risks to which the Bank is exposed are credit risk, liquidity risk, market risk, and operational risk. The market risk includes currency risk, interest rate risk, and equities and debt securities repricing risk. Limits are set for all the risk types. The methodology and models for managing operational risk have been developed.

At the Bank level, a comprehensive risk management system has been established, introducing policies and procedures, setting limits for acceptable levels of risk for the Bank, and monitoring their implementation.

The risk management strategy is in line with the Bank's business strategy; both are determined and adjusted on an annual basis. The risk appetite is updated annually and thus reflects the conclusions of the Bank's risk management strategy and business strategy.

Credit risk

The Bank is exposed to credit risk, which may be defined as the risk that counterparty will default on its contractual obligations resulting in financial loss to the Bank. Major changes in the economy or the status of an industry in which the portfolio is concentrated, may lead to losses not provided for at the reporting date. Therefore, the Bank manages its exposure to credit risk with a high level of prudence. The exposure to credit risk arises primarily in respect of loans and advances, debt, and other securities exposed to credit risk. Credit risk is also present in off-balance sheet financial arrangements, such as commitments to extend credit and guarantees issued. Credit risk management is the responsibility of the Risk Management Sector, and risk control is the responsibility of the Risk Control.

Credit risk is managed in accordance with policies, procedures, and other internal guidelines. The credit policy defines the focus of considerations to be made in performing credit operations. If a proposal to extend a loan departs from the credit policy, the final decision is made by the Bank's Management Board.

The structure of loans over a certain period is defined by the Credit Policy. Loans are structured by type of clients, or groups of clients, type or groups of products, by sector and industry. Given that loans are approved using the "four eyes" principle, it is very unlikely that a loan authorised by overriding the procedures might remain undetected.

The Credit Policy defines and sets out policies and procedures for extending loans to corporate and retail clients. Credit risk is monitored on an ongoing basis and reported on regularly to promptly identify any indication of impairment in the loan portfolio. The Bank applies prudent methods and models in the process of assessing credit risk.

In order to improve credit risk management, the Bank estimates the creditworthiness of its clients and, in order to reduce the credit risk, takes the appropriate collaterals.

Credit risk management includes assessing the exposures credit risk, subsequently monitoring, and estimating the recoverability of exposures and off-balance sheet liabilities and recognition of the required impairment losses and provisions for identified losses on exposures and off-balance sheet liabilities.

When assessing the exposure credit risk, the following is estimated:
(1) client's creditworthiness,
(2) debtor's timeliness in settling obligations to the Bank and other creditors and
(3) collateral quality per exposure.

To determine creditworthiness, a Rating Model for corporate entities was developed - double-entry bookkeeping (DEB) and single-entry bookkeeping (SEB) and a Rating Model for natural persons (PI). The rating for corporates has grades from 1 to 10 for Stage 1 and 2. The rating for individuals has ratings from 1 to 8 for Stage 1 and 2.

Ratings consist of the following components:
(1) internal behaviour - behavioural scoring,
(2) application - financial scoring for individuals, and financial scoring for corporate entities.

Each rating is assigned a PD - Probability of default. One-year PD is awarded for stage 1 and lifelong PD for stage 2 (cumulative PD). Loss given default - LGD was determined by segments of rating model and collateralization.

The Bank has established a loan portfolio quality monitoring process to identify potential changes in clients' creditworthiness in a timely manner, including periodic collateral assessments. Potential changes in creditworthiness are subject to regular exposure reviews. The purpose of the portfolio credit quality monitoring process is to enable the Bank to assess potential loss as a result of the risk, to which it is exposed and to take corrective action. In the process of monitoring exposures, it is continuously checked whether there are elements of deterioration of the client's financial position, exposure to currency risk or risk due to a decrease in the value of the collateral.

Depending on the assessment of the above criteria, the Bank allocates all exposures to the following categories:
a. the risk group A, which consists of the risk subgroups A1 and A2,
b. a risk group B, consisting of risk subgroups B1, B2 and B3 and
c. a risk group C.

The Bank allocates credit exposures for which no significant increase in credit risk has been established since the initial recognition date in the risk subgroup A1 (stage 1). Impairment losses and provisions for credit losses are determined based on the 12-month expected credit losses that represent part of the life-long expected credit losses that would occur if the default status of the obligation within the next 12 months is reached.

Loans to customers classified in risk category A1 are placements where the delay in settling the liability is no longer than 30 days and there is no significant increase in credit risk after initial recognition.

The Bank classifies in the risk subgroup A2 (stage 2) credit risk exposures that have been identified as a significant increase in credit risk since the initial recognition date, but there is no objective evidence of impairment. The impairment allowances and provisions for credit losses are determined based on lifelong expected credit losses.

The Bank, as an indicator for determining a significant increase in the debtor's credit risk, considers the following: the debtor's delay in settling liabilities to the Bank for a term longer than 30 days, not exceeding 90 days; a blockage of debtor's account for an uninterrupted duration of more than 15 days in the last year; and a significant deterioration in the credit rating compared to the credit rating at the time of initial recognition (for more than four rating classes).

The slowdown in economic activity, inflationary trends, and the rise in market interest rates affected the assessments of the recoverability of credit exposure and the calculation of related provisions for credit losses. The amount of provisions for credit losses is determined by the parameters of probability of default (PD) and loss given default (LGD) with the expected development of macroeconomic scenarios.

The Bank updated the macroeconomic scenarios, considering the basic scenario, an unfavourable scenario, and a positive scenario, where weighting factors were applied. The Bank allocates credit exposures in the default status to risk group B (level 3 - established impairment). These are exposures where the default status has occurred in accordance with the Decision on the internal system of classification into risk groups and the method of determining credit losses for placements and off-balance sheet liabilities.

The default status is examined on the basis of:

- Criteria for regular payment: the debtor has not fulfilled its due obligation with a significant amount of due debt for more than 90 days,
- Probability criteria: an analysis of the probability that a borrower will not be able to meet its credit obligations in full ("unlikely to pay" criterion (UTP)), it is estimated that the borrower is unlikely to settle the obligations under the placement in full without the need to activate collateral, regardless of the existence of any amount in arrears,
- Forced restructuring and restructured exposure classified as non performing placements,
- A debtor's new exposure must be classified as non-performing if the debtor's previous non-performing exposure has been sold or written off.

The Bank also considers restructured exposures as defaulted exposures as well as exposures to debtors over whom bankruptcy or liquidation is initiated. The level of impairment for certain exposures classified in risk group B is determined as a positive difference between the gross carrying amount of each exposure and the present value of the estimated future borrower's cash flows discounted using the effective interest rate, taking into account the minimum levels of impairment prescribed by the Decision. Exposures in risk group B, depending on the percentage of placement value adjustments, are classified in the risk subgroup B-1 (placements for which the stated loss does not exceed 30% of the amount of receivables), B-2 (placements for which the stated loss amounts to more than 30% to 70% receivables) and B-3 (placements for which the stated loss amounts to more than 70% and less than 100% of the amount of receivables).

Risk class C (Stage 3) covers placements with a 100% correction value.

"Forborne" and restructured loans

The Bank sometimes makes concessions or changes the original terms of the loan in response to the borrower's financial difficulties (so-called "forbearance" activities) in order to maximise the possibility of collection and minimise the risk of "default" rather than take possession or otherwise collect existing collateral. At the Bank's level, a loan is classified as "forborne" when concessions and modifications result from the debtor's financial difficulties, and the creditor would not have agreed to them if the debtor had adequate financial capacity. "Forbearance" activities may include concessions such as refinancing, moratorium, maturity extension, interest debt repayment plan rescheduling, interest rate reduction, etc. If any of these concessions lead to a loss for the Bank, this placement is assessed and managed as non-performing and is therefore classified as Level 3 for the purpose of calculating expected credit losses, except for placements where the difference in NPV (i.e. net present value) after restructuring is less than 1%, and which are classified as risky group A2. Restructured exposures that are likely to result in a reduction in the debtor's financial liability due to a significant discharge or deferral of principal and/or interest payments that were allocated to risk group A prior to restructuring are allocated at least to risk subgroup B1 if the NPV difference after restructuring is greater than 1%.

Liquidity risk

Liquidity risk arises in the general funding of the Bank's activities and managing its positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates, and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments, including different types of deposits, borrowings, bond issues, equity and reserves. Liquidity risk is continually assessed by identifying and monitoring changes in the level of funding required to meet business goals and targets set in terms of the overall Bank's strategy. In addition, the Bank holds a portfolio of liquid assets as a part of its liquidity risk management.

Effective liquidity risk management, through the assessment of necessary cash flows both in regular operations and in case of extraordinary circumstances, enables the Bank to timely fulfil due obligations, which are influenced by internal (business decisions of the Bank) and external events, as well as the behaviour of other participants on the financial market.

The Bank identifies three basic forms of liquidity risk:

- the risk of mismatching liquidity (arising from the mismatch between assets and liabilities of the Bank)
- the risk of increased liquidity (arising from the need to maintain higher levels of liquid assets that may be needed in the future) and
- market liquidity risk (resulting from the potential lower liquidity of the financial market, resulting in the impossibility of selling or obtaining liquid assets).

The Bank adjusts its business activities related to liquidity risk according to regulatory and internal policies for the maintenance of liquidity reserves, by matching liabilities and assets, monitoring compliance with the externally and internally set limits, preferred liquidity ratios, including contingency planning procedures or stressful situations. The Financial Markets Sector manages liquidity reserves in order to optimise the Bank's operations.

Concentration indicators indicate the concentration in the deposit portfolio (top 100 individual and corporate depositors in the total deposits), which is regularly reported to the Bank's Management Board.

In addition to the regulatory requirements set out above, the Bank has the obligation to monitor the structural indicators of liquidity and concentration levels, which have been set by the internal regulations of the Bank.

The structural liquidity level indicators reflect the correlations between certain items of assets and liabilities such as the ratio of total loans to total deposits received, the ratio of total loans to total assets, the ratio of liquid assets to total deposits received, and the ratio of total borrowings to total liabilities.

The Bank has prescribed and established appropriate control activities and distributed duties, ensured adequate internal controls, and appropriate administrative and accounting procedures within the Bank's daily activities.

Liquidity risk management is organised through the Management Board, the Financial Markets Sector, the Risk Management Sector, the Risk Control and the Asset and Liability Management Committee.

Market risk

The majority of available-for-sale instruments are subject to market risk, which is the risk that an instrument may be impaired as a result of future changes in market conditions. Market risks represent the potential effects of external factors on the value of assets, liabilities, and off-balance sheet items of the Bank. Changes in market rates imply: all changes in interest rates, exchange rates, prices of financial instruments, indices, or other market factors that affect the value of financial instruments. In respect of instruments which are held at fair value through other comprehensive income, all market changes directly affect the fair value reserve. The Bank manages its instruments traded on the market in response to changing market conditions.

Internal limits for market risks are determined in accordance with the Bank's business strategy, taking into account the planned financial goals, i.e. the Bank's business plan.

The Bank has established clearly defined responsibilities in the process of managing market risk.

Market Risk Management is organised through the Management Board and the Risk Management Sector, with the operational and organisational separation of the transaction management function from the function of supporting Treasury business operations and functions, and the Asset and Liability Management Committee.

The Bank's liquidity positions in the local and foreign currency are provided to the Bank's Management Board and senior management daily, with a focus on the most significant fluctuations in interest and foreign exchange rates. The Market, Operational and Other Risks Management is responsible for monitoring of the Bank's exposure to market risks, monitoring and control of the limits usage to which Treasury operations are exposed and control and verification of transactions. The Financial Markets Sector reports continuously the Bank's Management Board on currency risk exposure . The Risk Control analyses and monitors the market risks to which the Bank is exposed or could be exposed in its operations, conducts stress tests, verifies the application and effectiveness of risk management methods, makes proposals and recommendations for appropriate risk management, and reports to the Bank's Management Board and the Supervisory Board on risk management.

In managing its market risks, the Bank resorts to various risk protection strategies. The Value-at-risk (VaR) methodology is applied to the Bank's open foreign currency position to estimate the maximum potential losses based on certain assumptions regarding various changes in market conditions. The methodology defines the maximum loss that the Bank may suffer with a confidence level of 99 percent based on 260 days. However, this approach does not preclude the occurrence of losses beyond the defined limits in the event of major changes in market terms and conditions.

Currency risk

Currency risk is the risk of losses caused by unfavourable exchange rate movements, and it arises from lending, depositing, and investment activities. The Bank manages the risk of fluctuations in the relevant foreign currency exchange rates that may affect its financial position and cash flows. The currency risk is monitored on the overall balance sheet level in terms of foreign exchange open positions, as specified by internal limits on a daily basis.

The currency position is monitored daily through the report on the open foreign currency positions. For the purposes of analysing the currency risk exposure, the Risk Control prepares regularly reports for the Management. The Financial Markets Sector is responsible for operational or daily currency risk management, while strategic management is the responsibility of the ALCO Board and the Bank's Management Board. The Risk Control monitors the exposure to currency risk and reports to the Management Board on a quarterly basis.

Interest rate risk

The interest rate risk represents the sensitivity of the Bank's financial position to movements in interest rates. Interest rate risk arises as a result of the mismatched maturities of assets and sources of financing.

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that the interest-bearing assets and liabilities mature or reprice at different times or in differing amounts. In case of the variable interest rates, the assets and liabilities are also exposed to the basis risk, which is the difference in repricing characteristics of the various variable interest rate indices.

Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. The exposure to interest rate risk is monitored and measured using repricing gap analysis that reflects the sensitivity to changes in interest rates, the net interest income and economic value of equity. The goal of interest rate risk management is to ensure an optimal and stable net interest margin and to ensure the Bank's targeted profitability.

The Bank's interest rate risk management system is established in accordance with the Bank's needs with regard to the size, volume, and complexity of business processes, and as such has the function of identifying, measuring, monitoring, and controlling all significant sources of interest rate risk. The management of interest rate risk is organized through the Management Board, the Risk Management Sector, the Financial Market Sector and the Asset and Liability Management Committee, with the participation of all organisational units underwriting the interest rate risk and the control of interest risk is organized through Risk Control.

Equity and debt security price risk

Equity and debt security price risk is the risk of negative effect on the investment fair value.

Derivative financial assets and liabilities

The Bank uses derivative financial assets and liabilities primarily to satisfy the needs and requirements of the clients. Derivative financial assets and liabilities used by the Bank include a one-way foreign currency clause.

Operational risk

Operational risk is defined as the risk of loss resulting from errors, breaches, disruptions, or damages caused by inadequate or failed internal processes, people, systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

Efficient management of operational risks is based on understanding the significance of the impact of operational risks on the Bank's operations, distribution of responsibilities and efficient control in the process of determining, assessing, monitoring and controlling operational risks.

Operational risk management falls within the area of competence of the Market, Operational and Other Risk Management and includes collection of data, preparation of reports and analyses of the current and potential operational risk events and the underlying root causes, as well as providing information that will allow operational risk to be managed effectively.

Operational risk events are aggregated in a single database using a web application.

According to the Basel II guidelines and EU Directives, there are three operational risk assessment methods, which are as follows:

- Basic Indicator Approach (BIA)
- Standardised Approach (SA)
- Advanced Measurement Approach (AMA)

The Bank has opted to adopt the Basic Indicator Approach (BIA).

Market, Operational and Other Risk Management monitors the operational risk exposure, collects operational risk data (risk events, key risk indicators, sensitivity analyses), proposes measures to reduce and/or avoid operational risk, monitors and reports on the Bank's operational risk profile, participates in the implementation of new products and significant business changes, conducts operational risk training, and provides regular operational risk exposure reports to the Bank's Management Board, the Operational Risk Board and senior management.

The purpose and main principles of underwriting and managing operational risk, as well as the Bank's operational risk appetite, are defined in the Operational Risk Management Policy and other internal by-laws.

For the purpose of protection against operational risk, the Bank has developed a risk map and implemented an operational risk monitoring system. Given the nature of operational risk, the controls are performed by comparing the losses against the risk assessment. The risk assessment is defined using an internal methodology or by reference to operational risk losses. Key risk indicators are monitored on an ongoing basis.

Operational risk exposure in 2022 was also affected by the project of euro implementation, which aimed to harmonise the Bank with the National Plan of the Exchange of the Croatian Kuna with the Euro, with the Act on the Introduction of the Euro as the Official Currency, and adjustments to other legislation.

Throughout 2022, the Bank worked intensively and directed a large part of its resources to the project of introducing the euro as the new official currency. The Bank's project team, in cooperation with an external supplier, was focused on all the necessary activities in order to meet the deadlines, continuity, and integrity of operations after switching to the euro as the official currency from 1 January 2023. During 2023, the Bank was also affected by operational risks related to the transition to the euro as the new official currency in the Republic of Croatia.

ESG risks

ESG risks are risks of significant adverse effects on sustainability factors. Sustainability risk is defined as environmental, social, or governance and can cause an existing or potentially material negative effect on the Bank's operations.

Environmental risks represent risks of losses arising from any downside financial impact due to current or future environmental impacts on counterparties or invested assets of the Bank, including factors related to the transition towards the following environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and the protection and restoration of biodiversity and ecosystems; environmental risk involves physical and transition risk.

Social risk factors are linked to the rights, well-being and interests of people and communities and are more difficult to identify than environmental ones. Social risk drivers can be different: environmental risks (migration due to environmental degradation, COVID crisis), policy changes and market orientations (increased compliance costs).

Governance factors can be defined as management-related issues that can have a negative impact. The drivers of management risk can be diverse as inadequate management of environmental and social issues, as well as non-compliance with the framework or code of corporate governance.

Management of environmental, social and governance risks is organizationally organized through the Bank's Management Board, transaction contracting function (front), Risk Management, Risk Control, Compliance function and Internal Audit function. Internal acts regulating the domain of ESG risks are the ESG Risk Management Procedure and the Methodology for assessing the materiality of environmental risks.

The Bank has integrated an assessment of ESG impacts and associated risks into its decision-making processes. To this end, a risk-based approach has been implemented with the following steps:

- Risk identification: The Bank has developed tools and processes to help identify financial products and services, sectoral practices, and countries where ESG risks are more likely to occur.
- Risk evaluation: When a risk is identified, an evaluation is performed.
- Activity: Carrying out activities depending on the potential impacts of ESG and related ESG risks identified

Capital management

Credit institutions in the Republic of Croatia have been engaged in prudential calculations and reporting pursuant to Capital Requirements Regulation (EU) No. 575/2013 (CRR), Directive 2013/36/EU (CRD IV), technical standards, and other relevant regulations prescribed by the European Banking Authority (EBA) and the Croatian National Bank. The Bank has successfully managed capital to cover the risks arising from its operations and meet all the capital requirements set by the Croatian National Bank and the European Banking Authority. At 31 December 2023, the total capital adequacy rate was 20.53%, and the basic and regular basic capital rate was 16.41%.

Based on the capital adequacy levels, the Bank meets all of the limits prescribed in Article 92 of Directive (EU) No. 575/2013 of the European Parliament and of the Council dated 26 June 2013 on prudential requirements for credit institutions and investment funds and amending Directive (EU) No. 648/2012 (EU Official Journal L 176/2013), according to which institutions must meet the following capital requirements:

(a) a Common Equity Tier 1 capital ratio of 4.5%;
(b) a Tier 1 capital ratio of 6%;
(c) a total capital ratio of 8%.

The Bank's capital includes the capital conservation buffer which, pursuant to Article 117 of the Credit Institutions Act (Official Gazette No. 159/2013) amounts to 2.5%, and the structural systemic risk buffer of 1.5% based on the Decision on the application of the structural systemic risk buffer (Official Gazette 61/2014 and 148/2022).

In the Common Equity Tier 1 items, the Bank included share capital, paid premium on shares, retained earnings in recent years, accumulated other comprehensive income and reserves for general banking risks. Deductible items include intangible assets, value adjustments due to prudential valuation requirements, accumulated other comprehensive income and redeemed own shares.

Tier 2 items include the issue of the Bank's debt securities, namely subordinated bonds in the amount of EUR 15,521 thousand (in 2022: EUR 15,702 thousand).

As of 30 June 2022, the Bank has started using the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income introduced due to the COVID-19 pandemic. It is a deductible item that reduces share capital. In 2022, the measure allows for a 40% reduction in unrealised loss of securities when exposed to central governments, by regional or local self-government units and by public sector entities.

As of 1 January 2023, the Bank changed the business model for debt securities into a business model for collecting contractual cash flows. Due to this, the unrealised profit/loss of the portfolio is no longer included in the calculation of own funds as a deductible item leading to an increase in own funds.

IN EUR THOUSAND	2023	2022
REGULATORY CAPITAL – TEMPORARY TREATMENT		
TIER 1 CAPITAL	-	52,303
COMMON EQUITY TIER 1 CAPITAL	-	52,303
TIER 2 CAPITAL	-	15,702
TOTAL REGULATORY CAPITAL	**-**	**68,005**
CAPITAL ADEQUACY RATIO IN %	**-**	**19.30%**
MINIMUM CAPITAL ADEQUACY RATIO IN %	**-**	**8.00%**

IN EUR THOUSAND	2023	2022
REGULATORY CAPITAL – REGULAR CALCULATION		
TIER 1 CAPITAL	61,811	48,419
COMMON EQUITY TIER 1 CAPITAL	61,811	48,419
TIER 2 CAPITAL	15,521	15,702
TOTAL REGULATORY CAPITAL	**77,332**	**64,121**
CAPITAL ADEQUACY RATIO IN %	**20.53%**	**18.21%**
MINIMUM CAPITAL ADEQUACY RATIO IN %	**8.00%**	**8.00%**

35 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, 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 considers the characteristics of the asset or liability that market participants would consider when pricing the asset or liability at the measurement date,

Furthermore, for the purposes of financial reporting, fair value measurements were classified into Level 1, Level 2, or Level 3 inputs, by reference to the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement, which are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly,

Level 3 inputs are unobservable inputs for the asset or liability.

The tables below analyse financial instruments that have been reduced to fair value after their first recognition, classified into three groups depending on the availability of observable fair value indicators:

2023 IN EUR THOUSAND	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS STATEMENT				
EQUITY SECURITIES	1,500	-	-	1,500
TOTAL	**1,500**	**-**	**-**	**1,500**

2023 IN EUR THOUSAND	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
EQUITY SECURITIES	3,983	-	483	4,466
DEBT SECURITIES	-	-	-	-
TOTAL	**3,983**	**-**	**483**	**4,466**

2022 IN EUR THOUSAND	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS STATEMENT				
EQUITY SECURITIES	4,292	-	-	4,292
TOTAL	**4,292**	**-**	**-**	**4,292**

2022 IN EUR THOUSAND	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
EQUITY SECURITIES	3,858	-	439	4,297
DEBT SECURITIES	83,909	-	911	84,820
TOTAL	**87,767**	**-**	**1,350**	**89,117**

Level 3 includes equity securities of the companies HROK d.o.o., Central Depository and Clearing Company, S.W.I.F.T Belgium, Franck d.d., VISA Inc.-class C, Atlas banka a.d Podgorica and Proficio d.d., which are valued according to the valuation model or acquisition cost. When assessing equity securities according to model the Bank uses the techniques of estimating fair value by the method of comparable companies and the method of book value, which are the primary methods of valuation.

During the year, there was no changes in level of equity securities.

Fair value measurement

a) Assets at fair value through the profit and loss statement

FINANCIAL ASSETS AND FINANCIAL LIABILITIES	FAIR VALUE AT (IN EUR '000)		FAIR VALUE HIERARCHY	VALUATION METHOD(S) AND KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUT(S)
	31 DECEMBER 2023	31 DECEMBER 2022			
EQUITY SECURITIES	1,500	4,292	LEVEL 1	VALUATION ACCORDING TO MARKET PRICES	N/A
TOTAL EQUITY SECURITIES:	**1,500**	**4,292**			

b) Assets at fair value through other comprehensive income

FINANCIAL ASSETS AND FINANCIAL LIABILITIES	FAIR VALUE AT (IN EUR '000)		FAIR VALUE HIERARCHY	VALUATION METHOD(S) AND KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUT(S)
	31 DECEMBER 2023	31 DECEMBER 2022			
EQUITY SECURITIES	3,983	3,858	LEVEL 1	VALUATION ACCORDING TO MARKET PRICES FROM THE MARKET	N/A
EQUITY SECURITIES	483	439	LEVEL 3	VALUATION ACCORDING TO VALUATION TECHNIQUES OR VALUATION AT PURCHASE PRICE BECAUSE IT IS NOT A MATERIAL INVESTMENT	N/A
TOTAL EQUITY SECURITIES	**4,466**	**4,297**			
DEBT SECURITIES	-	83,909	LEVEL 1	VALUATION ACCORDING TO MARKET PRICES FROM THE MARKET	N/A
DEBT SECURITIES	-	-	LEVEL 2	VALUATION ACCORDING TO SIMILAR ASSETS (ADJUSTMENT OF TREASURY AND COMMERCIAL BILLS ACCORDING TO PRICES FROM THE LAST AUCTION OF TREASURY BILLS)	N/A
DEBT SECURITIES	-	911	LEVEL 3	VALUATION BY DISCOUNTED CASH FLOW METHOD'	N/A
TOTAL DEBT SECURITIES:	**-**	**84,820**			
TOTAL SECURITIES:	**4,466**	**89,117**			

c) Changes of financial assets in level 3

2023 IN EUR THOUSAND	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
INITIAL BALANCE	**1,350**
TOTAL GAINS AND LOSSES	43
RECLASSIFIED ASSETS	(911)
CLOSING BALANCE	**483**

2022 IN EUR THOUSAND	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
INITIAL BALANCE	**6,000**
TOTAL GAINS AND LOSSES	38
PURCHASED ASSETS	775
RECLASSIFIED FROM LEVEL 3	(5,464)
CLOSING BALANCE	**1,350**

36 INTEREST RATE RISK

The following tables show the Bank's sensitivity to interest rate risk as at 31 December 2023 and 2022 based on known repricing dates of assets and liabilities to which fixed and variable rates apply, and assumed repricing dates of other items.

AS AT DECEMBER 2023 IN EUR THOUSAND	UP TO 1 MONTH	1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	OVER 1 YEAR	NON-INTEREST BEARING	TOTAL
ASSETS						
CASH AND BANK ACCOUNTS	166,280	-	-	-	13,602	179,882
PLACEMENTS WITH OTHER BANKS	9,430	905	-	5,139	-	15,474
LOANS TO CUSTOMERS	199,660	11,366	39,592	66,143	324	317,085
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-	1,500	1,500
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	-	4,466	4,466
HELD-TO-MATURITY ASSETS	7,639	1,266	15,011	113,610	-	137,526
TOTAL ASSETS	**383,009**	**13,537**	**54,603**	**184,892**	**19,892**	**655,933**
LIABILITES						
LIABILITIES TO BANKS	7,064	-	-	-	341	7,405
LIABILITIES TO CUSTOMERS	400,282	13,063	92,026	18,138	1,037	524,546
OTHER LIABILITIES	92	436	5,051	42,666	-	48,245
ISSUED SUBORDINATED INSTRUMENTS	-	102	66	16,171	-	16,339
TOTAL LIABILITIES	**407,438**	**13,601**	**97,143**	**76,975**	**1,378**	**596,535**
NET INTEREST EXPOSURE	**(24,429)**	**(64)**	**(42,540)**	**107,917**	**18,514**	**59,398**

AS AT DECEMBER 2022 IN EUR THOUSANDS	UP TO 1 MONTH	1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	OVER 1 YEAR	NON-INTEREST BEARING	TOTAL
ASSETS						
CASH AND BANK ACCOUNTS	10,684	-	-	-	139,541	150,225
PLACEMENTS AT OTHER BANKS	-	-	691	-	-	691
LOANS TO CUSTOMERS	205,001	9,320	35,259	56,087	7,933	313,600
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-	4,292	4,292
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	273	1,016	8,945	74,586	4,297	89,117
HELD-TO-MATURITY ASSETS	974	24	634	21,445	-	23,077
TOTAL ASSETS	**216,932**	**10,360**	**45,529**	**152,118**	**156,063**	**581,002**
LIABILITES						
LIABILITIES TO BANKS	2,056	-	-	-	1,765	3,821
LIABILITIES TO CUSTOMERS	383,408	13,217	43,178	20,805	893	461,502
OTHER LIABILITIES	107	457	9,153	44,952	-	54,668
ISSUED SUBORDINATED INSTRUMENTS	-	102	66	16,172	-	16,340
TOTAL LIABILITIES	**385,571**	**13,776**	**52,397**	**81,929**	**2,658**	**536,331**
NET INTEREST EXPOSURE	**(168,639)**	**(3,416)**	**(6,868)**	**70,189**	**153,405**	**44,671**

The weighted effective interest rates on loans given to clients in 2023 were 5.22% (in 2022 4.27%).

The weighted effective interest rates on deposits received from clients during 2023 were 0.29% (in 2022 0.11%).

The table below shows the sensitivity of the Banks' assets and liabilities that carry variable interest to changes in interest rates. Growth assumptions were taken from the recorded rise or fall in the interest rate during 2023 and 2022. The change in interest rates has a direct impact on net interest income. If the same percentages are applied to the fall in the interest rate, the result would be an interest expense in the same amount.

IN EUR THOUSAND	ASSUMED INCREASE IN INTEREST RATE	IMPACT ON 2023 PROFIT OR LOSS	IMPACT ON 2022 PROFIT OR LOSS
ASSETS	5% RELATIVE	483	414
LIABILITIES	5% RELATIVE	(55)	(18)
IMPACT ON THE NET INTEREST INCOME		**428**	**396**

37 CURRENCY RISK

The Bank manages its exposure to currency risk through a variety of measures, including the use of a currency clause, which has the same effect as denominating EUR assets in other currencies.

ON 31 DECEMBER 2023 (IN EUR THOUSANDS)	USD	OTHER CURRENCIES	TOTAL FOREIGN CURRENCIES	EUR	HRK	TOTAL
ASSETS						
CASH AND BANK ACCOUNTS	2,213	1,738	4,121	175,761	170	179,882
PLACEMENTS WITH OTHER BANKS	-	3,446	3,446	12,028	-	15,474
LOANS TO CUSTOMERS	83	-	83	317,002	-	317,085
FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT OR LOSS	-	-	-	1,500	-	1,500
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	1,302	-	1,302	3,164	-	4,466
HELD-TO-MATURITY ASSETS	12,228	1,547	13,775	123,751	-	137,526
INTANGIBLE ASSETS	-	-	-	7,749	-	7,749
PROPERTY AND EQUIPMENT	-	-	-	2,946	-	2,946
RIGHT-OF-USE ASSETS	-	-	-	4,066	-	4,066
INVESTMENT PROPERTY	-	-	-	2,831	-	2,831
DEFERRED TAX ASSETS	-	-	-	858	-	858
OTHER ASSETS	-	-	-	6,540	-	6,540
TOTAL ASSETS	**15,826**	**6,731**	**22,727**	**658,196**	**170**	**680,923**
LIABILITIES AND SHAREHOLDERS EQUITY						
LIABILITIES						
LIABILITIES TO BANKS	-	341	341	7,064	-	7,405
LIABILITIES TO CUSTOMERS	15,741	6,303	22,044	502,502	-	524,546
OTHER BORROWINGS	-	-	-	48,245	-	48,245
OTHER LIABILITIES	3	2	5	10,910	-	10,915
PROVISIONS FOR CONTINGENT LIABILITIES AND EXPENSES	-	-	-	1,432	-	1,432
ISSUED SUBORDINATED INSTRUMENTS	-	-	-	16,339	-	16,339
TOTAL LIABILITIES	**15,744**	**6,646**	**22,390**	**586,492**	**-**	**608,882**
EQUITY						
SHARE CAPITAL	-	-	-	36,781	-	36,781
SHARE PREMIUM	-	-	-	400	-	400
TREASURY SHARES	-	-	-	(157)	-	(157)
OTHER RESERVES	-	-	-	29,621	-	29,621
PROFIT FOR THE YEAR	-	-	-	4,051	-	4,051
RETAINED EARNINGS / (ACCUMULATED LOSSES)	-	-	-	1,345	-	1,345
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**72,041**	**-**	**72,041**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**15,744**	**6,646**	**22,390**	**658,533**	**-**	**680,923**
NET FX EXPOSURE	**82**	**85**	**337**	**(337)**	**170**	**-**

AS AT 31 DECEMBER 2022 (IN EUR THOUSAND)	EUR	USD	OTHER CURRENCIES	TOTAL FOREIGN CURRENCIES	HRK	TOTAL
ASSETS						
CASH AND BANK ACCOUNTS	20,452	2,098	5,214	27,764	122,461	150,225
PLACEMENTS WITH OTHER BANKS	-	-	-	-	691	691
LOANS TO CUSTOMERS	131,528	106	-	131,634	181,966	313,600
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	3,058	-	-	3,058	1,234	4,292
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	23,096	14,018	917	38,031	51,086	89,117
HELD-TO-MATURITY ASSETS	17,129	935	1,242	19,306	3,771	23,077
INTANGIBLE ASSETS	-	-	-	-	7,752	7,752
PROPERTY AND EQUIPMENT	-	-	-	-	4,029	4,029
RIGHT-OF-USE ASSETS	-	-	-	-	4,598	4,598
INVESTMENT PROPERTY	-	-	-	-	2,835	2,835
FIXED ASSETS HELD FOR SALE	-	-	-	-	35	35
DEFERRED TAX ASSETS	-	-	-	-	879	879
OTHER ASSETS	11	-	-	11	6,160	6,171
TOTAL ASSETS	**195,274**	**17,157**	**7,373**	**219,804**	**387,497**	**607,301**
LIABILITIES AND SHAREHOLDERS EQUITY						
LIABILITIES						
LIABILITIES TO BANKS	3,467	-	353	3,820	1	3,821
LIABILITIES TO CUSTOMERS	170,537	17,256	6,923	194,716	266,786	461,502
OTHER BORROWINGS	6,298	-	-	6,298	48,370	54,668
OTHER LIABILITIES	-	6	2	8	12,330	12,338
PROVISIONS FOR CONTINGENT LIABILITIES AND EXPENSES	157	5	-	162	1,898	2,060
ISSUED SUBORDINATED INSTRUMENTS	16,340	-	-	16,340	-	16,340
TOTAL LIABILITIES	**196,799**	**17,267**	**7,278**	**221,344**	**329,385**	**550,729**
EQUITY						
SHARE CAPITAL	-	-	-	-	35,503	35,503
SHARE PREMIUM	-	-	-	-	400	400
TREASURY SHARES	-	-	-	-	(157)	(157)
OTHER RESERVES	16	5	1	22	17,978	18,000
PROFIT FOR THE YEAR	-	-	-	-	1,615	1,615
RETAINED EARNINGS / (ACCUMULATED LOSSES)	-	-	-	-	1,211	1,211
TOTAL SHAREHOLDERS' EQUITY	**16**	**5**	**1**	**22**	**56,550**	**56,572**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**196,815**	**17,272**	**7,279**	**221,366**	**385,935**	**607,301**
NET FX EXPOSURE	**(1,541)**	**(115)**	**94**	**(1,562)**	**1,562**	**-**

The table below shows the sensitivity of the Bank's net assets to a positive change in the CNB's middle exchange rate, i.e. an increase in the exchange rate, and the impact on the profit and loss statement, showing the total of the simplified increase in all currencies by 2%. By applying the same assumed percentage to the decrease in the CNB's middle exchange rate, the impact on the profit and loss statement by individual currencies on a net principle would be the same only in the opposite direction, i.e. the sum of the impacts from all currencies as losses for 2023 or gains for 2023. The result of the exchange rate change in the profit and loss statement is reflected as income or expense from exchange rate differences.

CURRENCY AT 31 DECEMBER 2023	ASSUMED INCREASE OF THE CNB'S MIDDLE EXCHANGE RATE	IMPACT ON PROFIT OR LOSS	IMPACT ON PROFIT OR LOSS	IMPACT ON PROFIT OR LOSS
IN EUR THOUSAND		ASSETS	LIABILITIES	NET
ASSETS	2.00%	455	-	455
LIABILITIES	2.00%	-	(448)	(448)
NET ASSETS / (LIABILITIES)		**455**	**(448)**	**7**

CURRENCY AT 31 DECEMBER 2022	ASSUMED INCREASE OF THE CNB'S MIDDLE EXCHANGE RATE	IMPACT ON PROFIT OR LOSS	IMPACT ON PROFIT OR LOSS	IMPACT ON PROFIT OR LOSS
IN EUR THOUSAND		ASSETS	LIABILITIES	NET
ASSETS	2.00%	(4,396)	-	(4,396)
LIABILITIES	2.00%	-	4,427	4,427
NET ASSETS / (LIABILITIES)		**(4,396)**	**4,427**	**31**

38 LIQUIDITY RISK

AS AT 31 DECEMBER 2023 IN EUR THOUSAND	UP TO 1 MONTH	1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 3 YEARS	OVER 3 YEARS	TOTAL
ASSETS						
CASH AND BANK ACCOUNTS	179,882	-	-	-	-	179,882
PLACEMENTS WITH OTHER BANKS	9,430	905	-	-	5,139	15,474
LOANS TO CUSTOMERS	20,103	15,059	60,064	75,793	146,066	317,085
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	1,500	-	-	-	-	1,500
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	4,466	-	-	-	-	4,466
HELD-TO-MATURITY ASSETS	7,639	1,266	15,011	53,581	60,029	137,526
FINANCIAL ASSETS	**223,020**	**17,230**	**75,075**	**129,374**	**211,234**	**655,933**
LIABILITIES						
LIABILITIES TO BANKS	7,405	-	-	-	-	7,405
LIABILITIES TO CUSTOMERS	401,019	13,064	92,025	12,015	6,423	524,546
OTHER BORROWINGS	92	435	5,052	36,898	5,768	48,245
ISSUED SUBORDINATE INSTRUMENTS	-	102	66	906	15,265	16,339
FINANCIAL LIABILITIES	**408,516**	**13,601**	**97,143**	**49,819**	**27,456**	**596,535**
CUMULATIVE GAP	**(185,496)**	**3,629**	**(22,068)**	**79,555**	**183,778**	**59,398**

AS AT 31 DECEMBER 2022 IN EUR THOUSANDS	UP TO 1 MONTH	1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 3 YEARS	OVER 3 YEARS	TOTAL
ASSETS						
CASH AND BANK ACCOUNTS	150,225	-	-	-	-	150,225
PLACEMENTS WITH OTHER BANKS	-	-	691	-	-	691
LOANS TO CUSTOMERS	27,917	13,354	53,828	79,531	138,970	313,600
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	4,292	-	-	-	-	4,292
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	4,570	1,016	8,945	25,147	49,439	89,117
HELD-TO-MATURITY ASSETS	975	24	634	5,859	15,585	23,077
FINANCIAL ASSETS	**187,979**	**14,394**	**64,098**	**110,537**	**203,994**	**581,002**
LIABILITIES						
LIABILITIES TO BANKS	3,821	-	-	-	-	3,821
LIABILITIES TO CUSTOMERS	384,006	13,217	43,178	18,356	2,745	461,502
OTHER BORROWINGS	107	457	9,153	37,341	7,610	54,668
ISSUED SUBORDINATE INSTRUMENTS	-	102	66	906	15,266	16,340
FINANCIAL LIABILITIES	**387,934**	**13,776**	**52,397**	**56,603**	**25,621**	**536,331**
CUMULATIVE GAP	**(199,955)**	**618**	**11,701**	**53,934**	**178,373**	**44,671**

39 CREDIT RISK

a) Overall exposure to credit risk – on-balance sheet and off-balance sheet

IN EUR THOUSAND AS AT 31 DECEMBER 2023:	GROSS EXPOSURE	IMPAIRMENT ALLOWANCES	NET EXPOSURE
A. BALANCE-SHEET EXPOSURE			
PLACEMENTS WITH OTHER BANKS	15,523	(50)	15,473
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	1,500	0	1,500
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	5,798	(1,332)	4,466
HELD-TO-MATURITY FINANCIAL ASSETS	137,617	(91)	137,526
LOANS TO CUSTOMERS			
- STAGE 1	291,624	(2,793)	288,831
- STAGE 2	15,542	(962)	14,580
- STAGE 3	40,871	(27,196)	13,675
TOTAL BALANCE SHEET EXPOSURE	**508,475**	**(32,424)**	**476,051**
B. OFF-BALANCE SHEET EXPOSURE			
CLIENTS			
- STAGE 1	76,979	(928)	76,051
- STAGE 2	426	(15)	411
- STAGE 3	1,655	(408)	1,247
TOTAL OFF-BALANCE SHEET EXPOSURE	**79,060**	**(1,351)**	**77,709**
TOTAL EXPOSURE (A+B)	**587,535**	**(33,775)**	**553,760**

IN EUR THOUSAND AS AT 31 DECEMBER 2022:	GROSS EXPOSURE	IMPAIRMENT ALLOWANCES	NET EXPOSURE
A. BALANCE-SHEET EXPOSURE			
PLACEMENTS WITH OTHER BANKS	693	(2)	691
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	4,292	-	4,292
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	90,449	(1,332)	89,117
HELD-TO-MATURITY FINANCIAL ASSETS	23,084	(7)	23,077
LOANS TO CUSTOMERS			
- STAGE 1	290,841	(2,818)	288,023
- STAGE 2	14,068	(959)	13,109
- STAGE 3	39,547	(27,079)	12,468
TOTAL BALANCE SHEET EXPOSURE	**462,974**	**(32,197)**	**430,777**
B. OFF-BALANCE SHEET EXPOSURE			
CLIENTS			
- STAGE 1	66,443	(812)	65,631
- STAGE 2	404	(16)	388
- STAGE 3	1,130	(120)	1,010
TOTAL OFF-BALANCE SHEET EXPOSURE	**67,977**	**(948)**	**67,029**
TOTAL EXPOSURE (A+B)	**530,951**	**(33,145)**	**497,806**

b) Outstanding past due receivables

Outstanding past due receivables include amounts of placements by maturity of unimpaired related principal , at the level of individual placement, including uncollected interest. Other past due receivables reflect uncollected other receivables for which collection procedures are still ongoing.

IN EUR THOUSANDS AT 31 DECEMBER 2023	PAST DUE UP TO 30 DAYS	PAST DUE FROM 31 TO 90 DAYS	PAST DUE FROM 91 TO 180 DAYS	PAST DUE FROM 181 TO 365 DAYS	PAST DUE BETWEEN 1 AND 2 YEARS	PAST DUE BETWEEN 2 AND 3 YEARS	PAST DUE BEYOND 3 YEARS
LOANS TO CUSTOMERS							
RETAIL	691	159	167	445	401	583	2,387
CORPORATE	859	2,202	219	5,594	3,747	361	5,437
PUBLIC AND OTHER SECTORS	20	-	-	-	2,936	-	1
OTHER OVERDUE RECEIVABLES	275	28	25	42	39	37	283
TOTAL OUTSTANDING OVERDUE RECEIVABLES	**1,845**	**2,389**	**411**	**6,081**	**7,123**	**981**	**8,108**

IN EUR THOUSANDS AT 31 DECEMBER 2022	PAST DUE UP TO 30 DAYS	PAST DUE FROM 31 TO 90 DAYS	PAST DUE FROM 91 TO 180 DAYS	PAST DUE FROM 181 TO 365 DAYS	PAST DUE BETWEEN 1 AND 2 YEARS	PAST DUE BETWEEN 2 AND 3 YEARS	PAST DUE BEYOND 3 YEARS
LOANS TO CUSTOMERS							
RETAIL	599	128	138	282	791	542	3,420
CORPORATE	833	532	152	3,451	575	1,118	7,544
PUBLIC AND OTHER SECTORS	22	2,937	-	2	-	-	1
OTHER OVERDUE RECEIVABLES	285	95	19	34	44	99	288
TOTAL OUTSTANDING OVERDUE RECEIVABLES	**1,739**	**3,692**	**309**	**3,769**	**1,410**	**1,759**	**11,253**

c) *Coverage of placements by collaterals*

IN EUR THOUSAND AS AT 31 DECEMBER 2023	DEPOSIT	RESIDENTIAL MORTGAGE	BUSINESS MORTGAGE	OTHER INSTRUMENTS	WITHOUT INSTRUMENTS
A. BALANCE-SHEET EXPOSURE					
PLACEMENTS WITH OTHER BANKS	90	-	-	815	14,569
LOANS TO CUSTOMERS	6,590	64,730	61,031	22,722	162,012
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-	1,500
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	-	4,467
HELD-TO-MATURITY FINANCIAL ASSETS	-	-	-	-	137,526
TOTAL BALANCE-SHEET EXPOSURE	**6,680**	**64,730**	**61,031**	**23,537**	**320,074**
B. OFF-BALANCE SHEET EXPOSURE					
CLIENTS	1,622	1,408	13,924	2,170	60,022
TOTAL OFF-BALANCE SHEET EXPOSURE	**1,622**	**1,408**	**13,924**	**2,170**	**60,022**
TOTAL EXPOSURE (A+B)	**8,302**	**66,138**	**74,955**	**25,707**	**380,096**

IN EUR THOUSAND AS AT 31 DECEMBER 2022	DEPOSIT	RESIDENTIAL MORTGAGE	BUSINESS MORTGAGE	OTHER INSTRUMENTS	WITHOUT INSTRUMENTS
A. BALANCE-SHEET EXPOSURE					
PLACEMENTS WITH OTHER BANKS	-	-	-	691	-
LOANS TO CUSTOMERS	3,332	63,261	53,007	19,114	174,886
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-	4,292
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	-	89,117
HELD-TO-MATURITY FINANCIAL ASSETS	-	-	-	-	23,077
TOTAL BALANCE-SHEET EXPOSURE	**3,332**	**63,261**	**53,007**	**19,805**	**291,372**
B. OFF-BALANCE SHEET EXPOSURE					
CLIENTS	570	1,842	8,949	1,575	55,041
TOTAL OFF-BALANCE SHEET EXPOSURE	**570**	**1,842**	**8,949**	**1,575**	**55,041**
TOTAL EXPOSURE (A+B)	**3,902**	**65,103**	**61,956**	**21,380**	**346,413**

d) Provision share in loans to customers

		2023
IN EUR THOUSAND	LOANS TO CUSTOMERS (%)	PROVISION SHARE IN LOANS (%)
- STAGE 1	83.79	0.96
- STAGE 2	4.47	6.19
- STAGE 3	11.74	66.54
TOTAL	**100.00**	

		2022
IN EUR THOUSANDS	LOANS TO CUSTOMERS (%)	PROVISION SHARE IN LOANS (%)
- STAGE 1	84.43	0.97
- STAGE 2	4.08	6.81
- STAGE 3	11.48	68.47
TOTAL	**100.00**	

40 REPRICING RISK

The repricing risk in respect of equity financial instruments reflects s the sensitivity of the portfolio of securities at fair value through profit or loss and securities at fair value through other comprehensive income on the market price change with effects on the profit and loss statement as well as on revaluation reserves in the Bank's capital.

IN EUR THOUSAND	ASSUMED PRICE CHANGE	IMPACT OF PRICE INCREASE ON PROFIT AND LOSS STATEMENT	IMPACT OF PRICE INCREASE ON REVALUATION RESERVES
ON 31 DECEMBER 2023	**3%**	**45**	**174**
ON 31 DECEMBER 2022	**3%**	**129**	**2,713**

41 CONCENTRATION OF ASSETS AND LIABILITIES

There is a significant concentration of the Bank's assets to the Republic of Croatia, which is analysed as follows:

IN EUR THOUSAND	2023	2022
DEPOSIT AT CNB	162,505	-
BONDS OF REPUBLIC OF CROATIA	72,082	56,132
GIRO ACCOUNT AT CNB	5,232	128,291
DEFERRED TAX ASSETS/LIABILITIES	912	879
OTHER ASSETS	126	115
ALLOCATED FUNDS AT THE CROATIAN NATIONAL BANK FOR PRE-SUPPLY OF EUR	-	7,614
OTHER LIABILITIES	(46)	(288)
CURRENT TAX ASSETS/LIABILITIES	(661)	(344)
REPO LOANS FROM THE CNB	(33,488)	(37,582)
RECEIVED DEPOSITS	(34,557)	(5)
	172,105	**154,812**

The Bank's indirect exposure to the Republic of Croatia on 31 December 2023 in respect of loans and other exposures is as follows:

IN EUR THOUSAND	2023	2022
LOANS TO CUSTOMERS GUARANTEED BY THE STATE	5,404	3,461
OTHER LOANS	1,675	1,522
RIGHT-OF-USE ASSETS	541	563
BONDS OF LOCAL GOVERNMENT UNITS	333	270
STATE AGENCY FOR DEPOSIT INSURANCE	-	(249)
OTHER LIABILITIES	(46)	(1,034)
BORROWINGS FROM CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT	(11,199)	(13,961)
RECEIVED DEPOSITS	(34,557)	(19,864)
	(37,849)	**(29,292)**

42 EVENTS AFTER BALANCE SHEET DATE

According to the Management Board, in 2024, until the date of approval of the financial statements, no significant business events were recorded that affect changes in regular operations or the performance of the Bank.

43 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Management Board on 21 March 2024 and were signed on its behalf by:

Daniel Unger	Goran Varat	Renata Vinković
President of the Management Board	Member of the Management Board	Member of the Management Board

ABOUT THE BANK

BANK'S MANAGEMENT AND ORGANISATIONAL STRUCTURE

The Bank's operations are supervised by the Supervisory Board, while the Management Board runs the business.

Supervisory Board	Miljan Todorović, President Sigilfredo Montinari, Deputy President Michele Calcaterra Borri, Member Maurizio Dallocchio, Member Filippo Disertori, Member Antonio Moniaci, Member Dario Montinari, Member Dolly Predovic, Member Ezio Simonelli, Member
Management Board	Daniel Unger, President of the Management Board Goran Varat, Member of the Management Board Renata Vinković, Member of the Management Board
Chief Executive Officer	Moreno Marson
Unit / Executive Director	Internal Audit Unit – Krunoslav Vnučec Risk Control Unit – Hrvoje Miloš Compliance – Krunoslav Grošić Legal Affairs Unit – Vlatka Đipalo-Dergez Administration Unit – Božana Kovačević
Sectors/Excutive Director	Financial Markets Sector– Daniel Varga Development and Investment Banking Sector – Maja Bešević Vlajo Corporate Sector – Ivan Jelčić Retail Sector – Dijana Vladislavić Risk Management Sector – Vedrana Cicvarić Collection Sector – Smilja Briški Accounting Sector – Snježana Pobi Operations & Support Sector – Snježana Pobi ICT Sector – Saša Lončarić

Legend

Commercial Centre

Branches

RETAIL CENTERS

Commercial Centre Zagreb	**Zagreb**, Green Gold – Ulica grada Vukovara 269f, tel. 072 655 450, fax. 072 655 459
	Zagreb, Trg Petra Preradovića 3, tel. 072 655 400, fax. 072 655 409
Commercial Centre Koprivnica	**Koprivnica**, Opatička 1a, tel. 072 655 242, fax. 072 655 239
	Koprivnica, Trg Eugena Kumičića 11, tel. 072 655 330, fax. 072 655 339
	Koprivnica, Ivana Meštrovića 29, tel. 072 655 340, fax. 072 655 349
	Gola, Trg kardinala A. Stepinca 6b, tel. 072 655 352, fax. 072 655 353
	Đelekovec, P. Kvakana 2a, tel. 072 655 354, fax. 072 655 355
	Legrad, Trg Svetog Trojstva 44, tel. 072 655 356, fax. 072 655 357
Commercial Centre Bjelovar	**Bjelovar**, Trg Eugena Kvaternika 12, tel. 072 655 800, fax. 072 655 809
	Grubišno Polje, 77. samostalnog bataljuna ZNG 1, tel. 072 655 820, fax. 072 655 829
	Veliki Grđevac, Kralja Tomislava 26, tel. 072 655 840, fax. 072 655 849
	Đurđevac, Stjepana Radića 16, tel. 072 655 370, fax. 072 655 379
Commercial Centre Požega	**Požega**, Republike Hrvatske 1b, tel. 072 655 700, fax. 072 655 709

Pleternica, Ivana Šveara 4,
tel. 072 655 770, fax. 072 655 779

Kutjevo, Kralja Tomislava 2,
tel. 072 655 780, fax. 072 655 789

Osijek, Kapucinska 38,
tel. 072 655 790, fax. 072 655 799

Commercial Centre Rijeka

Rijeka, Ivana Zajca 18,
tel. 072 655 660, fax. 072 655 669

Commercial Centre Varaždin

Varaždin, Trg slobode 2,
tel. 072 655 600, fax. 072 655 609

Ludbreg, Petra Zrinskog 32,
tel. 072 655 620, fax. 072 655 629

Commercial Centre Split

Split, Ulica slobode 33,
tel. 072 655 630, fax. 072 655 639

Commercial Centre Zadar

Zadar, Stjepana Radića 2f,
tel. 072 655 650, fax. 072 655 659

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APPENDIX I
SUPPLEMENTARY REPORTS FOR THE CROATIAN NATIONAL BANK

APPENDIX II
OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to Article 19(6) of the Code of Civil Procedure, Accounting Act (OG. 78/2015, 134/2015 and 120/2016) and Article 43(2)(9) Act on the Croatian National bank (OG no. In accordance with Regulation (EU) No 75/2008 and 54/2013, the Croatian National bank adopted a Decision on the structure and content of the annual financial statements of credit institutions (OG 42/2018, 122/2020, 119/2021 and 108/2022). The following tables show the financial statements in accordance with the above decision.

STATEMENT OF FINANCIAL POSITION ON 31 OF DECEMBER 2023

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN EUR THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
ASSETS			
FUNDS CENTRAL BANK MONETARY CLAIMS AND OTHER DEMAND DEPOSITS (AOP 002 TO 004)	**001**	**150,225**	**179,833**
CASH IN HAND	**002**	11,251	8,370
MONETARY CLAIMS ON CENTRAL BANKS	**003**	128,291	167,737
OTHER DEMAND DEPOSITS	**004**	10,683	3,726
FINANCIAL ASSETS HELD FOR TRADING (AOP 006 TO 009)	**005**	**0**	**0**
DERIVATIVES	**006**	0	0
EQUITY INSTRUMENTS	**007**	0	0
DEBT SECURITIES	**008**	0	0
LOANS AND ADVANCES	**009**	0	0
NON-TRADABLE FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 011 TO 013)	**010**	**4,292**	**1,500**
EQUITY INSTRUMENTS	**011**	4,292	1,500
DEBT SECURITIES	**012**	0	0
LOANS AND ADVANCES	**013**	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 015 + 016)	**014**	**0**	**0**
DEBT SECURITIES	**015**	0	0
LOANS AND ADVANCES	**016**	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (AOP 018 TO 020)	**017**	**89,117**	**4,466**
EQUITY INSTRUMENTS	**018**	4,297	4,466
DEBT SECURITIES	**019**	84,820	0
LOANS AND ADVANCES	**020**	0	0
FINANCIAL ASSETS AT AMORTIZED COST (AOP 022+023)	**021**	**337,915**	**471,281**
DEBT SECURITIES	**022**	26,914	140,819
LOANS AND ADVANCES	**023**	311,001	330,462
DERIVATIVES - HEDGE ACCOUNTING	**024**	0	0
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN THE PORTFOLIO HEDGING AGAINST INTEREST RATE RISK	**025**	0	0
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	**026**	0	0
TANGIBLE ASSETS	**027**	11,462	9,843
INTANGIBLE ASSETS	**028**	7,752	7,749
TAX ASSETS	**029**	897	872
OTHER ASSETS	**030**	395	381
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**031**	5,246	4,998
TOTAL ASSETS (AOP 001 + 005 + 010 + 014 + 017 + 021+ 024 TO 031	**032**	**607,301**	**680,923**

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN EUR THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
LIABILITIES			
FINANCIAL LIABILITIES HELD FOR TRADING (AOP 034 TO 038)	**033**	**0**	**0**
DERIVATIVES	034	0	0
SHORT POSITIONS	035	0	0
DEPOSITS	036	0	0
DEBT SECURITIES ISSUED	037	0	0
OTHER FINANCIAL LIABILITIES	038	0	0
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 040 TO 042)	**039**	**0**	**0**
DEPOSITS	040	0	0
DEBT SECURITIES ISSUED	041	0	0
OTHER FINANCIAL LIABILITIES	042	0	0
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST (AOP 044 TO 046)	**043**	**3,656,709**	**601,292**
DEPOSITS	044	3,568,945	580,196
DEBT SECURITIES ISSUED	045	71,206	16,339
OTHER FINANCIAL LIABILITIES	046	16,558	4,757
DERIVATIVES - HEDGE ACCOUNTING	047	0	0
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS WHEN HEDGING A PORTFOLIO AGAINST INTEREST RATE RISK	048	0	0
RESERVATIONS	049	14,795	1,432
TAX LIABILITIES	050	506	617
SHARE CAPITAL RETURNED ON DEMAND	051	0	0
OTHER LIABILITIES	052	30,822	5,541
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	053	0	0
TOTAL LIABILITIES (AOP 033 + 039 + 043 + 047 TO 053)	**054**	**3,702,832**	**608,882**
CAPITAL			
SHARE CAPITAL	055	267,500	36,781
STOCK PREMIUM	056	3,015	400
EQUITY INSTRUMENTS ISSUED OTHER THAN EQUITY	057	0	0
OTHER EQUITY INSTRUMENTS	058	0	0
ACCUMULATED OTHER COMPREHENSIVE INCOME	059	-2,303	-206
RETAINED EARNINGS	060	7,361	1,345
REVALUATION RESERVES	061	0	0
OTHER RESERVES	062	206,960	29,827
TREASURY STOCKS	063	-1,184	-157
PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	064	15,234	4,051
DIVIDENDS DURING THE BUSINESS YEAR	065	0	0
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	066	0	0
TOTAL CAPITAL (AOP 055 TO 066)	**067**	**496,583**	**72,041**
TOTAL LIABILITIES AND CAPITAL (AOP 054+067)	**068**	**4,199,415**	**680,923**

PROFIT AND LOSS STATEMENT FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN EUR THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
INTEREST INCOME	001	14,352	23.653
(INTEREST EXPENSES)	002	1,467	2.409
(EXPENDITURE ON SHARE CAPITAL RETURNED ON REQUEST)	003	0	0
DIVIDEND INCOME	004	166	175
FEE AND COMMISSION INCOME	005	6,491	6.761
(FEE AND COMMISSION EXPENSES)	006	2,357	2.470
GAINS OR LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	007	89	(252)
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING, NET	008	902	96
GAINS OR LOSSES ON NON-TRADABLE FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	009	(701)	(1.582)
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	010	0	0
GAINS OR LOSSES ON HEDGE ACCOUNTING, NET	011	0	0
FOREIGN EXCHANGE DIFFERENCES (PROFIT OR LOSS), NET	012	369	27
GAINS OR (-) LOSSES ON DERECOGNITION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES, NET	013	0	0
GAINS OR LOSSES ON DERECOGNITION OF NON-FINANCIAL ASSETS, NET	014	(189)	(98)
OTHER OPERATING INCOME	015	3,589	1.307
(OTHER OPERATING EXPENSES)	016	193	168
TOTAL INCOME FROM OPERATIONS, NET (AOP 001 – 002 – 003 + 004 + 005 – 006 + FROM 007 TO 014 – 015)	**017**	**21,051**	**25.040**
(ADMINISTRATIVE EXPENDITURE)	018	11,413	11.936
(CASH CONTRIBUTIONS TO RESOLUTION COMMITTEES AND DEPOSIT INSURANCE SCHEMES)	019	489	266
AMORTIZATION	020	1,641	1.868
GAINS OR LOSSES ON CHANGES, NET	021	0	0
RESERVATIONS OR CANCELLATIONS	022	96	(628)
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS	023	5,303	6.459
IMPAIRMENT OR ELIMINATION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	024	0	0
IMPAIRMENT OR ELIMINATION OF IMPAIRMENT OF NON-FINANCIAL ASSETS	025	0	0
NEGATIVE GOODWILL RECOGNISE D IN PROFIT OR LOSS	026	0	0
SHARE OF PROFIT OR LOSS FROM INVESTING IN SUBSIDIARIES. JOINT VENTURES AND ASSOCIATES CALCULATED USING THE EQUITY METHOD	027	0	0
PROFIT OR LOSS ON NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE THAT DOES NOT QUALIFY AS A GOING CONCERN	028	(8)	(3)
PROFIT OR LOSS BEFORE TAX FROM OPERATING OPERATIONS (AOP 017 - FROM 018 TO 020 + 021 - FROM 022 TO 025 + FROM 026 TO 028)	**029**	**2,101**	**5.136**
TAX EXPENSE OR INCOME RELATED TO THE PROFIT OR LOSS FROM CONTINUING OPERATIONS	030	517	1.080
PROFIT OR LOSS AFTER TAX FROM OPERATING OPERATIONS THAT WILL CONTINUE (AOP 029 - 030)	**031**	**1,584**	**4.056**
PROFIT OR LOSS AFTER TAX FROM OPERATIONS THAT WILL NOT CONTINUE (AOP 033 - 034)	**032**	**31**	**(5)**
PRE-TAX PROFIT OR LOSS FROM OPERATIONS THAT WILL NOT CONTINUE	033	31	(5)
TAX OR BUSINESS-RELATED EXPENSES THAT WILL NOT CONTINUE	034	0	0
PROFIT OR LOSS FOR THE CURRENT YEAR (AOP 031 + 032; 036 +037)	**035**	**1,615**	**4.051**
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	036	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	037	1,615	4.051

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN EUR THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
OTHER COMPREHENSIVE INCOME STATEMENT			
PROFIT OR LOSS FOR THE CURRENT YEAR	**038**	**1,615**	**4,051**
OTHER COMPREHENSIVE INCOME (AOP 040 + 052)	**039**	**(10,951)**	**11,418**
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS (AOP FROM 041 TO 047 + 050 +051)	**040**	**(403)**	**778**
TANGIBLE ASSETS	041	0	0
INTANGIBLE ASSETS	042	0	0
ACTUARIAL GAINS OR LOSSES ON EMPLOYER-SPONSORED RETIREMENT PLANS	043	0	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	044	0	0
SHARES OF OTHER RECOGNISE D INCOME AND EXPENSE FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	045	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	046	(543)	919
GAINS OR LOSSES ON ACCOUNTING FOR THE PROTECTION OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER	047	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGED ITEM)	048	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGING INSTRUMENT)	049	0	0
CHANGES IN THE FAIR VALUE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS ATTRIBUTABLE TO CHANGES IN CREDIT RISK	050	0	0
INCOME TAX RELATING TO ITEMS THAT WILL NOT BE RECLASSIFIED	051	140	(141)
ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS (AOP FROM 053 TO 060)	**052**	**(10,548)**	**10,640**
PROTECTION OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE SHARE)	053	0	0
FOREIGN CURRENCY TRANSLATION	054	0	0
CASH FLOW HEDGES (EFFECTIVE SHARE)	055	0	0
RISK PROTECTION INSTRUMENTS (ELEMENTS NOT SPECIFIED)	056	0	0
DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	057	(10,528)	10,640
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	058	0	0
SHARE OF OTHER RECOGNISE D INCOME AND EXPENSE FROM INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	059	0	0
INCOME TAX RELATING TO ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS	060	(20)	0
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR (AOP 038 +039; 062+063)	**061**	**(9,336)**	**15,469**
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	062	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	**063**	**(9,336)**	**15,469**

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN EUR THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
BUSINESS ACTIVITIES ACCORDING TO THE DIRECT METHOD			
CHARGED INTEREST AND SIMILAR RECEIPTS	001	0	0
CHARGED FEES AND COMMISSIONS	002	0	0
(PAID INTEREST AND SIMILAR EXPENSES)	003	0	0
(PAID FEES AND COMMISSIONS)	004	0	0
(PAID OPERATING EXPENSES)	005	0	0
NET GAINS / LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH THE PROFIT OR LOSS	006	0	0
OTHER RECEIPTS	007	0	0
(OTHER EXPENSES)	008	0	0
BUSINESS ACTIVITIES ACCORDING TO THE INDIRECT METHOD			
PROFIT / LOSS BEFORE TAX	009	2,132	5,131
RECONCILIATION:		0	0
IMPAIRMENT AND PROVISIONS	010	5,596	5,932
AMORTIZATION	011	1,641	1,868
NET UNREALISED GAINS / LOSSES ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH RDG	012	595	1,509
PROFIT / LOSS FROM SALE OF TANGIBLE ASSETS	013	(2,756)	(364)
OTHER NON-MONETARY ITEMS	014	(27)	(244)
CHANGES IN ASSETS AND LIABILITIES FROM OPERATING ACTIVITIES			
CNB FUNDS	015	23,615	0
DEPOSITS WITH FINANCIAL INSTITUTIONS AND LOANS TO FINANCIAL INSTITUTIONS	016	10	(5,223)
LOANS AND ADVANCES TO OTHER CLIENTS	017	(43,867)	(27,445)
SECURITIES AND OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	018	856	575
SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	019	0	0
SECURITIES AND OTHER FINANCIAL INSTRUMENTS THAT ARE NOT ACTIVELY TRADED AND ARE MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS	020	0	0
SECURITIES AND OTHER FINANCIAL INSTRUMENTS THAT ARE CARRIED AT FAIR VALUE THROUGH THE PROFIT OR LOSS	021	17,851	1,283
SECURITIES AND OTHER FINANCIAL INSTRUMENTS CARRIED AT AMORTIZED COST	022	(23,842)	(20,345)
OTHER ASSETS FROM BUSINESS ACTIVITIES	023	(49)	17
DEPOSITS FROM FINANCIAL INSTITUTIONS	024	1,709	3,688
OTHER CLIENTS' TRANSACTION ACCOUNTS	025	55,195	1,567
SAVINGS DEPOSITS OF OTHER CLIENTS	026	1,393	(5,506)
TERM DEPOSITS OF OTHER CLIENTS	027	(8,945)	67,854
DERIVATIVE FINANCIAL LIABILITIES AND OTHER TRADING LIABILITIES	028	0	0
OTHER LIABILITIES	029	(435)	(1,641)
UNPAID INTEREST FROM BUSINESS ACTIVITIES	030	13,696	18,097
DIVIDENDS RECEIVED FROM OPERATING ACTIVITIES	031	166	175
INTEREST PAID FROM BUSINESS ACTIVITIES	032	(490)	(1,158)
(PAID INCOME TAXES)	033	(442)	(975)
NET CASH FLOWS FROM OPERATING ACTIVITIES (AOP 001 TO 033)	**034**	**43,602**	**44,795**

POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
INVESTMENT ACTIVITIES			
RECEIPTS FROM SALE / PAYMENT FOR PURCHASE OF TANGIBLE AND INTANGIBLE ASSETS	035	7,250	290
RECEIPTS FROM THE SALE / PAYMENT FOR THE PURCHASE OF INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, AND JOINT VENTURES	036	0	0
RECEIPTS FROM COLLECTION / PAYMENT FOR THE PURCHASE OF SECURITIES AND OTHER HELD-TO-MATURITY FINANCIAL INSTRUMENTS	037	0	0
DIVIDENDS RECEIVED FROM INVESTING ACTIVITIES	038	0	0
OTHER RECEIPTS / PAYMENTS FROM INVESTING ACTIVITIES	039	(3,624)	395
NET CASH FLOWS FROM INVESTMENT ACTIVITIES (FROM 035 TO 039)	**040**	**3,626**	**685**
FINANCIAL ACTIVITIES			
NET INCREASE / (DECREASE) IN LOANS RECEIVED FROM FINANCIAL ACTIVITIES	041	(2,624)	(6,423)
NET INCREASE / (DECREASE) IN DEBT SECURITIES ISSUED	042	6,889	0
NET INCREASE / (DECREASE) IN SUPPLEMENTARY CAPITAL INSTRUMENTS	043	0	0
INCREASE IN SHARE CAPITAL	044	0	0
(DIVIDEND PAID)	045	0	0
OTHER RECEIPTS / (PAYMENTS) FROM FINANCIAL ACTIVITIES	046	0	0
NET CASH FLOWS FROM FINANCING ACTIVITIES (FROM 041 TO 046)	**047**	**4,265**	**(6,423)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (034 + 040 + 047)	**048**	**51,493**	**39,057**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**049**	**98,805**	**150,298**
THE EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	050	0	0
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (048 + 049 + 050)	**051**	**150,298**	**189,355**

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN EUR THOUSANDS) POSITION TITTLE	AOP TAG	CAPITAL	STOCK PREMIUM	EQUITY INSTRUMENTS ISSUED OTHER THAN EQUITY	OTHER EQUITY SHARES	ACCUMULATED OTHER COMPREHENSIVE INCOME
	2	3	4	5	6	7
INITIAL STATE (BEFORE REMODELLING)	**001**	35,503	400	0	0	(11,490)
THE EFFECT OF BUG FIXES	**002**	0	0	0	0	0
THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES	**003**	0	0	0	0	0
INITIAL STATUS (CURRENT PERIOD) (AOP 01 TO 03)	**004**	**35,503**	**400**	**0**	**0**	**(11,490)**
ISSUANCE OF ORDINARY SHARES	**005**	0	0	0	0	0
ISSUANCE OF PREFERRED SHARES	**006**	0	0	0	0	0
ISSUANCE OF OTHER EQUITY INSTRUMENTS	**007**	0	0	0	0	0
EXECUTION OR EXPIRATION OF OTHER ISSUED EQUITY INSTRUMENTS	**008**	0	0	0	0	0
CONVERTING DEBT INTO EQUITY INSTRUMENTS	**009**	0	0	0	0	0
REDUCTION OF CAPITAL	**010**	0	0	0	0	0
DIVIDENDS	**011**	0	0	0	0	0
PURCHASE OF TREASURY SHARES	**012**	0	0	0	0	0
SALE OR CANCELLATION OF TREASURY SHARES	**013**	0	0	0	0	0
RECLASSIFICATION OF FINANCIAL INSTRUMENTS FROM EQUITY INSTRUMENTS INTO LIABILITIES	**014**	0	0	0	0	0
RECLASSIFICATION OF FINANCIAL INSTRUMENTS FROM LIABILITIES INTO EQUITY INSTRUMENTS	**015**	0	0	0	0	0
TRANSFERS BETWEEN COMPONENTS OF EQUITIES	**016**	1,278	0	0	0	0
INCREASE OR DECREASE IN EQUITY INSTRUMENTS AS A RESULT OF BUSINESS COMBINATIONS	**017**	0	0	0	0	0
STOCK BASED PAYMENTS	**018**	0	0	0	0	0
OTHER INCREASE OR DECREASE IN EQUITY INSTRUMENTS	**019**	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR	**020**	0	0	0	0	11,284
FINAL (CURRENT PERIOD) (AOP 04-20)	**021**	**36,781**	**400**	**0**	**0**	**(206)**

DISTRIBUTABLE TO HOLDERS OF PARENT CAPITAL							MINORITY SHARE	TOTAL
RETAINED INCOME	REVALUATION RESERVES	OTHER RESERVES	TREASURY STOCKS	PROFIT / LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	DIVIDENDS DURING THE BUSINESS YEAR	ACCUMULATED OTHER COMPREHENSIVE INCOME	OTHER ITEMS	
8	9	10	11	12	13	14	15	**16**
1,211	0	29,490	(157)	1,615	0	0	0	**56,572**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
1,211	**0**	**29,490**	**(157)**	**1,615**	**0**	**0**	**0**	**56,572**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	337	0	(1,615)	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
134	0	0	0	4,051	0	0	0	**15,469**
1,345	**0**	**29,827**	**(157)**	**4,051**	**0**	**0**	**0**	**72,041**

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY 2022 TO 31 DECEMBER 2022

OBLIGOR: PODRAVSKA BANKA DD UNCONSOLIDATED (IN EUR THOUSANDS) POSITION TATTLE	AOP TAG	CAPITAL	STOCK PREMIUM	EQUITY INSTRUMENTS ISSUED OTHER THAN EQUITY	OTHER EQUITY SHARES	ACCUMULATED OTHER COMPREHENSIVE INCOME
	2	3	4	5	6	7
INITIAL STATE (BEFORE REMODELLING)	001	35,503	400	0	0	(305)
THE EFFECT OF BUG FIXES	002	0	0	0	0	0
THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES	003	0	0	0	0	0
INITIAL STATUS (CURRENT PERIOD) (AOP 01 TO 03)	**004**	**35,503**	**400**	**0**	**0**	**(305)**
ISSUANCE OF ORDINARY SHARES	005	0	0	0	0	0
ISSUANCE OF PREFERRED SHARES	006	0	0	0	0	0
ISSUANCE OF OTHER EQUITY INSTRUMENTS	007	0	0	0	0	0
EXECUTION OR EXPIRATION OF OTHER ISSUED EQUITY INSTRUMENTS	008	0	0	0	0	0
CONVERTING DEBT INTO EQUITY INSTRUMENTS	009	0	0	0	0	0
REDUCTION OF CAPITAL	010	0	0	0	0	0
DIVIDENDS	011	0	0	0	0	0
PURCHASE OF TREASURY SHARES	012	0	0	0	0	0
SALE OR CANCELLATION OF TREASURY SHARES	013	0	0	0	0	0
RECLASSIFICATION OF FINANCIAL INSTRUMENTS FROM EQUITY INSTRUMENTS INTO LIABILITIES	014	0	0	0	0	0
RECLASSIFICATION OF FINANCIAL INSTRUMENTS FROM LIABILITIES INTO EQUITY INSTRUMENTS	015	0	0	0	0	0
TRANSFERS BETWEEN COMPONENTS OF EQUITIES	016	0	0	0	0	0
INCREASE OR DECREASE IN EQUITY INSTRUMENTS AS A RESULT OF BUSINESS COMBINATIONS	017	0	0	0	0	0
STOCK BASED PAYMENTS	018	0	0	0	0	0
OTHER INCREASE OR DECREASE IN EQUITY INSTRUMENTS	019	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR	020	0	0	0	0	(11,185)
FINAL (CURRENT PERIOD) (AOP 04-20)	**021**	**35,503**	**400**	**0**	**0**	**(11,490)**

		DISTRIBUTABLE TO HOLDERS OF PARENT CAPITAL				MINORITY SHARE		TOTAL
RETAINED INCOME	REVALUATION RESERVES	OTHER RESERVES	TREASURY STOCKS	PROFIT / LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	DIVIDENDS DURING THE BUSINESS YEAR	ACCUMULATED OTHER COMPREHENSIVE INCOME	OTHER ITEMS	
8	9	10	11	12	13	14	15	16
977	0	27,468	(157)	2,022	0	0	0	**65,908**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
977	**0**	**27,468**	**(157)**	**2,022**	**0**	**0**	**0**	**65,908**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	2,022	0	(2,022)	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
234	0	0	0	1,615	0	0	0	**(9,336)**
1,211	**0**	**29,490**	**(157)**	**1,615**	**0**	**0**	**0**	**56,572**

Since the financial statements prepared in accordance with the decision of the Croatian National bank ("CNB") are classified differently from those in the financial statements prepared in accordance with the legal requirements for accounting of banks in the Republic of Croatia, the tables below show comparative data.

COMPARATIVE BALANCE SHEET AS ON 31 DECEMBER 2023

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
ASSETS				
FUNDS. CENTRAL BANK MONETARY CLAIMS AND OTHER DEMAND DEPOSITS (AOP 002 TO 004)	**001**	**179,833**	**179,833**	**0**
CASH IN HAND	002	8,370	8,370	0
MONETARY CLAIMS ON CENTRAL BANKS	003	167,737	167,737	0
OTHER DEMAND DEPOSITS	004	3,726	3,726	0
FINANCIAL ASSETS HELD FOR TRADING (AOP 006 TO 009)	**005**	**0**	**0**	**0**
DERIVATIVES	006	0	0	0
EQUITY INSTRUMENTS	007	0	0	0
DEBT SECURITIES	008	0	0	0
LOANS AND ADVANCES	009	0	0	0
NON-TRADABLE FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 011 TO 013)	**010**	**1,500**	**1,500**	**0**
EQUITY INSTRUMENTS	011	1,500	1,500	0
DEBT SECURITIES	012	0	0	0
LOANS AND ADVANCES	013	0	0	0
4. FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 015 + 016)	**014**	**0**	**0**	**0**
DEBT SECURITIES	015	0	0	0
LOANS AND ADVANCES	016	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (AOP 018 TO 020)	**017**	**4,466**	**4,466**	**0**
EQUITY INSTRUMENTS	018	4,466	4,466	0
DEBT SECURITIES	019	0	0	0
LOANS AND ADVANCES	020	0	0	0
FINANCIAL ASSETS AT AMORTIZED COST (AOP 022+023)	**021**	**471,281**	**470,134**	**1,147**
DEBT SECURITIES	022	140,819	137,526	3,293
LOANS AND ADVANCES	023	330,462	332,608	(2,146)
DERIVATIVES - HEDGE ACCOUNTING	024	0	0	0
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN THE PORTFOLIO HEDGING AGAINST INTEREST RATE RISK	025	0	0	0
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	026	0	0	0
TANGIBLE ASSETS	027	9,843	9,843	0
INTANGIBLE ASSETS	028	7,749	7,749	0
TAX ASSETS	029	872	858	14
OTHER ASSETS	030	381	6,540	(6,159)
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	031	4,998	0	4,998
TOTAL ASSETS (AOP 001 + 005 + 010 + 014 + 017 + 021 + 024 TO 031)	**032**	**680,923**	**680,923**	**0**

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
LIABILITIES				
FINANCIAL LIABILITIES HELD FOR TRADING (AOP 034 TO 038)	**033**	**0**	**0**	**0**
DERIVATIVES	034	0	0	0
SHORT POSITIONS	035	0	0	0
DEPOSITS	036	0	0	0
DEBT SECURITIES ISSUED	037	0	0	0
OTHER FINANCIAL LIABILITIES	038	0	0	0
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 040 TO 042)	**039**	**0**	**0**	**0**
DEPOSITS	040	0	0	0
DEBT SECURITIES ISSUED	041	0	0	0
OTHER FINANCIAL LIABILITIES	042	0	0	0
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST (AOP 044 TO 046)	**043**	**601,292**	**596,535**	**4,757**
DEPOSITS	044	580,196	580,196	0
DEBT SECURITIES ISSUED	045	16,339	16,339	0
OTHER FINANCIAL LIABILITIES	046	4,757	0	4,757
DERIVATIVES - HEDGE ACCOUNTING	047	0	0	0
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS WHEN HEDGING A PORTFOLIO AGAINST INTEREST RATE RISK	048	0	0	0
RESERVATIONS	049	1,432	1,432	0
TAX LIABILITIES	050	617	0	617
SHARE CAPITAL RETURNED ON DEMAND	051	0	0	0
OTHER LIABILITIES	052	5,541	10,915	(5,374)
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	053	0		0
TOTAL LIABILITIES (AOP 033 + 039 + 043 + 047 TO 053)	**054**	**608,882**	**608,882**	**0**
EQUITY				
SHARE CAPITAL	055	36,781	36,781	0
STOCK PREMIUM	056	400	400	0
EQUITY INSTRUMENTS ISSUED OTHER THAN EQUITY	057	0	0	0
OTHER EQUITY INSTRUMENTS	058	0	0	0
ACCUMULATED OTHER COMPREHENSIVE INCOME	059	(206)	0	(206)
RETAINED EARNINGS	060	1,345	1,345	0
REVALUATION RESERVES	061	0	0	0
OTHER RESERVES	062	29,827	29,621	206
TREASURY STOCKS	063	(157)	(157)	0
PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	064	4,051	4,051	0
DIVIDENDS DURING THE BUSINESS YEAR	065	0	0	0
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	066	0	0	0
TOTAL CAPITAL (AOP 055 TO 066)	**067**	**72,041**	**72,041**	**0**
TOTAL LIABILITIES AND CAPITAL (AOP 054+067)	**068**	**680,923**	**680,923**	**0**

COMPARATIVE BALANCE SHEET AS ON 31 DECEMBER 2022

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
ASSETS				
FUNDS. CENTRAL BANK MONETARY CLAIMS AND OTHER DEMAND DEPOSITS (AOP 002 TO 004)	**001**	**150,225**	**150,225**	**0**
CASH IN HAND	002	11,251	11,251	0
MONETARY CLAIMS ON CENTRAL BANKS	003	128,291	128,291	0
OTHER DEMAND DEPOSITS	004	10,683	10,683	0
FINANCIAL ASSETS HELD FOR TRADING (AOP 006 TO 009)	**005**	**0**	**0**	**0**
DERIVATIVES	006	0	0	0
EQUITY INSTRUMENTS	007	0	0	0
DEBT SECURITIES	008	0	0	0
LOANS AND ADVANCES	009	0	0	0
NON-TRADABLE FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 011 TO 013)	**010**	**4,292**	**4,292**	**0**
EQUITY INSTRUMENTS	011	4,292	4,292	0
DEBT SECURITIES	012	0	0	0
LOANS AND ADVANCES	013	0	0	0
4. FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 015 + 016)	**014**	**0**	**0**	**0**
DEBT SECURITIES	015	0	0	0
LOANS AND ADVANCES	016	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (AOP 018 TO 020)	**017**	**89,117**	**89,117**	**0**
EQUITY INSTRUMENTS	018	4,297	4,297	0
DEBT SECURITIES	019	84,820	84,820	0
LOANS AND ADVANCES	020	0	0	0
FINANCIAL ASSETS AT AMORTIZED COST (AOP 022+023)	**021**	**337,915**	**337,368**	**547**
DEBT SECURITIES	022	26,914	26,914	0
LOANS AND ADVANCES	023	311,001	310,454	547
DERIVATIVES - HEDGE ACCOUNTING	024	0	0	0
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN THE PORTFOLIO HEDGING AGAINST INTEREST RATE RISK	025	0	0	0
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	026	0	0	0
TANGIBLE ASSETS	027	11,462	11,462	0
INTANGIBLE ASSETS	028	7,752	7,752	0
TAX ASSETS	029	897	879	18
OTHER ASSETS	030	395	6,171	(5,776)
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	031	5,246	35	5,211
TOTAL ASSETS (AOP 001 + 005 + 010 + 014 + 017 + 021 + 024 TO 031)	**032**	**607,301**	**607,301**	**0**

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
LIABILITIES				
FINANCIAL LIABILITIES HELD FOR TRADING (AOP 034 TO 038)	**033**	**0**	**0**	**0**
DERIVATIVES	034	0	0	0
SHORT POSITIONS	035	0	0	0
DEPOSITS	036	0	0	0
DEBT SECURITIES ISSUED	037	0	0	0
OTHER FINANCIAL LIABILITIES	038	0	0	0
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE PROFIT OR LOSS (AOP 040 TO 042)	**039**	**0**	**0**	**0**
DEPOSITS	040	0	0	0
DEBT SECURITIES ISSUED	041	0	0	0
OTHER FINANCIAL LIABILITIES	042	0	0	0
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST (AOP 044 TO 046)	**043**	**541,269**	**536,331**	**4,938**
DEPOSITS	044	519,991	519,991	0
DEBT SECURITIES ISSUED	045	16,340	16,340	0
OTHER FINANCIAL LIABILITIES	046	4,938	0	4,938
DERIVATIVES - HEDGE ACCOUNTING	047	0	0	0
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS WHEN HEDGING A PORTFOLIO AGAINST INTEREST RATE RISK	048	0	0	0
RESERVATIONS	049	2,060	2,060	0
TAX LIABILITIES	050	402	0	402
SHARE CAPITAL RETURNED ON DEMAND	051	0	0	0
OTHER LIABILITIES	052	6,998	12,338	(5,340)
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	053	0	0	0
TOTAL LIABILITIES (AOP 033 + 039 + 043 + 047 TO 053)	**054**	**550,729**	**550,729**	**0**
EQUITY				
SHARE CAPITAL	055	35,503	35,503	0
STOCK PREMIUM	056	400	400	0
EQUITY INSTRUMENTS ISSUED OTHER THAN EQUITY	057	0	0	0
OTHER EQUITY INSTRUMENTS	058	0	0	0
ACCUMULATED OTHER COMPREHENSIVE INCOME	059	(11,490)	0	(11,490)
RETAINED EARNINGS	060	1,211	1,211	0
REVALUATION RESERVES	061	0	0	0
OTHER RESERVES	062	29,490	18,000	11,490
TREASURY STOCKS	063	(157)	(157)	0
PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	064	1,615	1,615	0
DIVIDENDS DURING THE BUSINESS YEAR	065	0	0	0
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	066	0	0	0
TOTAL CAPITAL (AOP 055 TO 066)	**067**	**56,572**	**56,572**	**0**
TOTAL LIABILITIES AND CAPITAL (AOP 054+067)	**068**	**607,301**	**607,301**	**0**

The differences in the positions of the Bank's balance sheet as of 31 December 2023, and 31 December 2022 published in the annual financial report in relation to the balance sheet prepared in accordance with the structure and content prescribed by the CNB's decision relate to the following positions and reclassifications:

Assets

Differences in debt securities at amortised cost in the amount of EUR 3,293 thousand refer to bills of exchange included in the annual report within Loans to customers. Investments in debt securities at amortised cost in the amount of EUR 137,526,000 are included in a separate position: Debt securities as part of Financial assets at amortised cost, while the annual report includes in a separate position: Financial assets held until maturity.

The difference in position Loans and advances at amortised cost in the amount of EUR 15,474 thousand refers to term deposits and reverse repurchase loans with financial corporations (2022: reverse repurchase loans in the amount of EUR 691) that, according to the CNB's Decision, are included in the position of Loans and Advances, and in the annual report in the position of Placements with other banks.

The difference in the amount of EUR 1,147 thousand (2022: EUR 547,000) refers to fee receivables and receivables for other assets that are shown in the Other assets position in the audited reports, and according to the CNB's Decision are included in the position of Loans and advances at amortised cost.

According to the CNB's Decision, Tangible assets include investments in property, facilities and equipment (IAS 16) in the amount of EUR 2,946 thousand (2022: EUR 4,029 thousand), tangible right-of-use assets (IFRS 16) in the amount of EUR 4,066 thousand (2022: EUR 4,598 thousand) and investments in property managed under IAS 40 in the amount of EUR 2,831 thousand (2022: EUR 4,163 thousand), while in the annual report these investments are in separate asset items: Tangible Assets (for investments under IAS 16), Right-of-Use Assets (for assets under IFRS 16) and Investments in Property (for investments under IAS 40).

The difference in position Tax assets refers to current tax claims in the amount of 14 thousand euros (2022: EUR 18 thousand) which are in the annual report expressed in the position of Other assets.

The asset difference refers to the reclassification of repossessed assets in exchange for uncollected receivables (not conducted under IFRS 5 or IAS 40) in the amount of EUR 4,998 thousand (2022: EUR 5,212 thousand) which is included in the position of Other assets in the annual report, while according to the CNB's Decision it is included in the position of Fixed Assets and Disposal Groups classified as held for sale.

Liabilities and equity

According to the CNB's decision, deposits at amortised cost include all deposits and loans received from clients in the amount of EUR 580,196 thousand (2022: EUR 519,991 thousand), while in the annual report these items are presented in separate positions: bank deposits in the position Liabilities to banks in the amount of EUR 7,405 thousand (2022: EUR 3,821 thousand), deposits of other clients in the position Liabilities to customers in the amount of EUR 524,546 thousand (2022: EUR 461,502 thousand) and loans received in the position Other borrowed amounts in the amount of EUR 48,245 thousand (2022: EUR 54,668 thousand).

Differences in position Other financial liabilities at amortised cost in total amounting to EUR 4,757 thousand (2022: EUR 4,938 thousand) relate to operating lease liabilities in the amount of EUR 4,253 thousand (2022: EUR 4,715 thousand), to liabilities under fees of EUR 95,000 (2022: EUR 67,000), liabilities for unpaid dividends of EUR 9,000 (2022: EUR 10,000) and other liabilities in the amount of EUR 400,000 (2022: EUR 147,000). All these obligations are included in the annual report in the position of Other liabilities.

The difference in the position of tax liability in the amount of 617 thousand euros (2022: 402 thousand euros) refers to the reclassification in the annual report in which these liabilities are included in the position Other liabilities.

According to the CNB's Decision, the accumulated other comprehensive income in the amount of EUR -206 thousand (2022: -EUR 11,491 thousand) is expressed in a separate equity item, while in the annual report this amount is included in the position of Other Reserves.

COMPARATIVE PROFIT AND LOSS STATEMENT AND THE STATEMENT OF OTHER COMPREHENSIVE INCOME AS ON 31 DECEMBER 2023

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
INTEREST INCOME	**001**	23,653	23,653	0
(INTEREST EXPENSES)	**002**	2,409	2,409	0
(EXPENDITURE ON SHARE CAPITAL RETURNED ON REQUEST)	**003**	0	0	0
DIVIDEND INCOME	**004**	175	0	175
FEE AND COMMISSION INCOME	**005**	6,761	6,761	0
(FEE AND COMMISSION EXPENSES)	**006**	2,470	2,470	0
GAINS OR LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	**007**	(252)	0	(252)
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING, NET	**008**	96	0	96
GAINS OR LOSSES ON NON-TRADABLE FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	**009**	(1,582)	0	(1,582)
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	**010**	0	0	0
GAINS OR LOSSES ON HEDGE ACCOUNTING, NET	**011**	0	0	0
FOREIGN EXCHANGE DIFFERENCES (PROFIT OR LOSS), NET	**012**	27	0	27
GAINS OR (-) LOSSES ON DERECOGNITION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES, NET	**013**	0		
GAINS OR LOSSES ON DERECOGNITION OF NON-FINANCIAL ASSETS, NET	**014**	(98)	0	(98)
OTHER OPERATING INCOME	**015**	1,307	85	1,222
(OTHER OPERATING EXPENSES)	**016**	168	0	168
TOTAL INCOME FROM OPERATIONS, NET (AOP 001 – 002 – 003 + 004 + 005 – 006 + FROM 007 TO 014 – 015)	**017**	**25,040**	**25,620**	**(580)**
(ADMINISTRATIVE EXPENDITURE)	**018**	11,936	12,685	(749)
(CASH CONTRIBUTIONS TO RESOLUTION COMMITTEES AND DEPOSIT INSURANCE SCHEMES)	**019**	266	0	266
AMORTIZATION	**020**	1,868	1,868	0
GAINS OR LOSSES ON CHANGES, NET	**021**	0	0	0
RESERVATIONS OR CANCELLATIONS	**022**	(628)	0	(628)
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS	**023**	6,459	5,936	523
IMPAIRMENT OR ELIMINATION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	**024**	0	0	0
IMPAIRMENT OR ELIMINATION OF IMPAIRMENT OF NON-FINANCIAL ASSETS	**025**	0	0	0
NEGATIVE GOODWILL RECOGNISE D IN PROFIT OR LOSS	**026**	0	0	0

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
SHARE OF PROFIT OR LOSS FROM INVESTING IN SUBSIDIARIES. JOINT VENTURES AND ASSOCIATES CALCULATED USING THE EQUITY METHOD	027	0	0	0
PROFIT OR LOSS ON NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE THAT DOES NOT QUALIFY AS A GOING CONCERN	028	(3)	0	(3)
PROFIT OR LOSS BEFORE TAX FROM OPERATING OPERATIONS (AOP 017 - FROM 018 TO 020 + 021 - FROM 022 TO 025 + FROM 026 TO 028)	**029**	**5,136**	**5,131**	**5**
TAX EXPENSE OR INCOME RELATED TO THE PROFIT OR LOSS FROM CONTINUING OPERATIONS	030	1,080	1,080	0
PROFIT OR LOSS AFTER TAX FROM OPERATING OPERATIONS THAT WILL CONTINUE(AOP 029 - 030)	**031**	**4,056**	**4,051**	**5**
PROFIT OR LOSS AFTER TAX FROM OPERATIONS THAT WILL NOT CONTINUE (AOP 033 - 034)	**032**	**(5)**	**0**	**(5)**
PRE-TAX PROFIT OR LOSS FROM OPERATIONS THAT WILL NOT CONTINUE	033	(5)	0	(5)
TAX OR BUSINESS-RELATED EXPENSES THAT WILL NOT CONTINUE	034	0	0	0
PROFIT OR LOSS FOR THE CURRENT YEAR (AOP 031 + 032; 036 +037)	**035**	**4,051**	**4,051**	**0**
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	036	0	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	037	4,051	4,051	0

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
STATEMENT OF OTHER COMPREHENSIVE INCOME				
PROFIT OR LOSS FOR THE CURRENT YEAR	**038**	**4,051**	**4,051**	**0**
OTHER COMPREHENSIVE INCOME (AOP 040 + 052)	**039**	**11,418**	**11,418**	**0**
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS (AOP FROM 041 TO 047 + 050 +051)	**040**	**778**	**778**	**0**
TANGIBLE ASSETS	041	0	0	0
INTANGIBLE ASSETS	042	0	0	0
ACTUARIAL GAINS OR LOSSES ON EMPLOYER-SPONSORED RETIREMENT PLANS	043	0	0	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	044	0	0	0
SHARES OF OTHER RECOGNISE D INCOME AND EXPENSE FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	045	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	046	919	919	0
GAINS OR LOSSES ON ACCOUNTING FOR THE PROTECTION OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER	047	0	0	0

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGED ITEM)	048	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGING INSTRUMENT)	049	0	0	0
CHANGES IN THE FAIR VALUE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS ATTRIBUTABLE TO CHANGES IN CREDIT RISK	050	0	0	0
INCOME TAX RELATING TO ITEMS THAT WILL NOT BE RECLASSIFIED	051	(141)	(141)	0
ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS (AOP FROM 053 TO 060)	**052**	**10,640**	**10,640**	**0**
PROTECTION OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE SHARE)	053	0	0	0
FOREIGN CURRENCY TRANSLATION	054	0	0	0
CASH FLOW HEDGES (EFFECTIVE SHARE)	055	0	0	0
RISK PROTECTION INSTRUMENTS (ELEMENTS NOT SPECIFIED)	056	0	0	0
DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	057	10,640	10,640	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	058	0	0	0
SHARE OF OTHER RECOGNISE D INCOME AND EXPENSE FROM INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	059	0	0	0
INCOME TAX RELATING TO ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS	060	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR (AOP 038 +039; 062+063)	**061**	**15,469**	**15,469**	**0**
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	062	0	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	**063**	**15,469**	**15,469**	**0**

COMPARATIVE PROFIT AND LOSS STATEMENT AND THE STATEMENT OF OTHER COMPREHENSIVE INCOME AS ON 31 DECEMBER 2022

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
INTEREST INCOME	001	14,352	14,352	0
(INTEREST EXPENSES)	002	1,467	1,467	0
(EXPENDITURE ON SHARE CAPITAL RETURNED ON REQUEST)	003	0	0	0
DIVIDEND INCOME	004	166	0	166
FEE AND COMMISSION INCOME	005	6,491	6,491	0
(FEE AND COMMISSION EXPENSES)	006	2,357	2,357	0
GAINS OR LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	007	89	0	89
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING, NET	008	902	0	902
GAINS OR LOSSES ON NON-TRADABLE FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	009	(701)	0	(701)
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE PROFIT OR LOSS, NET	010	0	0	0
GAINS OR LOSSES ON HEDGE ACCOUNTING, NET	011	0	0	0
FOREIGN EXCHANGE DIFFERENCES (PROFIT OR LOSS), NET	012	369	0	369
GAINS OR (-) LOSSES ON DERECOGNITION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES, NET	013	0	0	
GAINS OR LOSSES ON DERECOGNITION OF NON-FINANCIAL ASSETS, NET	014	(189)	0	(189)
OTHER OPERATING INCOME	015	3,589	4,386	(797)
(OTHER OPERATING EXPENSES)	016	193	0	193
TOTAL INCOME FROM OPERATIONS, NET (AOP 001 – 002 – 003 + 004 + 005 – 006 + FROM 007 TO 014 – 015)	**017**	**21,051**	**21,405**	**(354)**
(ADMINISTRATIVE EXPENDITURE)	018	11,413	11,987	(574)
(CASH CONTRIBUTIONS TO RESOLUTION COMMITTEES AND DEPOSIT INSURANCE SCHEMES)	019	489	0	489
AMORTIZATION	020	1,641	1,641	0
GAINS OR LOSSES ON CHANGES, NET	021	0	0	0
RESERVATIONS OR CANCELLATIONS	022	96	0	96
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS	023	5,303	5,645	(342)
IMPAIRMENT OR ELIMINATION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	024	0	0	0
IMPAIRMENT OR ELIMINATION OF IMPAIRMENT OF NON-FINANCIAL ASSETS	025	0	0	0
NEGATIVE GOODWILL RECOGNISE D IN PROFIT OR LOSS	026	0	0	0

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
SHARE OF PROFIT OR LOSS FROM INVESTING IN SUBSIDIARIES. JOINT VENTURES AND ASSOCIATES CALCULATED USING THE EQUITY METHOD	027	0	0	0
PROFIT OR LOSS ON NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE THAT DOES NOT QUALIFY AS A GOING CONCERN	028	(8)	0	(8)
PROFIT OR LOSS BEFORE TAX FROM OPERATING OPERATIONS (AOP 017 - FROM 018 TO 020 + 021 - FROM 022 TO 025 + FROM 026 TO 028)	**029**	**2,101**	**2,132**	**(31)**
TAX EXPENSE OR INCOME RELATED TO THE PROFIT OR LOSS FROM CONTINUING OPERATIONS	030	517	517	0
PROFIT OR LOSS AFTER TAX FROM OPERATING OPERATIONS THAT WILL CONTINUE(AOP 029 - 030)	**031**	**1,584**	**1,615**	**(31)**
PROFIT OR LOSS AFTER TAX FROM OPERATIONS THAT WILL NOT CONTINUE (AOP 033 - 034)	**032**	**31**	**0**	**31**
PRE-TAX PROFIT OR LOSS FROM OPERATIONS THAT WILL NOT CONTINUE	033	31	0	31
TAX OR BUSINESS-RELATED EXPENSES THAT WILL NOT CONTINUE	034	0	0	0
PROFIT OR LOSS FOR THE CURRENT YEAR (AOP 031 + 032; 036 +037)	**035**	**1,615**	**1,615**	**0**
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	036	0	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	037	1,615	1,615	0

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
STATEMENT OF OTHER COMPREHENSIVE REPORT				
PROFIT OR LOSS FOR THE CURRENT YEAR	**038**	**1,615**	**1,615**	**0**
OTHER COMPREHENSIVE INCOME (AOP 040 + 052)	**039**	**(10,951)**	**(10,951)**	**0**
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS (AOP FROM 041 TO 047 + 050 +051)	**040**	**(403)**	**(403)**	**0**
TANGIBLE ASSETS	041	0	0	0
INTANGIBLE ASSETS	042	0	0	0
ACTUARIAL GAINS OR LOSSES ON EMPLOYER-SPONSORED RETIREMENT PLANS	043	0	0	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	044	0	0	0
SHARES OF OTHER RECOGNISE D INCOME AND EXPENSE FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	045	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	046	(543)	(543)	0
GAINS OR LOSSES ON ACCOUNTING FOR THE PROTECTION OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER	047	0	0	0

POSITION TITLE	AOP TAG	CNB DECISION	ANNUAL REPORT	DIFFERENCE
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGED ITEM)	**048**	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGING INSTRUMENT)	**049**	0	0	0
CHANGES IN THE FAIR VALUE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH THE PROFIT OR LOSS ATTRIBUTABLE TO CHANGES IN CREDIT RISK	**050**	0	0	0
INCOME TAX RELATING TO ITEMS THAT WILL NOT BE RECLASSIFIED	**051**	140	140	0
ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS (AOP FROM 053 TO 060)	**052**	**(10,548)**	**(10,548)**	**0**
PROTECTION OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE SHARE)	**053**	0	0	0
FOREIGN CURRENCY TRANSLATION	**054**	0	0	0
CASH FLOW HEDGES (EFFECTIVE SHARE)	**055**	0	0	0
RISK PROTECTION INSTRUMENTS (ELEMENTS NOT SPECIFIED)	**056**	0	0	0
DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**057**	(10,528)	(10,528)	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	**058**	0	0	0
SHARE OF OTHER RECOGNISE D INCOME AND EXPENSE FROM INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES	**059**	0	0	0
INCOME TAX RELATING TO ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS	**060**	(20)	(20)	0
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR (AOP 038 +039;062+063)	**061**	**(9,336)**	**(9,336)**	**0**
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**062**	0	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	**063**	(9,336)	(9,336)	0

The differences in the positions of the profit and loss statement and the statement of other comprehensive income for 2023 and 2022 published in the annual financial report in relation to the profit and loss statement and the statement of other comprehensive income in accordance with the structure and content prescribed by the CNB's decision relate to the following positions and reclassifications:

According to the CNB's Decision, dividend income is expressed in a separate position, while in the annual report these incomes are included in the position other net income from operations.

Gains or losses upon de recognition of financial assets and financial liabilities that are not measured at fair value through profit or loss, net include net realised gains on securities valued at fair value through OCI not available in 2023 (2022: EUR 46 thousand) included in the position Other net operating income in the annual report and expenses on other liabilities in the amount of EUR 252 thousand (2022: 43 thousand euros) included in the cost of employees under administrative expenses in the annual report.

The total amount of income from the sale of foreign currencies in the amount of 96 thousand euros (2022: 901 thousand euros) is included in the annual report in the position other net income from operations.

The total amount of EUR 1,582 thousand net expenses (2022: EUR 701 thousand) from the valuation and transactions with securities at fair value through profit and loss is included in the position Other net operating income in the annual report.

In accordance with the CNB's Decision, exchange differences in the amount of EUR 27,000 (2022: EUR 369,000) were disclosed separately, of which EUR 4,000 (2022: EUR 48,000) relates to negative net exchange rate differences in respect of impairment provisions included in the Impairment and Provision costs in the annual report and other positive net exchange rate differences in the amount of EUR 31,000 (2022): EUR 418,000) included in the annual report under Other net income for operations.

Net losses after derecognition of non-financial assets amounting to EUR 98,000 (2022: EUR 189,000) relate to impairment costs of investment property and are included in the Impairment and provisioning costs position in the annual report.

The position Other operating expenses covers other non-interest expenses such as severance pay, Supervisory Board expenses and contributions and similar costs in the amount of EUR 168 thousand (2022: EUR 123 thousand) included in the annual report within Administrative costs. In 2023, expenditures from the sale of repossessed assets were not recorded (2022: EUR 70 thousand loss from the sale of repossessed assets included in the position other than net operating income in the annual report).

The position Cash contributions to resolution boards and deposit insurance schemes totalling EUR 266 thousand (2022: EUR 489 thousand) covers the expense of the resolution fund contribution of EUR 26,000 (2022: EUR 15,000) and savings account insurance premium expense of EUR 240,000 (2022: EUR 474,000), which are included in the administrative operating expenses position in the annual report.

According to the CNB's Decision, the provisioning expenses for contingent liabilities are reported in a separate position, while in the annual report are shown within Impairment and provisioning expense.

In accordance with the CNB's Decision, the impairment of repossessed assets held for sale in the amount of EUR 3,000 (2022: EUR 8,000) is reported in a separate position, and in the annual report this impairment is included in the impairment and provisioning expense position.

According to the CNB's Decision, the position of Profit or loss before tax from discontinued operations includes extraordinary incomes in the amount of EUR 59,000 (2022: EUR 37,000) included in the annual report in the position Other net operating income and other non-standard expense in the amount of EUR 63 thousand (2022: EUR 7,000) included in the annual report in the Administrative Operating Expenses position.

Adjustment of the Statement of Cash Flow and the Statement of Changes in Capital
Position deviations in the cash flow statement in the annual financial statement in relation to the cash flow statement in accordance with the CNB's decision are due to a different methodology, resulting from different structures and contents, i.e. from differences in the classification of individual asset, liability, and capital positions. The same applies to the Statement of Changes in Capital.

APPENDIX II - OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Act on Credit Institutions, Article 164, Podravska Banka publishes the following information.

The Bank provides banking and other financial services in the Republic of Croatia in accordance with the Act, and in particular:

1. Receiving deposits or other refundable funds from the public and granting loans from these funds, for own account
2. Receiving deposits or other refunds
3. Approval of credits and loans, including consumer credits and loans and mortgage credits and loans if this is permitted by a special law, and financing of commercial operations, including export financing based on the redemption with a discount and without recourse of long-term overdue receivables secured by financial instruments (forfeiting)
4. Redemption of receivables with or without recourse (factoring)
5. Financial leases (leasing),
6. Issuance of guarantees or other guarantees
7. Trading for own account or for a client's account:
   - money market instruments,
   - transferable securities,
   - foreign means of payment, including exchange transactions,
   - financial terms and options,
   - currency and interest instruments,
8. Payment services, namely:
   1) services that enable the deposit of cash into a payment account, as well as all the procedures required for maintaining a payment account;
   2) services that enable the withdrawal of cash from a payment account, as well as all the procedures required for maintaining a payment account;
   3) payment transaction services, including the transfer of funds to a payment account with the user's payment service provider or another payment service provider:
      - execution of direct debits, including one-time direct debits,
      - execution of payment transactions via payment cards or similar means,
      - execution of credit transfers, including standing orders;
   4) payment transaction execution services in which funds are covered by a credit line for the user of payment services:
      - execution of direct debits, including one-time direct debits,
      - execution of payment transactions via payment cards or similar means,
      - execution of credit transfers, including standing orders;
   5) services of issuing and/or accepting payment instruments;
   6) remittance services,
9. Services related to crediting activities, such as collecting data, preparation of analysis and providing information on the creditworthiness of legal and natural persons carrying out their business independently,
10. Issuing and managing other payment instruments if the provision of these services is not considered to be payment service in accordance with a separate law,
11. Renting safes,
12. Mediation in concluding money market transactions,
13. Advising legal entities on capital structure, business strategy and similar issues and providing services related to business combinations and acquisition of shares and interests in other companies,

14. Issuing of electronic money,
15. Investment and ancillary services and activities prescribed by a special law governing the capital market, as follows:
    - receiving and transferring orders regarding one or more financial instruments
    - execution of orders for client's account
    - trading for own account
    - portfolio management
    - investment consulting
    - transaction services, i,e., sale of financial instruments subject to the repurchase obligation
    - transaction services i.e., sale of financial instruments without the repurchase obligation
    - storage and administration of financial instruments for the client's account, including custody and related services such as cash management and collaterals
    - granting credits or loans to investor to enable it to perform a transaction with one or more financial instruments, if the transaction involves the company granting the loan or credit
    - advisory on capital structure, business strategies and related issues, as well as consulting and services related to mergers and acquisitions of companies
    - foreign exchange services, if they are related to the provision of investment services
    - investment research and financial analysis, as well as other recommendations related to transactions involving financial instruments
    - transaction related services , i,e, services related to sale of financial instruments with the repurchase obligation
    - investment services and activities and ancillary services related to the basic assets of the derivatives referred to in Article 3, paragraph 1, item 2, subparagraph d), indent 2, 3, 4 and 7 of the Capital Market Act when these investment services and activities are supplemented by investment services or ancillary services,
16. Performing activities related to the sale of insurance policies in accordance with the regulations governing insurance

	2023	2022
TOTAL INCOME	25,620	21,405
PROFIT BEFORE TAX	5,131	2,132
CORPORATE INCOME TAX	(1,080)	(517)
NUMBER OF EMPLOYEES BASED ON FULL-TIME EQUIVALENT (PAID WORKING HOURS) PER YEAR	187	189

In 2023 and 2022, the Bank did not receive any public subsidies.