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ANNUAL REPORT 2020

Report of the Chairman of the Supervisory Board	
Annual Report of the Management Board	8
Description of operations	11
Financial statements for the year ended 31 December 2020 together with the Independent Auditor's Report	29
About the Bank	109
Appendix I – Supplementary reports for the Croatian National Bank	115
Appendix II – Other legal and regulatory requirements	134



REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD AND REPORT OF THE MANAGEMENT BOARD

LETTER FROM THE CHAIRMAN OF THE SUPERVISORY BOARD

On behalf of the Supervisory Board of Podravska banka and myself, I present to you the business results of the Bank for 2020. In an extremely challenging environment, Podravska banka achieved a good result and maintained its position as the leading small bank on the Croatian financial market.

The spread of the COVID-19 pandemic has led to major changes in the economy primarily through changing consumer life habits. The forced closure of the economy, albeit temporarily, has resulted in declining GDP and job losses. The seriousness of this crisis has prompted European economic and social policy makers to loosen their policies and to be more flexible and inclusive, which includes the establishment of the largest stimulus package in the history of the Old Continent.

The speed of recovery will depend primarily on the further suppression of the epidemic and the ability to make efficient use of the funds made available by the EU. The banking system will support the implementation of this program and play a key role in the efficient allocation of resources.

The development of an effective vaccine in the short term provided optimism that life would soon return to normal. However, the emergence of new strains of the virus may still require periods when certain activities will be suspended. The ability to cope with the pandemic will be a key factor in generating significant competitive advantages between countries.

Podravska banka acted decisively in dealing with the pandemic and earthquakes, both in terms of its own operations as well in the community. The Bank has ensured business continuity and quality of services at all times, while taking care of the health of employees and its clients.

The Bank's results for 2020 reflect sustainable profitability, while the net profit of HRK 11.8 million in the conditions of the pandemic indicates a well-diversified business model. In terms of assets and capital, the Bank ranks 9th among 20 banks in Croatia. The Bank's total assets at the end of 2020 amounted to HRK 3.94 billion, which is an increase of 8.8% compared to the previous year. Revenues from the Bank's regular operations amount to HRK 134.1 million. The Bank is still highly capitalized in relation to the risks to which it is exposed and the regulatory capital ratio at the end of 2020 was high, at 19.4%. Regulatory capital at the end of 2020 amounted to HRK 490.6 million. During 2020, the Bank continued its activities to improve technological support in all business segments.

The Bank continues with activities that enable the acquisition of new clients with the development of digital tools accompanied by the integration of a range of services. Significant funds and great efforts continue to be directed to the investment towards the digitalization of the Bank's processes and services.

In the forthcoming period, the Bank will continue to effectively manage risks by continuously improving processes, methodologies, models and controls. The business strategy will continue to be to focus on customer needs and, accordingly, product development in order to establish long-term relationships. The strengthening of commercial activities towards the retail and corporate sectors continues, while at the same time avoiding highly concentrated placements. Through active risk management, market diversification and raising the quality of services, Podravska banka maintains its position as the leading small bank in the Croatian banking market.

On behalf of the Supervisory Board, I would like to express my gratitude and acknowledge the management and all employees of Podravska banka for their dedication and contribution to the business.

I would also like to express my gratitude to all colleagues on the Supervisory Board for their active support in the development of the Bank.

Chairman of the Supervisory Board Miljan Todorovic And the

ANNUAL REPORT OF THE MANAGEMENT BOARD

The Management Board of Podravska banka d.d. presents the results of its operations for the year 2020.

In an extremely challenging macroeconomic environment in 2020, marked by a pandemic and two large earthquakes, the Bank achieved a good result.

The focus of operations was on providing support to customers, partners and the local community as well as the care for the health of employees and stakeholders. Banking services were provided seamlessly, while respecting epidemiological measures, and customer transactions were transferred to digital channels wherever possible.

As a form of support to the community and society in which it operates, the Bank donated funds to hospitals and ensured a new home to the individuals affected by the earthquake. Individuals and business entities were granted support measures in the form of moratoria, new credit lines and the suspension of obligations, in order to help them cope with these challenging times.

The digital transformation of operations continued in 2020. The future of banking lies in integrated distribution channels, so that significant funds were invested in the digitalisation project. The digitalisation of operations will enable the additional improvement of communication channels and customer follow-up activities at branches, through the internet, self-service devices, the telephone and mobile devices.

In the course of the previous year, the Bank expanded the existing lines of products and services for retail and corporate customers. The intensification of commercial activities continued across the entire territory of the Republic of Croatia. Also, education of staff and new employment continued, and further measures were taken to optimise operating costs.

During 2020, activities to improve technological support were continued in all business segments, including qualitative improvements to risk management. The risk management framework has been established in accordance with regulatory quantitative and qualitative requirements through the system of internal acts, organisation and control mechanisms, which include risk concentration, validation and assessment, and risk appetite by individual business segments. The Bank seeks to manage its risk effectively by continuously improving its processes, methodologies, models, controls and systems.

By the size of its assets and total capital at the end of 2020, the Bank occupied the 9th place, among 20 banks in Croatia. The total assets of the Bank at the end of 2020 amounted to HRK 3.94 billion, an increase of 8.8% over the previous year. Total customer deposits increased by 2.2% year-on-year and amounted to HRK 2.8 billion. In 2020, total gross loans to customers decreased by 4.8% and stood at HRK 2.2 billion, while retail loans grew by 9.8%.

The Bank remains highly capitalised, taking into consideration the risks to which it is exposed, with a regulatory capital rate peaking at 19.4% at the end of 2020. The regulatory capital at the end of 2020 amounted to HRK 490.6 million. Despite the challenges, the capitalisation and liquidity were kept at a very high level and are still able to respond successfully to all customer needs.

The income from Bank's regular operations stood at HRK 134.1 million. Net interest income accounted for 65%, net fee and commission income represented 17%, and other income, which mostly related to financial income, accounted for 18% of operating income. The profit for the year amounts to HRK 11.8 million.

The business result of the Bank in the previous year was mostly under the impact of the current situation in the economy. The domestic economy is small and open and extremely sensitive to global economic changes. According to the latest available data, the global economy shrank by 3.5% in 2020, primarily as a consequence of the strong impact of the pandemic and the restrictive measures introduced to contain it. The epidemiological situation caused exceptional changes in consumer behaviour and the deepest contraction of the global economy since WWII.

According to the available data, domestic GDP fell by 8.9% in 2020. As a result of the pandemic, most of the other macroeconomic indicators also recorded negative shifts. The registered unemployment rate stood at 8.9% in December 2020, whilst there was an increase in nominal gross wages, and a rise in inflation of 3.1% and 0.1% respectively. The credit default swap (CDS) value increased, standing at 76 bps at the end of 2020, up from 63 bps at the end of 2019.

In the midst of the disruptions caused by the pandemic, Croatia was admitted to the Exchange Rate Mechanism (ERM II) in July, and successfully concluded the preparatory phase for the accession to the Eurozone, thanks to the comprehensive reform programme. The credit rating agency Moody's upgraded Croatia's rating by one notch to Ba1, emphasising the enhanced institutional capacity and policymaking as the country enters a critical phase of Eurozone accession and reduced exposure to foreign-currency debt risk.

The Croatian banking system remains stable, highly capitalised and liquid. According to unaudited data, the total capital adequacy of the system as at 30 September 2020 stood at 24.96%. In total, 20 banks and three housing savings banks were operating in the Croatian market at the end of the year.

As regards 2021, in its January World Economic Outlook publication, the IMF estimates that the global economy will begin its strong recovery after the crisis in 2020. According to IMF's estimates, global GDP might grow 5.5%, with US GDP expected to grow by 5.1% and the Eurozone GDP up by 4.2%. The recovery of the Chinese economy is projected to accelerate to 8.1%, and the Indian economy to as much as 11.5% in 2021. The CNB estimates that the Croatian economy will grow by 4.9% in 2021.

In the forthcoming period, Bank operations will depend on the speed of economic recovery and pandemic risks. The Bank will remain committed to meeting the needs of its customers and developing its lines of products and services with the aim of improving and maintaining long-term customer relationships.

Finally, I would like to take this opportunity to thank all our customers and business partners for the trust they have placed in us as well as for their cooperation, which creates a responsibility for us to continue improving our business relationships.

I also wish to thank our shareholders and the members of the Supervisory Board for their exceptional cooperation and support, and all the Bank's employees for their effort and commitment.

Goran Marat President of the Management Board

9



DESCRIPTION OF OPERATIONS

GLOBAL ECONOMY IN 2020

According to the latest available IMF estimate, the global economy recorded a fall of 3.5% in 2020, which represented a significantly sharper fall relative to the Great Financial Crisis in 2008/2009. The pandemic had a strong impact on the performance of all world economies, and costs associated with its containment were extremely high. With regard to different epidemiological conditions and the different time and scope of the restrictive measures imposed, the mentioned deterioration varied in intensity in the different parts of the world.

Following a sharp fall in the second quarter (9.0% on an annualised level), the US economy started to recover perceptibly in the third quarter. Despite the continued relatively unfavourable epidemiological situation and the large number of new cases even during the summer, the US economy recovered strongly from the previous period, thanks to an extremely expansionary monetary policy and the federal budget's large fiscal stimulus. Nevertheless, viewed on an annualised level, a 2.9% contraction was also recorded in the third quarter. According to the IMF's estimate, the US GDP fell by 3.4% in 2020. It is important to emphasise that after the presidential elections and the elections for the Senate the political option governing the country changed, which could also lead to significant changes in the policies of the major world economy and the influence of such policies on the global economy in the future. The monetary policies of central banks world-wide were very expansionary, which made the cost of financing relatively favourable in addition to low inflationary pressures.

After a strong deterioration of the epidemiological situation in most of the member states in spring 2020, in particular in Italy, Spain and France, economic activity in the Eurozone decreased by 14.8% on an annualised basis in the second quarter. The contraction was the most pronounced precisely in countries with the most unfavourable epidemiological situation and a high share of service activities in national income generation. The UK and the EU negotiated the trade agreement and the Northern Ireland Protocol, and thus avoided a hard BREXIT and its repercussions for the economies of both sides. It is estimated that the Eurozone economy shrank by 7.2% in 2020, while the decline in the British economy is estimated at 10%. Croatia's main trading partners, Germany and Italy, recorded a fall in GDP of 5.4% and 9.2% respectively.

A group of Asian emerging market economies shrank by 1.1%. Other countries or groups of countries also recorded a fall in economic activity, so that the following performances are estimated: Latin America a fall of 7.4%, Brazil 4.5%, Mexico 8.5%, the group of European emerging market economies 2.8%, Russia 3.6%, Middle East and Central Asia 3.2%. It is estimated that China is the only major world economy that grew at the rate of 2.3%. India recorded a fall of 8.0%.

Relatively favourable financing conditions enabled countries to mitigate social and economic consequences of the pandemic by introducing different measures. GDP trends were surprisingly positive among major world economies in the third quarter. Thus, mostly on the back of the recovery of personal consumption, better than expected results were achieved by Australia, the Eurozone, India, Japan, South Korea, New Zealand, Turkey and the USA, while China and Mexico grew in accordance with the expectations.

The most recent IMF projections (WEO, January 2021) suggest that global economic growth might accelerate considerably in 2021, to 5.5% (from the 3.5% fall in 2020), as a result of the easing of epidemiological measures and the gradual normalisation of economic activities.

It is estimated that the speed of recovery will vary across countries, but it will greatly depend on the availability of medical services, the effectiveness of support policies to the economy, the exposure to the risk of spill-over of the crisis from trading partner countries as well as the structural characteristics of the individual economies at the time of their entry in the crisis.

CROATIAN ECONOMY IN 2020

As in the rest of the world, the Croatian economy in 2020 was severely hit by the pandemic, in addition to two large earthquakes, in Zagreb and Petrinja. Consequently, the CNB estimates a fall in GDP of 8.9 percent in 2020.

At the level of the whole of 2020, the average annual consumer price inflation rate slowed down to 0.1% (from 0.8% in 2019), driven largely by the fall in the annual rate of change in energy prices. At the same time, the average annual core inflation rate in 2020 remained unchanged and stood at 1.0%. Financing costs mostly continued to decrease, reflecting the accommodative monetary policy.

On an annualised level, the growth of total placements slowed down slightly in 2020 to 3.9% from 4.2% in 2019. Broken down by sectors, corporate loans registered the greatest growth (HRK 4.8 billion). The growth of retail loans slowed down significantly in 2020, so, after having grown by 7.4% in 2019, last year retail loans went up by 2.1. The rise in housing loans was especially strong (HRK 4.3 billion), with their growth even accelerating in 2020 (from 6.4% to 7.5%) under the influence of the Government's housing loans subsidy programme. In contrast, general-purpose cash loans decreased by HRK 0.7 billion or 1.4% from the end of the previous year due to uncertainties surrounding the crisis caused by the pandemic, after having grown by 11.5% in 2019.

Industrial production increased in the fourth quarter of 2020 at a significantly more modest quarterly dynamics (0.8%) than in the third quarter when it strongly recovered (7.9%) following the strong contraction of the second quarter (-7.2%) caused by the introduction of strict epidemiological measures. On a quarterly level, the manufacturing of intermediate goods and nondurable consumer goods went up the most, while the production of energy, capital goods and durable consumer goods decreased. The real retail trade turnover rose by 5.9% in the last quarter of 2020 from the previous three months thus nearing the level from the beginning of the year. The real volume of construction works in October and November was 3.0% higher than the average of the previous quarter indicating that activity in construction had returned to the level prior to the outbreak of the pandemic.

Data from the consumer confidence survey suggest a deterioration in household optimism in the last quarter of 2020 from the July to September period, the deterioration in expectations on a quarterly level being primarily a consequence of the decrease in consumer optimism in December. Nevertheless, consumer optimism improved at the beginning of 2021, the index rising in January both on a monthly and on a quarterly level. This was primarily due to improved expectations regarding the financial situation of households for 12 months compared to the current situation. Business optimism in the last three months of 2020 was higher across all activities than the average in the third quarter but was still much below the levels recorded at the beginning of the year. Relatively favourable current developments in the labour market were recorded at the end of 2020 after exceptionally unfavourable developments in the period from March to May. The growth in the number of employed persons intensified in October 2020, with similar dynamics continuing through November. In December, however, this growth slowed down. At the end of December 2020, the number of employed persons neared the level registered in 2019. The gradual decrease in the number of unemployed persons was reflected in the registered unemployment rate, which declined from 9.5% in September to 8.9% in December 2020. Total unemployment was almost 30 thousand higher at the end of December 2020 than in the same month of the previous year, while the unemployment rate was 1.8 percentage points higher. The average nominal gross wage at the end of 2020 was 3.1% higher than in the same period of the previous year. Wages in the public sector grew by 5.3% and in the private sector by 2.0%.

At the turn of the year, the nominal exchange rate of the kuna against the euro started to depreciate slightly. At the end of January, the nominal exchange rate was EUR/ HRK 7.56, only slightly higher than the exchange rate at the end of November or up by 1.6% from the end of January last year. The average EUR/HRK exchange rate for 2020 was HRK 7.53 for one euro.

Short-term interest rates on the European money market remained in negative territory at the end of 2020, influenced by the expansionary monetary policy of the European Central Bank and high liquidity in the Eurozone banking system. The overnight interest rate in the Eurozone banking market, EONIA, ended the month of December at -0.5%, and the six-month EURIBOR at -0.53%.

The risk premium for Croatia remained almost unchanged at 76 basis points at the end of January and continued to record slightly higher values than the peer countries of Central and Eastern Europe, with the exception of Romania, compared with 63 basis points at the end of 2019 and 96 basis points at the end of 2018.

Amid ample kuna liquidity, there had been no turnover in the domestic interbank overnight market since April last year. The cost of short-term government debt ranged close to 0%, and the average daily surplus kuna liquidity of the domestic banking system stood at HRK 59.9 billion in January 2021, compared with HRK 40.3 billion in the previous year.

Banks' interest rates on new corporate loans, which include pure new loans and renegotiated loans, mostly registered similar or only slightly higher levels at the end of 2020 than those seen at the beginning of the same year before the outbreak of the pandemic. In the same period, interest rates on new retail loans were mostly lower, which is particularly noticeable in interest rates on pure new housing loans, which ranged at the level of 2.4% in the last quarter of 2020.

Total general government revenues went down by 8.6% in the period from July to September. Revenues from VAT strongly contributed to this fall, marked by the fall in personal consumption and the exports of tourist services. At the same time, total expenditures increased by 7.4%, primarily due to other current expenditures, expenditures for subsidies paid to employers for job preservation, the growth of employee compensations and public investments. Budget developments were also impacted by the absorption of EU funds.

At the end of October, the consolidated general government debt totalled HRK 325.9 billion, which was an increase of HRK 33 billion from the end of 2019. The rise in debt

mirrors the increased need of the government for budget deficit financing as a result of the unfavourable economic impact of the crisis caused by the pandemic and the measures implemented to mitigate it. The financing needs were predominantly satisfied in the domestic market. As for the relative indicator of public debt, the growth of the nominal amount of debt and the simultaneous fall in economic activity pushed the share of public debt in GDP significantly up, from 72.8% of GDP in 2019, to 86.6%.

CROATIAN MACROECONOMIC INDICATORS

	2020	2019	2018	2017
GROSS DOMESTIC PRODUCT, EUR MILLION AT CURRENT PRICES	48,6761	54,270	51,979	49,262
gross domestic product (gdp), % change	-8.9	2.9	2.8	3.4
GDP PER CAPITA, IN EUR	12,034 ¹	13,270	12,632	11,907
PERSONAL CONSUMPTION, % CHANGE	-6.6	3.6	3.3	3.2
PUBLIC CONSUMPTION, % CHANGE	2.0	3.4	2.3	2.2
INVESTMENTS, % CHANGE	-5.2	7.1	6.5	5.1
EXPORTS OF GOODS AND SERVICES, % CHANGE	-26.4	6.8	3.7	6.8
IMPORTS OF GOODS AND SERVICES, % CHANGE	-16.3	6.3	7.5	8.4
INDUSTRIAL PRODUCTION, % CHANGE	-3.1 ¹	0.51	0.51	-1.0 ¹
UNEMPLOYMENT RATE (ILO) (% OF ACTIVE POPULATION)	7.5	6.6	8.4	11.2
CONSUMER PRICES, % CHANGE	0.2	0.8	1.5	1.1
GENERAL GOVERNMENT BUDGET BALANCE (% GDP)	-8.0	0.4	0.2	0.8
BALANCE OF PAYMENTS ON CURRENT ACCOUNT (% GDP)	-1.0	2.8	1.8	3.4
EXTERNAL DEBT (% GDP)	82.2	75.3	82.2	88.7
CURRENCY EXCHANGE RATE: EUR, YEAR AVERAGE	7.53	7.41	7.41	7.46

Sources: CNB and Bloomberg.

The yields on T-bills, both in the domestic currency and in the euro, recorded the record-low levels. At the end of 2020, the yield on one-year kuna T-bills stood at 0.06% and was equal to that in 2019. The yields on one-year T-bills denominated in euro ranged from -0.05% to 0.00%, while in 2019 they were 0.03%.

The credit agency Moody's upgraded the credit rating of the Republic of Croatia by one notch in 2020, despite the pandemic, so that the Republic of Croatia currently has the following ratings:

BBB- with a stable outlook, assigned by S&P,

BBB- with a stable outlook, assigned by Fitch Ratings,

Ba1 with a stable outlook, assigned by Moody's.

DESCRIPTION OF BANK OPERATIONS

PRODUCTS AND SERVICES

In accordance with the strategic guidelines of Bank operations, intensification of commercial activities continued in 2020, directed at the retail and small and medium-sized enterprises (SMEs) sectors. Despite the strong competition, regulatory requirements and the conditions of operations in a pandemic, which strongly affected the costs and profitability, the Bank realised growth in the individual strategic segments and a good business result.

Podravska banka has successfully responded to the growing needs and expectations of individuals, small entrepreneurs and businesses, as well as target customers, by advancing its offer and investing in the development of new technologies, so that competitiveness and adaptability have become the underlying principles of the provision of financial support to customers.

In the year that was marked by the pandemic and in which retail capacities were limited for a while, the need for ensuring business continuity was recognised and a series of measures were implemented to ensure the accessibility of services to customers. The continued intensification of activities focused on the retail segment reflects the aspiration of Podravska banka to provide

its services as effectively and as broadly as possible to the large number of customers from different generations and sees this as its strongest niche and long-term sustainable profitability.

Bank operations were kept stable, despite the circumstances in the conditions of a pandemic, and the growth trend continued in the retail segment through larger investments in marketing, systemic monitoring of competition, the adjustment of the offer to the expectations of the target market, improvements in business processes, the development of new products, employment, education and motivation of the sales force.

The adjustments to the changes in the environment and consumer expectations were the main determinants that shaped the activities of the management of products and services in 2020. In the course of the year, the retail product line was refreshed with innovative current account packages for retail customers and investment-savings products. Activities on changes in the visual identity were intensified, which accompanies the Bank's strategic positioning as a modern partner for retail financial transactions.

The majority of employees in the business network attended intensified education in 2020 and became qualified for the sale of investment-savings products. In addition, a number of Bank employees successfully passed the required examinations and added to the number of licenced investment-savings advisers at the Bank by 30%.

In 2020, open-end investment funds and voluntary pension savings were included as products complementary to the existing offer. Investment-savings products are an important part of the offer, meaning that the development of this segment of operation will continue in 2021 by focusing on the strengthening of the deposit base. The Bank also continues receiving deposits from German citizens using a web-based platform it operates together with Raisin GmbH, a market leader in this type of business in the German market. This allows German customers to invest their funds in EU member states through a sophisticated online platform.

In the retail segment, in addition to cash and housing loans, 2020 was also marked by the demand for loans for the settlement of obligations with other banks and energy efficiency project funding loans for multi-storey buildings, which was recognised as an additional opportunity to acquire new customers, both individuals and businesses engaged in residential facility management.

In the segment of card operations, the implementation of the new mobile token was completed, which increases the customer security and user experience of the authorisation for card transactions (Mastercard, Maestro and VISA) during online purchases (3D Secure 2.0. Issuing service).

The entire ATM network was replaced in 2020. In addition to the existing functionalities, all ATMs now have a new bill payment functionality by means of a bar code. ATMs at the branch Cvjetni Zagreb, the Centre in Koprivnica and the Centre in Požega now enable customers to deposit cash to their accounts. The contactless acquiring of cards in the ATM network was also implemented and the migration of Maestro to Mastercard debit cards with a new, modern design was initiated. By observing the trends in digital technologies, which are required for a better and faster communication with customers, technological processes are constantly improved, which results in the improvement of customer relationship management and increasing profitability.

The Bank participated in the programme of the Real Estate Agency (APN) for the financing of the purchase of real estate, i.e. the building of houses through subsidised housing loans, as an assistance measure by the Government of the Republic of Croatia to facilitate the meeting of Croatian citizens' housing needs through the partial repayment of housing loans. The participation in the programme is planned to continue in 2021, as well as in similar local programmes on subsidised housing loans.

The Bank has granted support measures in the form of moratoria, new credit lines and the suspension of obligations in order to help the citizens particularly affected by the pandemic conditions and the earthquake to overcome this challenging period.

At the onset of the crisis caused by the pandemic in early 2020, in addition to the strengthening of standard products and services towards entrepreneurs, an additional step forward was made for the purpose of preserving customer portfolios and the use of products that would strengthen the Bank's position further, with the aim of meeting the needs of the corporate segment despite the uncertain situation. In this context, all programmes were implemented that were available to commercial banks by which the Republic of Croatia, through the implementing state-owned banks (HBOR and HAMAG-BICRO), issued guarantees for the coverage of their exposure towards the Bank.

In the course of 2020, by means of government guarantees, the Bank covered most of the new placements of entrepreneurs that were or still are facing difficulties caused by the pandemic.

Furthermore, the agreement on business cooperation continued with the Croatian Bank for Reconstruction and Development (HBOR) in guarantee programmes for

large entrepreneurs and the Croatian Agency for SMEs, Innovation and Investments (HAMAG-BICRO) for micro, small and medium-sized entrepreneurs, on the basis of which the Bank may cover new corporate loans by government guarantees as much as up to 100%, depending on the degree to which the industry within which an entrepreneur is operating has been affected.

Specific conditions governed the market in 2020. The focus was on economic activities for which it could be established that were the least hit by the pandemic – such as agriculture and food production, primarily healthy food production, healthy food trade, energy, IT and construction. In accordance with the above, 2020 was not the year of growth of the products and services portfolio, instead, it was the year of maintaining the stability of the existing portfolio level, minimising imminent risks and a very conservative approach to the placement of products and services.

The cooperation with the local government and self-government continued in the implementation of credit programmes in which the local government and self-government subsidised the interest on entrepreneurial loans, all with the aim of strengthening economic activities in local areas and the protection and the recovery of entrepreneurs hit by the pandemic.

The Bank has agreed business collaboration with counties, which provide subventions to support entrepreneurs and strengthen their development in the county territory, primarily with Koprivnica-Križevci County, Bjelovar-Bilogora County, Primorje-Gorski kotar County, Zagreb County, the City of Rijeka and the City of Zadar.

Through the mentioned collaborations, the Bank disperses its engagement in the markets of new entrepreneurs – customers in the whole territory of the Republic of Croatia and helps the development of the entrepreneurs with good, profitable and safe projects, which are also supported by the local government.

As the crisis caused by the pandemic is continuing, all of the above models of operation will also be implemented in the forthcoming period. The focus will remain on the placement of products and services in the segments that are the least affected by the crisis and the uncertainty of recovery, such as the production and sales (trade) of healthy food, projects in agriculture, energy projects that include sustainable development and environmental protection and investments in "green" projects.

The projects that will be supported are those eligible and profitable due to their optimum maturity, and by being covered by government guarantees or the programmes of risk sharing with state-owned banks represent the minimum risk for the Bank.

A significant share of products and services in 2020 was placed to customers engaged in agricultural activities and utilising grants from EU funds. As a result, the demand for the follow-up of such customers increased, and their investment projects were assessed as eligible and profitable for the Bank.

The trend of business entities that withdraw grants will continue in 2021. This is also supported by the cooperation between the Bank and its business partner Maxim Consulting (Maksima savjetovanje), which prepares the eligibility analyses of applications for tenders for grants from EU funds for Bank's customers.

The digital strategy is the central element of the business strategy of Podravska Banka for the coming years. Since today's consumers demand a simple and modern interaction with the Bank, the Bank's aim is to enhance their user experience (through a fluid use of all distribution channels), and to optimise business processes. In addition to a competitive offer, a recognisable brand and a stable customer base, we continue to develop our operations to improve the products and services portfolio and business processes, as well as to develop and integrate all of the Bank's digital channels.

DEPOSIT OPERATIONS

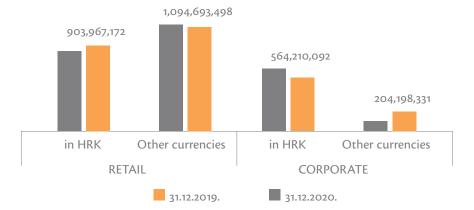
As at 31 December 2020, total customer deposits stood at HRK 2.8 billion, having increased by 2.2% from 2019.

Analysing the structure of received deposits by sector, at 31 December 2020, corporate deposits stood at HRK 768 million, and retail deposits amounted to HRK 2.0 billion.

At 31 December 2020, customer assets under custody stood at HRK 777.0 million, of which HRK 125.3 million are funds originating from the Croatian market, HRK 19.4 million are in the territory of Montenegro, and other foreign assets represent the amount of HRK 632.1 million.

CUSTOMER DEPOSITS (IN HRK 000)	31/12/2020	31/12/2019	CHANGE 2020/2019
	<i></i>	<i>,</i> ,,,,,,	
RETAIL	1,998,661	1,949,358	2.53%
CORPORATE	768,408	757,058	1.50%
TOTAL DEPOSITS	2,767,069	2,706,416	2.24%
			CHANGE
RETAIL DEPOSITS	31/12/2020	31/12/2019	2020/2019
HRK	903,967,172	832,401,403	8.60%
FOREIGN CURRENCY	1,094,693,498	1,116,956,816	-1.99%
TOTAL DEPOSITS	1,998,660,670	1,949,358,219	2.53%
			CHANGE
CORPORATE DEPOSITS	31/12/2020	31/12/2019	2020/2019
HRK	564,210,092	652,868,818	-13.58%
FOREIGN CURRENCY	204,198,331	104,189,300	95.99%
TOTAL DEPOSITS	768,408,423	757,058,118	1.50%

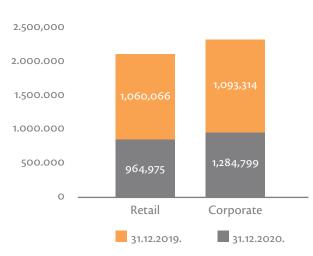




LENDING

At 31 December 2020, total gross loans to customers stood at HRK 2.2 billion, or 4.3% lower than at the end of 2019. If analysed by sector, at 31 December 2020, corporate loans stood at HRK 1.1 billion, or down by 14.9%, which was primarily the consequence of the crisis caused by the pandemic. Retail loans stood at HRK 1.06 billion, recording a significant growth of 9.9%.

TOTAL LOANS TO CUSTOMERS			CHANGE	
(IN HRK 000)	31/12/2020	31/12/2019	2020/2019	
TOTAL LOANS, GROSS	2,153,380	2,249,774	-4.28%	
OF WHICH RETAIL	1,060,066	964,975	9.85%	
OF WHICH CORPORATE	1,093,314	1,284,799	-14.90%	
TOTAL LOAN PROVISIONS	-224,117	-222,828	0.58%	
TOTAL LOANS, NET	1,929,263	2,026,947	-4.82%	



LOANS TO CUSTOMERS

FINANCIAL MARKETS DIVISION

The Financial Markets Division continued to operate in an environment of historically low yields and the low cost of money, allowing positive business results to be reported by all of the Treasury's desks.

The surplus of kuna liquidity was invested mainly in short-term bond funds, government bonds in the capital market, domestic and foreign equity securities focusing on issues with a substantial dividend yield and the domestic issues of debt securities, which to the largest extent related to central government debt. The Bank was active in the primary and the secondary market of the government bonds of the Republic of Croatia and in the fine-tuning operations of the Croatian National Bank.

The debt securities portfolio increased by HRK 31 million, and at the end of the year it was HRK 676.9 million. The bonds of the Republic of Croatia continued to have the dominant role in the portfolio, whose share in the portfolio increased from 71.7% to 75.5%. The investment in the segment of issuers from Central and Eastern Europe increased from 9.9% to 11.6%, and in the segment of issuers from South-East Asia from

2.4% to 5.7%. The currency structure of the portfolio changed considerably in the share of the kuna-denominated segment, which increased from 47.6% to 57.9% and the USD-denominated segment, which decreased from 19% to 10.3%.

Due to the pandemic conditions, all large central banks pursued extremely expansionary monetary policies to support the economy. The Fed reacted promptly in March by reducing its benchmark interest rate on two occasions, to 0 - 0.25 percent. At the same time, a series of funding programmes were introduced, and, in order to secure sufficient dollar liquidity for the global economy, the Fed concluded bilateral currency swap agreements with a number of central banks, under which central banks can temporarily swap their domestic currency for US dollars. Following the pandemic outbreak, the ECB also responded decisively through a range of unconventional monetary policy measures, such as the Pandemic Emergency Purchase Programme (PEPP), to maintain financial stability and favourable financing conditions for all sectors of the economy. As a result of the implemented measures, the interest differential between the EUR and the USD decreased significantly in the previous year. However, as consequently the price of the source of liquidity, i.e. liabilities in the US dollar decreased, it remained opportune to continue investing in issues denominated in that currency in 2020, focusing on the Far East issues whose economies were to a relatively smaller extent affected by the imposing of the measures to contain the epidemic.

With the aim of minimising the costs of financing and improving the maturity adjustment between assets and liabilities, the Treasury continued to withdraw long-term liquidity through the structural operations of the Croatian National Bank, using the existing positions from its debt securities portfolio as collateral. In 2020, the Bank withdrew a total of HRK 250 million for a period of 5 years, with the interest rate of 0.25%, of which the largest part (HRK 200 million) was withdrawn in March, immediately after the pandemic outbreak, and the remaining part was withdrawn in November.

In 2020, the liquidity position was strengthen to prevent any potential sales of assets under unfavourable conditions in order to secure current liquidity, so that sufficient room was ensured for additional exposure to the new issues of government debt and purchases in the secondary market, once the situation is stabilised.

PAYMENT OPERATIONS

The main focus in the provision of payment services to customers in 2020 was to make payment services accessible and secure for customers and outside the Bank's business premises. Investing in a quick and secure cash withdrawal at ATMs, payments using contactless cards, payments via mobile phone, switching to digital ecommerce, was fully justified and confirmed during the time of the pandemic and proved the necessity for ongoing innovation and improvement of payment services.

By additional investments in the digitalisation of its operations in 2020, despite the economically difficult environment due to the extent of the pandemic, the closing of borders and markets, the Bank ensures the long-term continuity and quality in the banking market.

Total external payment operations stood at HRK 16.3 billion in 2020, or more than 3.3 million payment transactions executed. By adapting to the new conditions of operations and the model of work of its customers, the Bank successfully provided all the required services to its customers and met their needs.

The business cooperation with Euroclear Bank Brussels continued, especially in the settlement and the depositary services involving equity and debt securities from the Bank's portfolio, brokerage and custody services. The value of the executed settlements of purchase or sale of securities on the above transactions stood at (in the kuna equivalent) over HRK 1.4 billion.

Podravska banka was an active participant in the capital market, with the payment transactions executed through the Central Clearing and Depository Company worth slightly over HRK 600 million. In accordance with the set plans and conditions in the capital market, the Bank invested in foreign and domestic funds, shares and bonds. The total settlements of contracted purchases and sales of securities from the portfolio, brokerage and custody services exceeded HRK 2.1 billion of the Bank's payment operations.

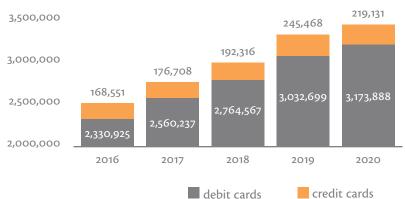
While managing the costs of payment operations responsibly and taking into consideration the challenging conditions of operations of both the customers and competitors, the Bank pursued the policy of harmonised payment operations fees without increasing them. Customer satisfaction with the business relationship and the service is demonstrated by the realised number of payment transactions and the opening of new transaction accounts across the business network.

BUSINESS NETWORK AND DIRECT CHANNELS

At the end of 2020, the Bank's sales network consisted of a total of 22 branches spread across almost the whole of Croatia. Apart from the well-developed sales network, banking services are also available to customers through other distribution channels – POBAklik online banking and mPOBA mobile banking services, ATMs, day-night safety vaults and EFTPOS terminals. Business information is also available to the users of services through the Info Centre.

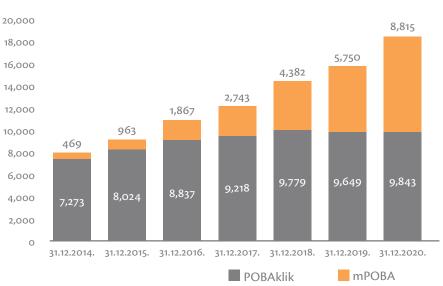
The Bank's ATM devices accept Maestro, Mastercard, VISA, American Express and Diners cards. In addition to the Bank's own ATM network, the Bank offers its customers free-of-charge cash withdrawals at over 1,000 ATMs within the MB NET throughout Croatia. In addition, the Bank has 489 EFTPOS terminals installed. In 2020, 465 thousand transactions were executed through the EFTPOS terminals, or 951 transactions per EFTPOS terminal on average.

The number of transactions executed using payment cards is also increasing. At the end of 2020, compared to the previous year, the number of card transactions increased by 3.5%.



NUMBER OF CARD TRANSACTIONS

The total number of users of electronic services also increased by 21.2% at the end of 2020 compared with the previous year. The largest increase was recorded by the mobile banking service (mPOBA), which was used by over 53% more users than in 2019, while the number of online banking (POBAklik service) users held steady with a notably small increase due to the trend of existing users migrating to the benefit of the mobile banking service.



NUMBER OF USERS OF ELECTRONIC SERVICES

In the future, customer needs and preferences will be covered by integrated distribution channels. For this reason, within the scope of the digitalisation project as the strategic determinant, the Bank will continue improving its communication channels and customer follow-up activities at its branches, through the internet, self-service devices, the telephone, and mobile devices.

ORGANISATION AND STAFF

At 31 December 2020, Podravska banka had 239 employees, which represents an increase of 3% from the previous year. In the course of 2020, the Bank employed 19 new employees, mostly specialists in the field of risk, sales and investment banking. During the same period, 16 employees left the Bank. The employee turnover rate at the Bank in 2020 was 6.8%.

The average age of employees was 45, with female employees accounting for 72% of the total staff, and 48% of the total number of employees having university undergraduate and graduate degrees. The front-office staff account for 57% of the Bank's employees.

The optimisation of business processes is implemented continuously by implementing new application software, which, in addition to the development of digitalisation and organisational changes in operations, results in the constant improvement of business processes, increased efficiency and optimised operations. Great attention is paid to advanced training of employees through various forms of in-house and externally organised education, which was attended by almost two thirds of the employees during the year.

In parallel with investing in the advanced training of its staff, in dialogue with the Trade Union, the Bank reacted in a timely manner and proactively and undertook activities related to the pandemic to protect its customers and employees. All employees and the corresponding workplaces are equipped with the required protective gear (masks, gloves, disinfectants, Plexiglas barriers at counters and in offices, etc.). In order to minimise the impact of the pandemic on regular operations and the provision of services, technical and security preconditions were provided for organising work from home, mostly for the employees of centralised services.

In 2021, the Bank intends to continue investing in the advanced training of its staff and potentially hire additional skilled professionals, mainly in the sales, risk management and human resources areas.

CAPITAL

The Bank's shareholders' equity, net of the 2020 profit, amounts to HRK 469.7 million.

Relative to the previous year, total capital increased to HRK 481.5 million, or up by 1.2% compared to the prior year, as a result of the allocation of the entire previous year's profit to Bank reserves, the decrease in fair value positive reserves on securities and the business result generated for the current year. The Bank's shareholders' equity accounts for 12.2% of the total sources of funding.

The share capital amounted to HRK 267.5 million and consisted of 668,749 ordinary shares, each with a par value of HRK 400.00. At 31 December 2020, the Bank held 3,324 treasury shares, which it carries at cost.

No significant changes were recorded in the shareholder structure in 2020. As in the previous year, a group of foreign equity holders (both private individuals and legal persons), considered to form a single group, held 86.2% of the Bank's shares.

The regulatory capital at the end of 2020 amounted to HRK 490.6 million, of which HRK 428.1 million represented Core Tier 1 capital and HRK 62.5 million was Tier 2 capital. Tier 2 capital includes the unamortised share of subordinated bonds issued in the total amount of HRK 98.3 million. The capital adequacy ratio (CAR) was 19.4% at the end of 2020.

PROFIT AND LOSS ACCOUNT

In the current financial year, the Bank generated a pre-tax profit of HRK 15.0 million, with a net profit for the year of HRK 11.8 million, despite the decrease in credit and business activities of customers in general and the developments in the capital market associated with the effects caused by the pandemic.

Consequently, in addition to the slight decline in interest income of 4.4% from 2019 and the significant decrease in interest expenses of 15.7%, net interest income decreased by 2.3% from the same period of the previous year, although it was larger than the planned amounts for 2020.

Income from regular operations generated in the current year stood at HRK 134.1 million, which is a decrease from the previous year. The decrease was mostly the result of the impact of the pandemic and the measures adopted to mitigate its effects on the operation of individuals and business entities. In terms of the structure of interest income, interest income from retail customers accounted for 51.6%, corporates accounted for 33.6%, and income from other customers accounted for the remaining share. Retail customers account for the largest share of interest expenses with 51.9%, bank expenses account for 40.2%, and other interest expenses account for the remaining 7.9%.

Net fee and commission income generated in 2020 stood at HRK 23.1 million, or down by 1.3% from the previous year as a result of the smaller volume of customer operations, primarily in the segment of payment operations, mostly because of the reduced business activities due to the pandemic.

Net interest income accounts for 64.5% and net fee and commission income represents 17.2% of the Bank's operating income. Net income from the sale of securities, FX trading gains and other income account for 18.3% of the total operating income. Other net income of HRK 24.5 million consists mainly of net gains on securities of HRK 12.5 million and income from the purchase and sale of foreign currencies of HRK 5.1 million.

Total administrative operating expenses, which include costs of materials and services and staff costs, decreased by 1.1% from 2019, and depreciation and amortisation expenses increased by 14.3%. In addition to contracting new leases carried under IFRS 16, the Bank also made significant investments in tangible and intangible assets during the year, which resulted in higher depreciation and amortisation expenses.

The impairment and provision charge stood at HRK 22.3 million for the financial year. The costs of provisions on customer loans account for the largest share, in the amount of HRK 20.8 million. At the end of the year, the share of provisions in gross loans was 10.4%, while at the end of 2019, it was 9.9%.

Despite the challenging business environment, Podravska banka concluded the financial year 2020 with net profit generated in accordance with the planned amounts in all segments of operations.

MANAGEMENT AND GOVERNANCE

Corporate Governance Code Statement

In accordance with the provisions of Article 272p of the Companies Act, the Management and Supervisory Boards hereby declare that Podravska banka d.d. applies the Corporate Governance Code developed jointly by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange. The Bank applies the prescribed corporate governance measures, including explanations of certain derogations within the Questionnaire, where appropriate.

The information about internal controls 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 removal of Management Board Members are contained in the Bank's Statutes.

Bank's shareholders exercise their rights at the General Meeting of the Bank, which decides on the issues determined by law and the Bank's Statutes. The General Meeting is convened by the Management Board of the Bank and it must be convened when requested by the Supervisory Board, the Management Board of the Bank or shareholders, in accordance with law.

Shareholders who wish to participate in the work of the General Meeting in person or by a proxy must notify their participation in writing no later than by the fifth day prior to the holding of the General Meeting. Each ordinary share of the Bank, with a nominal value of HRK 400.00, gives its holder the right to one vote.

The number of Management Board Members of the Bank is determined by the Supervisory Board, and pursuant to its decision, the Management Board of the Bank consists of three members, the President and two Members. Goran Varat serves as the President of the Management Board while Renata Vinković and Daniel Unger serve as members of the Management Board. Snježana Pobi, Sanda Fuček Šanjić and Moreno Marson are the procurators. The Supervisory Board adopts decisions regarding proposed Members and the President of the Management Board of the Bank, who must meet the requirements specified by the legislation governing credit institutions operations and other relevant regulations. After obtaining a prior approval of the Croatian National Bank, the Supervisory Board appoints the President and Members of the Management Board to a term of five years with a possibility of reappointment. The Supervisory Board may revoke its decision on the appointment of the President or a Member of the Management Board, provided that there is just cause to do so in accordance with the applicable law, and the President and Members of the Management Board may submit their resignation in writing.

The powers of the Bank's Management Board are defined in the Companies Act, the Credit Institutions Act, the Bank's Statutes, and a separate decision has been adopted regarding the segregation of the duties and responsibilities of the Management Board Members.

The Bank's Management Board manages the business of the Bank and its assets, and has the obligation and is authorised to undertake activities and adopt decisions necessary for the successful management of Bank's business.

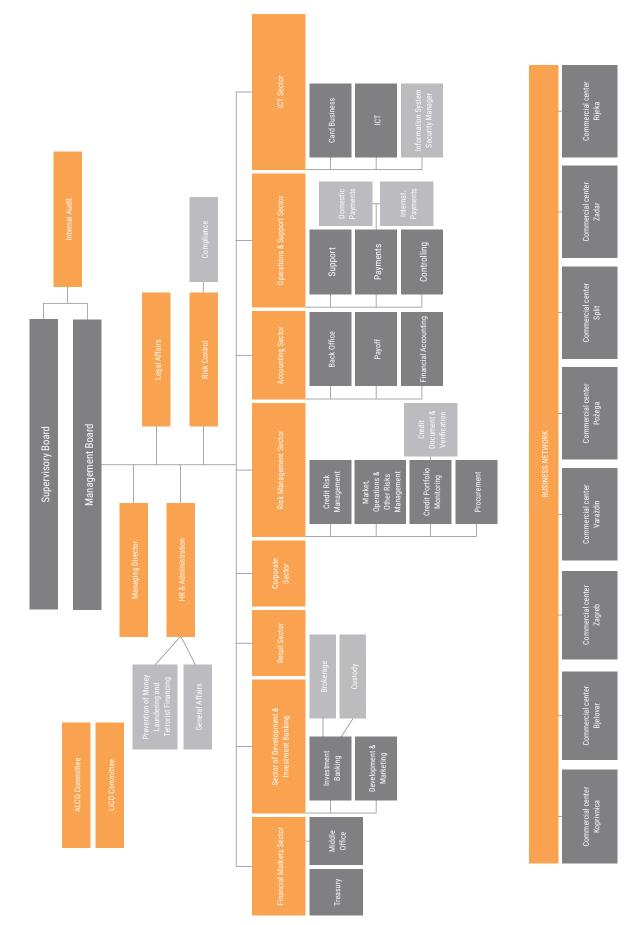
The Supervisory Board has nine Members that are elected and removed from office by the General Shareholders' Meeting. Two Members of the Supervisory Board are independent. Only those persons who meet the conditions prescribed by law and subordinate legislation regulating the operation of credit institutions and who have obtained the prior approval of the Croatian National Bank to perform the function of a Member of the Supervisory Board may be elected as Member of the Supervisory Board.

The powers of the Supervisory Board are regulated by law and subordinate legislation and the Bank's Statutes. In accordance with legislation, the Supervisory Board has established the Risk and Audit Committee as its ancillary body.

The rules applicable to amending the Bank's Statutes are provided in the Statute. Decisions on such amendments are adopted by the Bank's General Shareholders' Meeting in accordance with the applicable legislation and the Statutes by votes representing at least three-quarters of the share capital in a General Shareholders' Meeting at which such a decision is to be adopted.

Amendments to the Statutes may be proposed by the Supervisory Board, the Management Board or the shareholders of the Bank. In order to protect the interest of all investors, shareholders, customers, employees and other stakeholders, the Bank has implemented high corporate governance standards.

BANK'S MANAGEMENT AND ORGANISATIONAL STRUCTURE





FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE MANAGEMENT AND SUPERVISORY BOARDS 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 for each financial year, which 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 such steps as are reasonably available to it to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

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

The Management Board determine annual report, together with the annual financial statements, and forward to the Supervisory Board for approval of annual report and financial statements. After the approval of the Supervisory Board the annual and financial statements are determined by the Management Board and the Supervisory Board and are referred to the General Assembly.

The financial statements of the Bank, set out on pages 45 to 107, were authorised by the Management Board on 25 March 2021 for issue to the Supervisory Board, in witness thereof they are signed as provided below.

The financial statements were approved by the Bank's Management Board on 25 March 2021 and signed by:

Goran Varat Daniel Unger Renata Vinković President of the Member of the Member of the Management Board Management Board Management Board rivhica, 25 March 2021 Kop



Tel: +385 1 2395 741 Fax: +385 1 2303 691 E-mail: bdo-croatia@bdo.hr BDO Croatia d.o.o. 10000 ZagrebTrg J. F. Kennedy 6b

INDEPENDENT AUDITOR'S REPORT

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

The report on the audit of the financial statement

Opinion

We have audited the financial statements of Podravska banka d.d., Opatička 3, Koprivnica ("the Bank"), which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, determined by the European Commission and published in the Official Journal of the EU (IFRS).

Basis for Opinion

We performed the audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the annual financial statements section of our Independent Auditor's report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those which were, in our professional judgment, of the utmost importance for our audit of the financial statements of the current period and include most significant recognized risks of significant misstatement as a result of 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 about them, and we do not give a separate opinion on these matters.

We have determined that the following matters were key audit matters and should be published in our Independent Auditor's report.

Impairment of loans to customers

As at 31 December 2020, in the financial statements gross loans to customers amount to HRK 2,153.4 million, related impairment allowance amounts to HRK 224.1 million and impairment loss recognised in the income statement amounts to HRK 20.8 million (31 December 2019: gross loans to customers: HRK 2,249.8 million, impairment allowance: HRK 222.8 million, impairment loss recognised in the income statement: HRK 22.4 million).

Key audit matter

We focused on this area due to the significance of the amounts involved for the financial annual statements and also because of the nature of the judgements and assumptions that management are required to make.

Impairment allowances represent Management's best estimate of risk of default and the expected credit losses within the loans to customers at the reporting date.

IFRS requires management to make judgments about the future and various items in the financial statements are subject to estimation uncertainty. The estimates required for credit loss allowances for loans to customer are significant estimates.

The key areas of judgement associated with credit loss allowances for loans to customer are the identification of loans that are deteriorating, the assessment of significant increase in credit risk, forecasts of future cash flows as well as expected proceeds from the realization of collateral and the determination of the expected credit losses of loans to customer which are all inherently uncertain.

The impairment allowance is measured as either 12 months expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

For defaulted loans that are considered to be individually significant or non-performing corporate and retail exposures exceeding HRK 300 thousand individually, the impairment assessment is based on the knowledge of each individual borrower and often on estimation of the fair value of the related collateral. Related impairment allowances are determined on an individual basis by means of a discounted cash flows analysis.

Impairment allowances for performing exposures and non-performing retail exposures as well as non-performing corporate exposures below HRK 300 thousand individually (together "collective impairment allowance") are determined by modelling techniques.

Historical experience, identification of exposures with a significant deterioration in credit quality, forward-looking information and management judgment are incorporated into the model assumptions. The Bank is continuously re-

How we addressed the key audit matter

In order to address the risks associated with impairment allowances for expected credit losses on loans and receivables from customers, identified as key audit matter, we have designed audit procedures that allowed us to obtain sufficient appropriate audit evidence for our conclusion.

Our audit procedures in this area included, among others:

- reviewing the methodology of the Bank for the calculation of the expected credit loss and assessing its compliance with the requirements of International Financial Reporting Standards 9: Financial Instruments ("IFRS 9"),
- obtaining an understanding of the provisioning process, IT applications used therein, as well as key data sources and assumptions for data used in the expected credit loss model,
- assessing and testing of IT control environment for data security and access, evaluating the design, implementation and operational effectiveness of controls in credit risk management and lending processes, and tested key controls related to the approval, recording and monitoring of loans,
- testing the design, implementation and operational effectiveness of selected key controls, as well as the controls relating to the identification of loss events and default, appropriateness of classification of exposures between performing and non-performing and their segmentation into homogenous groups, calculation of days past due, collateral valuations and calculation of the impairment allowances,
- testing, on a sample basis, whether the definition of default and the staging criteria were consistently applied in accordance with relevant policies,
- evaluating the overall modelling approach of calculation of expected credit losses (ECLs), including the calculation of main risk parameters and macroeconomic factors (probability of default (PD), loss given default (LGD) and exposure at default (EAD)),
- testing the adequacy of individual loan loss allowances, on a sample basis, with focus on those with the greatest potential impact on the financial statements due to their magnitude and risk characteristics, as well as lower value items, which we independently assessed as high-risk,
- conducting an evidentiary test of the selected sample to assess the correctness of the loan classification,
- in certain cases, we used our own judgment to determine the parameters for calculating impairment loss-

calibrating the model parameters which also requires our increased attention in the audit.

Related disclosures accompanying the annual financial statements

For additional information see note 2 Significant accounting policies and note 14 Loans to the customers.

es on loans and compared our calculations with the impairment of the value calculated by the Bank,

- critically evaluating the impact of COVID-19 pandemic on impairment allowances for expected credit losses and assessing the local regulatory framework impacted by COVID-19 pandemic,
- evaluating the accuracy and completeness of the financial statement disclosures.

Valuation of investment property

As at 31 December 2020, the Bank's investment properties amount to HRK 41.2 million (31 December 2019: HRK 41.4 million). During 2020, the Bank conducted the assessment and valuation of investment properties. Based on the valuation carried out by independent qualified valuers (the "Valuers"), Bank decreased the value of the investment properties, more specifically as a result of a change in the key assumptions of the aforementioned valuations compared to the previous period, recognized a decrease in the value of Bank's investment properties in the amount of HRK 0.5 million (31 December 2019: a decrease of HRK 0.6 million).

Key audit matter

The Bank has significant repossessed assets obtained as part of collection of non-performing loans.

The assets classified as investment properties mainly refers to the repossessed assets obtained as part of collection of non-performing loans, and part relates to properties owned by the Bank, not intended for the ordinary course of business and is leased for the purpose of generating rental income.

The underlying investment properties are measured at fair value model under IAS 40, with changes in fair value recognised in profit or loss in the period that they arise. Fair value is based on the valuation carried out by independent qualified valuers. Management is required to continuously review the credibility of valuations carried out by independent qualified valuers due to their significance and because significant judgement is involved in determining the inputs used in the valuation (such as future rental income, discount rate applied, and market comparison correction factors).

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.

Related disclosures accompanying the annual financial statements

For additional information see note 2 Significant accounting policies and note 16 Investment property.

How we addressed the key audit matter

Our procedures in relation to the valuation of the investment properties included:

- assessing the appropriateness and reasonableness of the valuation methodology,
- assessing the expertise and independence of the qualified valuers,
- on a sample basis, based on evidence of comparable market transactions and other publicly available information of the property industry, we assessed key assumptions and estimates used in the valuations,
- we tested the adequacy of projected cash flows in terms of determining the estimated value of properties by revenue method with supporting lease agreements,
- we considered the valuation methodologies used against those applied by other valuers for similar property type,
- we considered the adequacy of the disclosures in the financial statements and whether the disclosures are compliant with IAS 40.

Other information in the Annual Report

Management is responsible for the other information. The other information consists of the information included in the Annual Report which includes the Management report and Corporate Governance Statement, but does not include the annual financial statements and our Independent auditor's report on them.

Our opinion on the annual financial statements does not include other information and, except to the extent otherwise explicitly stated in our report, we do not express any kind of assurance conclusion with on them.

In relation with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or with our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. In this sense, we do not have anything to report.

With respect to the Management Board Report of the Bank and The Statement on the Implementation of Corporate Governance Code, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether:

- the Management Board Report of the Bank has been prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act;
- the specific information in The Statement on the Implementation of Corporate Governance Code required by Article 22, paragraph 1, items 3 and 4 of the Accounting Act ("relevant sections of the Implementation of Corporate Governance Code") has been prepared in accordance with the requirements of Article 22 of the Accounting Act; and
- the Statement on the Implementation of Corporate Governance Code includes the information specified in Article 22, paragraph 1, items 2, 5, 6 and 7 of the Accounting Act.

Based on the work that we performed during the audit of the financial statements and procedures above, in our opinion:

- the information given in Management Board Report of the Bank and the relevant sections of the The Statement on the Implementation of Corporate Governance Code as part of the Annual report of the Bank for the year 2020 are in accordance with the financial information stated in the annual financial statements of the Bank set out on pages 45 to 107 on which we expressed our opinion as stated in the Opinion section above;
- the information given in Management Board Report of the Bank and the relevant sections of the The Statement on the Implementation of Corporate Governance Code is prepared in accordance with the requirements of Articles 21, 22 and 24 of the Accounting Act, respectively;
- the Implementation of Corporate Governance Code includes the information specified in Article 22 paragraph 1, items 2, 5, 6 and 7 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in in the Management Report, Corporate Governance Statement and Annual report. We have nothing to report in this respect.

Responsibilities of Management and those charged with Governance for the Annual Financial Statements

The Management is responsible for the preparation of annual financial statements that give a true and fair view in accordance with IFRS, and for such internal controls as the Management determines necessary to Responsibilities of Management and those charged with Governance for the Annual Financial Statements

The Management is responsible for the preparation of annual financial statements that give a true and fair view in accordance with IFRS, and for such internal controls as the Management determines necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibility for the Audit of the Annual Financial Statements

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

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

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

on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also give a statement to those charged with governance that we have acted in accordance with relevant ethical requirements regarding independence and that we will communicate with them on all relationships and other issues that can reasonably be considered to affect our independence as well as, where applicable, about related protections.

Among the matters we are communicating with those charged with governance, we determine those matters that are of utmost importance in revising the current financial statements for the current period and are therefore key audit matters. We describe these matters in our independent auditor's report unless the law or regulations prevents public disclosure or when, in exceptionally rare circumstances, we decide that the matter should not be reported in our independent auditor's report as it can reasonably be expected that the negative effects of the announcement will surpass the welfare of public interest in such disclosure.

Report on other legal requirements

On 30 June 2020, the General Assembly of the Bank appointed us to conduct an audit of the Bank's annual financial statements for 2020.

On the date of this Independent Auditor's Report we have been continuously engaged in carrying out the statutory audit of the Bank's annual financial statements from 2019, which amounts to a total of 2 years.

In the audit of the Bank's annual financial statements for 2020, we have determined the following materiality levels for the financial statements as a whole:

for the annual financial statements: HRK 9.6 million

which represents approximately 2% of the of the Bank's net assets for 2020.

We chose Net assets as the benchmark because, in our view, it is the benchmark against which the performance of the Bank is commonly measured by users, and is a generally acceptable benchmark.

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

During the period between the initial date of the audited annual financial statements of the Bank for the year 2020 and in the business year prior to the aforementioned period, we did not provide the Bank with prohibited non-assurance services, and we have maintained independence in relation to the Bank during the performance of the audit. Pursuant to the Decision on the structure and contents of annual financial statements published by Croatian National Bank (OG 42/18 and 122/20), the Bank's Management prepared forms presented on pages 116 to 135 (hereinafter "the Forms"). The financial information in the Forms is derived from the financial statements of the Bank set out on pages 45 to 107 on which we expressed our opinion as stated in the section Opinion above.

Pursuant to requirements of the Credit Institutions Act (OG 159/13, 19/15, 102/15, 15/18, 70/19, 47/20 i 416/20), the Bank disclosed required information on pages 134 to 135 containing all the information as stipulated by the article 164, paragraph 1. Disclosed information are derived from the Bank's financial statements presented on pages 45 to 107 on which we expressed our opinion as stated in the section Opinion above.

The partner engaged in the audit of the Bank's annual financial statements for the year 2020 resulting in this Independent auditor's report is Ivan Čajko, certified auditor.

BDO CROATIA BDO Croatia d.o.o. za pružanje revizorskih, konzalting

i računovodstvenih usluga

Zagreb, J. F. Kennedy 6/b

Zagreb, 30 March 2021 BDO Croatia d.o.o. Trg J. F. Kennedy 6b 10000 Zagreb



Ivan Čajko

certified auditor

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

IN HRK THOUSANDS	NOTE	2020	2019
INTEREST AND SIMILAR INCOME	3	100,050	104,639
INTEREST AND SIMILAR EXPENSE	3	(13,518)	(16,032)
NET INTEREST INCOME		86,532	88,607
FEE AND COMMISSION INCOME	4	38,320	38,313
FEE AND COMMISSION EXPENSE	4	(15,228)	(14,929)
NET FEE AND COMMISSION INCOME		23,092	23,384
OTHER OPERATING INCOME, NET	5	24,472	35,118
OPERATING INCOME		134,096	147,109
IMPAIRMENT LOSSES AND PROVISIONS	6	(22,262)	(23,101)
ADMINISTRATIVE EXPENSES	7	(87,308)	(88,294)
DEPRECIATION AND AMORTIZATION	8	(9,483)	(8,300)
PROFIT BEFORE TAXATION		15,043	27,414
INCOME TAX EXPENSE	9	(3,224)	(6,068)
NET PROFIT FOR THE YEAR		11,819	21,346
OTHER COMPREHENSIVE INCOME			
NET INCREASE / /DECREASE)/IN THE FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE			
INCOME	15.2.	(4,522)	11,523
DEFERRED TAX RECOGNISED IN EQUITY	9	814	(2,137)
OTHER COMPREHENSIVE (LOSS)/INCOME THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS IN THE FUTURE		(4,522)	11,523
NET INCREASE / (DECREASE) IN THE FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE	45.0	(2,160)	6.464
	15.2.		6,161
DEFERRED TAX RECOGNISED IN EQUITY	9	531	(960)
OTHER COMPREHENSIVE INCOME THAT IS NOT RECLASSIFIED TO PROFIT OR LOSS IN THE FUTURE		(1,629)	5,201
OTHER COMPREHENSIVE INCOME		(5,337)	14,587
TOTAL COMPREHENSIVE INCOME AFTER TAX		6,482	35,933
EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS	10	HRK 17.67	HRK 31.92

The accompanying accounting policies and notes on pages 45 to 107 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

IN HRK THOUSANDS	NOTE	31 DECEMBER 2020	31 DECEMBER 2019
ASSETS			
CASH AND AMOUNTS DUE FROM BANKS	11	770,596	402,320
BALANCES WITH THE CROATIAN NATIONAL BANK	12	160,232	198,946
PLACEMENTS WITH OTHER BANKS	13	1,390	5,828
LOANS TO CUSTOMERS	14	1,929,263	2,026,946
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS STATEMENT	15.1	183,533	137,853
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	15.2	714,122	685,958
INVESTMENT PROPERTY	16	41,247	41,379
INTANGIBLE ASSETS	17	42,623	43,333
PROPERTY AND EQUIPMENT	18	48,982	43,458
RIGHT-OF-USE ASSETS	18.1.	14,895	13,941
NON-CURRENT ASSETS HELD FOR SALE	19	998	998
DEFERRED TAX ASSETS	9	5,151	3,935
OTHER ASSETS	20	24,400	13,592
TOTAL ASSETS		3,937,432	3,618,487
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
AMOUNTS DUE TO OTHER BANKS	21	28,203	7,834
AMOUNTS DUE TO CUSTOMERS	22	2,767,069	2,706,416
OTHER BORROWED FUNDS	23	502,598	260,197
OTHER LIABILITIES	24	54,133	65,512
PROVISIONS FOR CONTINGENT LIABILITIES AND CHARGES	25	5,350	5,465
ISSUED HYBRID AND SUBORDINATED INSTRUMENTS	26	98,564	97,337
TOTAL LIABILITIES		3,455,917	3,142,761
SHARE CAPITAL			
SHARE CAPITAL	27	267,500	267,500
SHARE PREMIUM		3,015	3,015
TREASURY SHARES		(1,184)	(1,388)
RESERVES	28	194,263	179,943
PROFIT FOR THE YEAR		11,819	21,346
RETAINED EARNINGS		6,102	5,310
TOTAL SHAREHOLDERS' EQUITY		481,515	475,726
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,937,432	3,618,487

The accompanying accounting policies and notes on pages 45 to 107 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

IN HRK THOUSANDS	NOTE	2020	2019
PROFIT FOR THE YEAR BEFORE TAX	9	15,043	27,414
ADJUSTED BY:			
DEPRECIATION AND AMORTISATION	8	9,483	8,300
NET INCOME ON DISPOSAL OF NON-CURRENT TANGIBLE ASSETS	5	(26)	(178)
NET (INCOME) / EXPENSE ON THE SALE OF REPOSSESSED ASSETS	5	(213)	28
INCREASE IN PROVISIONS FOR LOANS AND OTHER PROVISIONS	6	22,262	23,101
DIVIDEND INCOME	5	(644)	(1,446)
NET UNREALIZED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	5	(1,288)	(716)
NET FOREIGN EXCHANGE GAIN / LOSS FROM ISSUED HYBRID			
INSTRUMENTS	5	1,247	332
PROFIT FROM OPERATIONS BEFORE CHANGES IN OPERATING ASSETS		45,864	56,835
CHANGES IN OPERATING ASSETS			
NET INCREASE IN BALANCES WITH THE CROATIAN NATIONAL			
BANK		38,667	(8,371)
NET INCREASE IN LOANS TO CUSTOMERS		77,175	(214,894)
NET (INCREASE) / DECREASE IN PLACEMENTS WITH BANKS		0	5,749
NET INCREASE IN OTHER ASSETS		(16,136)	(7,286)
INCREASE / (DECREASE) IN OTHER LIABILITIES		(7,414)	(444)
(decrease) / increase in amounts due to other banks		20,369	103
INCREASE IN DEPOSITS FROM CUSTOMERS		60,653	257,201
INCOME TAXES PAID		(8,869)	(4,597)
NET CASH FROM OPERATIONS		210,309	84,296
CASH FLOWS FROM INVESTING ACTIVITIES			
PURCHASES OF PROPERTY AND EQUIPMENT	18	(9,150)	(2,190)
PURCHASE OF INTANGIBLE ASSETS	17	(1,893)	(1,692)
DISPOSAL OF PROPERTY AND EQUIPMENT		28	584
NET DECREASE / (INCREASE) OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		(44,392)	20,338
NET INCREASE IN FINANCIAL ASSETS AT FAIR VALUE THROUGH			
OTHER COMPREHENSIVE INCOME		(35,034)	(125,277)
DIVIDENDS RECEIVED		644	1,453
SALE OF REPOSSESSED ASSETS		1,222	2,568
NET CASH FLOW FROM INVESTING ACTIVITIES		(88,575)	(104,216)
CASH FLOWS FROM FINANCING ACTIVITIES			
(EXPENDITURE) / RECEIPTS FROM BORROWED FUNDS		242,401	(64,898)
(EXPENDITURE) / RECEIPTS FROM ISSUED BONDS		(19)	1
NET CASH FLOW FROM FINANCING ACTIVITIES		243,629	(64,565)
NET CASH (PAID) / RECEIVED		364,116	(84,817)
CASH AT THE BEGINNING OF THE PERIOD	11	408,473	493,290
CASH AT THE END OF THE PERIOD	11	772,589	408,473

The accompanying accounting policies and notes on pages 42 to 107 form an integral part of these financial statements.

IN HRK THOUSANDS	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARESCAP	EASURY SHARESCAPITAL GAINS	RESERVES	RETAINED EARNINGS/ (LOSSES)	PROFIT FOR THE YEAR	ТОТАL
BALANCE AT 31 JANUARY 2018	267,500	3,015	(1,388)	(3,282)	157,361	4,481	12,106	439,793
PROFIT FOR THE YEAR	ì	ì	ì	ì	ì	۱.	21,346	21,346
CHANGES IN THE FAIR VALUE RESERVES	١	١	X	۱.	14,587	۱. ۱	٢	14,587
SALE OF EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	X	1	X	X	(829)	829		λ
PROFIT FOR THE YEAR	ì	ì	١	ì	ì	۱.	12,106	12,106
ALLOCATION OF 2018 PROFIT	ì	ì	ì	ì	12,106	۱.	(12,106)	ì
BALANCE AT 31 DECEMBER 2019	267,500	3,015	(1,388)	(3,282)	183,225	5,310	21,346	475,726
PROFIT FOR THE YEAR	١	١	١	١	١	١	11,819	11,819
CHANGES IN THE FAIR VALUE RESERVES	ì	X	X	ì	(5,337)	¥.	X	(5,337)
SALE OF EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	١	١	X	١	(792)	792	X	1
REPURCHASE OF OWN SHARES	ì	ì	(1,843)	ì	ì	۱.	ì	1
ALLOTMENT OF OWN SHARES	١	١	2,047	(897)	ì	l l	ì	1,150
ALLOCATION OF 2019 PROFIT	1	1	ì	ì	21,346	ì	(21,346)	1
BALANCE AT 31 DECEMBER 2020	267,500	3,015	(1,184)	(4,179)	198,442	6,102	11,819	481,515

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The accompanying accounting policies and notes on pages 42 to 107 form 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 have been prepared in accordance with the International Financial Reporting Standards (IFRS), determined by the European Commission and published in the Official Journal of the EU (IFRS).

The Bank's operations are subject to the Credit Institutions Act, according to which the financial reporting of the Bank 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 the fair value basis for derivative financial instruments, trading assets and liabilities, other financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income 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, 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 publication currency

These financial reports are presented in Croatian kuna (HRK), which is the functional currency. Amounts are rounded to the nearest thousand (unless otherwise stated). The exchange rate of kuna on December 31st 2020 was 7.536898 kuna for 1 euro and 6.139039 kuna for one US dollar (on December 31st 2019 the exchange rate of kuna was 7.442580 kuna for 1 euro and 6.649911 kuna for 1 US dollar).

The use of estimates and judgements

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

Estimates and associated assumptions are reviewed on an ongoing basis. The effects of changes in accounting estimates are recognized in the period in which the estimate is changed, if the change affects only that period, or in the period of the change and future periods if the change affects current and future periods. Information on Management's judgments, which relate to the application of IFRS and which have a significant impact on the financial statements and information on estimates with a significant risk of possible significant adjustments in the next year, is disclosed in Note 2.

2. BASIC ACCOUNTING POLICIES

Adoption of new and amended International Financial Reporting Standards (IFRS) effective from 1 January 2020

The following amended standards came into force on 1 January 2020, but did not have a material impact on the Bank:

- Amendments to the Guidelines on the conceptual framework in IFRS standards (EU Regulation 2019/2075);
- Amendments to IAS 1 and IAS 8: Definition of Significance (EU Regulation 2019/2104);
- Amendments to IFRS 9, IAS 39 and IFRS 17: Reform of the Interest Rate Reference Value (EU Regulation 2020/34);
- Amendments to IFRS 3: Business Combinations (EU Regulation 2020/551);
- Amendment to IFRS 16: Lease of Lease Concessions Related to COVID-19 (EU Regulation 2020/1434). These amendments allow tenants to be exempted (allowed, not required) from assessing whether a lease concession related to COVID-19 constitutes a lease change. Entities applying the exemption, available from 1 June 2020, would recognize the changes as if there had been no change in the lease. The Bank has not applied the exemption provided for in the amendments to IFRS 16.

The adoption of these standards did not have a material effect on the amounts recognized in the balance sheet or income statement.

Standards and Interpretations issued by the Standards Board that have not yet become effective and not previously adopted by the Bank

The standards, amendments to existing standards and interpretations that have been issued but are not yet effective at the date of publication of the financial statements are set out below. The Bank intends to adopt these standards, if applicable, when they become effective. As at 31 December 2020, the European Commission approved the following changes to the accounting principles applicable to reporting, which entered into force on or after 1 January 2021:

• Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2 (August 2020).

As at 31 December 2020, the IASB issued the following standards, amendments, interpretations and revisions, the application of which is subject to the completion of the approval procedure by the competent authorities of the European Commission, which is still ongoing:

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Short-Term or Long-Term and Classification of Liabilities as Short-Term or Long-Term - Deferred to Effective Date (January 2020 and 15 July 2020, respectively);
- Amendments to IFRS 3: Business Combinations (May 2020);
- Amendments to IAS 16: Property, Plant and Equipment (May 2020);
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets (May 2020);
- Amendments to the Annual Revisions 2018-2020. (May 2020).

These standards are not expected to have a material impact on the Bank's financial statements.

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of accounting	The Bank maintains its accounting records in Croatian kuna (HRK) in accordance with of International financial reporting standars (IFRS).
Interest and similar income and expenses	Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rates applicable, which reflect the rates that exactly dis- count estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount.
	Loan origination fees for loans which are probable of being drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective yield of the loan and as such adjust the interest income.
	When loans become impaired, they are written down to their recoverable amounts, and interest income thereafter is carried off the balance sheet by applying the interest rate used to discount the future cash flows for the purpose of measuring the recover- able amount. Other fees are recognised as income when earned. Dividend income is recognised after dividends are declared.
Fee and commission income	Fees and commission income consists mainly of fees for loans and guarantees issued and for other services provided by the Bank, together with commissions for manag- ing funds on behalf of legal and natural persons and fees for foreign and domestic payment transactions.
	Fees and commission income is recognised when the related service is rendered. Loan origination fees for loans which are likely of being drawn down, are deferred and recognised as an adjustment to the effective yield on the loan.
Operating income	Operating income includes net interest income, net fee and commission income, for- eign exchange trading gains, realised gains on securities classified as financial assets at fair value through other comprehensive income, proceeds from the sale and value adjustment of financial assets at fair value through profit or loss, net foreign exchange translation gains by reference to middle exchange rates, gains from disposal of prop- erty and equipment, dividends received and other income from operations.
Foreign currencies	Income and expenses on transactions denominated in foreign currencies are translat- ed to Croatian kunas at the official exchange rates effective at the transaction dates. Monetary assets and liabilities denominated in a foreign currency are translated at the middle exchange rate of the CNB in effect at the last day of the accounting pe- riod. Gains and losses resulting from the foreign currency translation are included in the statement of profit or loss for the year to which they relate.
	The Bank has assets and liabilities originally denominated in Croatian kunas, which are linked to a foreign currency with one-way currency clause. The clause provides the Bank the option to remeasure the underlying assets at the higher of the foreign exchange rate valid as of the date of maturity and the foreign exchange rate valid as

	of the date of origination of the financial instrument. this clause, the counterparty has this option. Due to the Republic of Croatia the fair value of this option cannot I for the Croatian kuna for periods over 9 months are not revalues such assets and liabilities either at the higher o tian National Bank valid at the reporting date or the rat foreign exchange option.	specifics of the ma be calculated, as for available. Therefor f the middle rate o	arket in the rward rates e, the Bank f the Croa-
Personnel costs	The right on vacation days is recognized in the period of Bank recognises accrued benefits based on annual vaca reporting date.	-	-
Personnel social contributions	Under the national legislation, the Bank has the obligat pension and health insurance plans (funds). This obligat ees working under employment contracts and requires contributions in determined percentages based on gros	tion applies to all th from the employer	ne employ-
		2020	2019
	PENSION CONTRIBUTIONS	20%	20%
	HEALTH INSURANCE CONTRIBUTIONS	16.50%	16.50%
	The Bank is also obliged to withhold the contributions half of the employees. The contributions on behalf of the employees and the penses in the period in which they arise (see Note 7). In the normal course of operations the Bank makes pay tions, to mandatory pension funds on behalf of its emp contributions paid to the mandatory pension funds are when accrued. The Bank has no other pension scheme obligations in respect of employee pensions. In additio to provide any post-employment benefits to its employ	employer are chan ments, through sal loyees, as required included in the pa and consequently n, the Bank has no	rged to ex- ary deduc- by law. All ayroll costs no further
Income tax	Income tax expense includes current and deferred inco- lated on taxable profit at the current rate. Income tax statement, with the exception of income tax relating to other comprehensive income or equity, in which case other comprehensive income or directly through equit The Bank pays corporate income tax by applying a tax in accordance with the Profit Tax Act.	t is recognized in t o items recognized the tax is recognize y.	he income directly in ed through
Current income tax	Current tax is the expected tax payable on the taxable rates enacted or substantively enacted at the reporting tax payable in respect of previous years. The amount of the best estimate of the expected amount of tax to be p the uncertainties surrounding the income tax, if any.	date, and any adju the tax liability or	ustment to advance is

Deferred income tax	Deferred taxes are determined using the balance-sheet liability method. Deferred in- come tax reflects the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases used for calculating the income tax. Deferred tax assets and deferred tax liabilities are determined using the tax rates expected to apply to taxable profit in the years in which the underlying temporary difference is expected to reverse, and the liability to be settled or the asset realised.
	Deferred tax assets and liabilities are recognised regardless of when a timing differ- ence is expected to reverse. Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At each reporting date, the Bank re-assesses unrecognised deferred tax assets and the appropriateness of carrying amount of the tax assets.
Cash and cash equivalents	For the purposes of the Statement of cash flows, cash and cash equivalents comprise balances with maturities less than 90 days, including cash, balances on current ac- counts as well as loans and advances to other banks.
Financial instruments	The Bank's financial assets and financial liabilities reported on the statement of fi- nancial position include cash and cash equivalents, marketable securities, accounts receivable and payable, long-term loans, deposits and investments. The accounting methods applied to these instruments are disclosed in the corresponding account- ing policies.
	The Bank recognises financial assets and liabilities on its statement of financial po- sition when, and only when, it becomes a party to the contractual provisions of the instrument.
Classification	The classification of a financial instrument is determined by the intent of managing (business model) financial instrument, and on the other hand, 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 flow It implies financial assets acquired with the intent to hold it for the purpose of collecting contractual cash flows and is measured at amortization cost with con- dition that the asset has passed the SPPI test. the "hold and sell" business model - collecting the contracted cash flow and sell- ing financial assets
	 It implies financial assets acquired with intent to hold for the purpose of collecting contracted cash flow and sale and is measured at fair value through other comprehensive income, also subject to the passing of the SPPI test. Other business models that do not meet the criteria of the first two models This model implies a financial asset that is not held intentionally in one of the two previous business models and is measured at fair value through profit and loss statement.
	The Bank's financial assets are classified into portfolios in accordance with the Bank's intent at acquisition and characteristics of the cash flows.

	Financial assets are classified as "Financial assets at fair value through profit and loss statement", "Financial assets at fair value through other comprehensive income" and "Financial assets measured at amortized cost". Financial liabilities are classified as "Financial liabilities at amortized cost". The principal difference among the portfolios relates to the measurement of financial assets and the recognition of their fair values in the financial statements, as described further below.
	Regular way transactions with financial instruments are accounted for in the state- ment of financial position at the settlement date. Under the settlement date ac- counting, the underlying asset or liability is not recognised until the settlement date, and the changes in the fair value of the underlying asset or liability are recognised starting from the trade date.
	The Bank recognises financial assets and financial liabilities initially at their fair value plus, except for financial assets at fair value through profit and loss, transaction costs directly attributable to the acquisition or delivery of a financial asset or a financial li-ability.
Financial assets at fair value through profit or loss	Financial assets measured at fair value through profit or loss are assets that do not meet the requirement that the contractual cash flows comprise only the payment of principal and interest on the outstanding amount of the principal, that is, assets that do not meet the criteria of the other two categories of financial asset.
	Financial assets included in this portfolio are those held for trading, which have been acquired to generate profits from short-term fluctuations in prices, or are securities included in a portfolio with a pattern of short-term profit taking.
	Such instruments are initially recognised at cost and subsequently measured at fair value, which is based on the quoted bid prices in an 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 business model whose objective is to be achieved through the collection of contractual cash flows and the sale of financial assets and based on contractual terms of financial assets at certain dates, cash flows that arise only from payment of principal and interest on unpaid principal
	Within this portfolio, we differentiate investments in debt securities and investments in equity securities.
	At initial recognition of financial assets measured at fair value through other com- prehensive income for debt securities investments, assets are recorded at their fair value plus transaction costs that can be attributed directly to the acquisition of that financial asset.
	Subsequent measurement is carried out at fair value and the effects of subsequent measurement are recognized in other comprehensive income.
	Interest and dividends, impairment and exchange rate differences are recognized in the profit and loss statement.

At initial recognition of financial assets measured at fair value through other comprehensive income for equity investments, assets are recorded at their fair value plus transaction costs that can be attributed directly to the acquisition of that financial asset.

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

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

In the case of derecognition of a financial instrument is recognized in other comprehensive income are not recognized in the profit and loss statement.

Financial assets at amortized 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 contractual terms of financial assets at certain dates, cash flows that are only payment of principal and interest on unpaid principal

At initial recognition of financial assets measured at amortized cost, assets are recorded at their fair value plus transaction costs that can be attributed directly to the acquisition of that financial asset.

Subsequent measurement is carried out at amortized cost, and the effects of subsequent measurement are recognized in the profit and loss statement. Profit and loss statement also includes interest and dividends, impairment and exchange rate differences.

In this portfolio, the Bank primarily classifies loans and advances granted to clients and other receivables.

Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Third party expenses, such as legal fees incurred in securing a loan, are treated as part of the cost of the transaction as well as fees received from customers. Loan origination fees for loans which are probable of being drawn down, are deferred together with related direct costs and recognised as an adjustment to the effective yield of the loan and as such adjust the interest income.

Impairment of financial assets

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

With impairment methodology The Bank defines increase of credit risk based on changes in creditworthiness, timeliness in meeting debt obligations and quality of collateral instruments.

Financial assets measured at amortized 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, receivables for which the impairment terms and conditions are applicable, the Bank classifies into the following categories on the reporting dates in order to estimate the level of impairment losses and credit loss provisions on the basis of estimates of credit loss levels:

- 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 loss, that represent part of 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 are allocated. 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 which 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, taking into account 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 for which credit losses es relate depend on the status and type of exposure. 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 clients 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 estimation of provisions for off-balance sheet items.

Value of Expected Credit Losses (ECL) for exposures where no significant increase in credit risk from initial recognition has been identified after initial recognition is accounted for as a 12-month expected credit loss that represents a part of life-long expected credit losses that would occur if the default status should be reached within the next 12 months (risk subcategory A1 - stage 1), while for exposures where significant credit risk increases have been identified after the initial recognition, the life-long expected credit loss is calculated (risk subcategory A2 - stage 2) on the reporting date.

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

For exposures in risk categories B and C (Stage 3), expected credit losses within big loans portfolio and placements with adequate collaterals are calculated using the standard DCF method (the present value method of estimated future cash flows discounted using the effective interest rate), taking into account the minimum levels of impairment prescribed by internal acts.

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

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. Subsequent to 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 derecognised upon disposal or when the investments 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 proper- ty 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 derecognised.
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 avail- able for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset, i.e. disposal group, and its sale is highly prob- able. 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 clas- sification.
Sale and repurchase agreements	Securities sold under sale and repurchase agreements (repos) are included in the fi- nancial statements and the liability to the counterparty is included in amounts due to customers. Securities purchased under agreements to resell them (reverse repo) are recognised as amounts due from banks or loans to customers, 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 per- manent impairment losses. When assets are sold or retired, their cost and accumulat- ed 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 and non-re- fundable 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 pro- gress and are carried at cost. The cost includes the cost of construction and other di- rect costs. Assets under development are not depreciated until they are completed and put into use and classified into the appropriate category of property and equip- ment. Property and equipment are depreciated on a straight-line basis over the use- ful life of the assets. The useful life of assets is shown as follows:

	2020	2019
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 each financial year end. 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 recognised initially 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. Subsequent to 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 the periods 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 nonfinancial 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. The recoverable amount is the higher of an asset's net selling price and its value in use.

Right-of-use assets

Right-of-use assets consist of leased property for which, under the lease agreement, the right of direct use and control over its use has 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 \$ 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 recognized 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.).

	 Usable 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 (eg 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 installment.
	Payments must be discounted at the interest rate contained in the lease. In case 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 purchase of assets of similar value to the concerned right-of-use as- sets 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 fixed lease payments.
	The Bank reports right-of-use assets in the statement of financial position in the po- sition Right-of-use assets (Note 18.1), and lease liabilities within the position Other li- abilities (Note 24 - 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 the impairment testing, goodwill is allo- cated to each cash-generating unit arisen on the acquisition (from which future ben- efits 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 impair- ment 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 im- pairment 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 deter- mination of the profit or loss on disposal.

Provisions for
contingent liabilitiesProvisions are recognized when the Bank has a present obligation, legal or construc-
tive, as a result of past events and it is probable that an outflow of resources embod-
ying economic benefits will be required to settle obligations, and a reliable estimate
can be made of the amount of the obligation.Managed fundsThe Bank manages a significant amount of assets on behalf of third parties and charg-
es a fee for the concerned services. These assets are not included in the Bank's state-
ment of financial position (see Note 29).

2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements The Bank makes certain judgments and estimates about uncertain events, including estimates and judgments 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 which 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. Estimating 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 The Bank reviews its loans and receivables at least quarterly (Note 14) to assess whethimpairment losses on er there is objective evidence of impairment. Through its internal acts, the Bank has loans and receivables 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 recognized, 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 25) 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 a reliable estimate of the amount of the obligation can be made. Management maintains provisions at the level which is considered to be 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 the overall performance as well as similar payments, awarded in cash or financial instruments. The obligations arising from the employee benefits are recognised in the period in which the related service is rendered and at amounts expected to be paid.
Income tax expense	The Bank is subject to corporate income tax in Croatia. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional tax liabili- ties will arise. If the ultimate outcome of the tax issues differs from the initially deter- mined tax liability, any difference will be reflected in the provisions for the income tax as well as deferred taxes in the period in which the additional tax assessment is determined. Calculations supporting the tax returns are subject to audit and approv- al by the local tax authorities.

3. INTEREST AND SIMILAR INCOME AND EXPENSES

IN HRK THOUSANDS	2020	2019
INTEREST INCOME		
CORPORATE CUSTOMERS	33,623	40,270
INDIVIDUALS	51,660	48,286
SECURITIES	9,327	10,432
BANKS	325	454
PUBLIC AND OTHER SECTORS	5,115	5,197
	100,050	104,639
INTEREST EXPENSE		
CORPORATE CUSTOMERS	(698)	(886)
INDIVIDUALS	(7,018)	(8,471)
BANKS	(5,441)	(5,865)
PUBLIC AND OTHER SECTORS	(361)	(810)
	(13,518)	(16,032)
NET INTEREST INCOME	86,532	88,607

Interest income also includes deferred fees on loans in the total amount of HRK 4,767 thousand (2019: HRK 5,499 thousand), which are recognised by applying the effective interest rate method.

IN HRK THOUSANDS	2020	2019
INTEREST INCOME ON:		
PARTLY RECOVERABLE LOANS	136	923
FULLY IRRECOVERABLE LOANS	362	965
	498	1,888

4. FEE AND COMMISSION INCOME AND EXPENSE

IN HRK THOUSANDS	2020	2019
FEE AND COMMISSION INCOME		
PAYMENT TRANSACTION RELATED FEES AND COMMISSIONS	13,648	14,527
CARD-RELATED FEES AND COMMISSIONS	17,183	16,185
FEES AND COMMISSIONS FROM LENDING OPERATIONS	2,937	2,668
FEES AND COMMISSIONS ON SECURITIES TRADING	874	941
OTHER FEE AND COMMISSION INCOME	3,678	3,992
	38,320	38,313
FEE AND COMMISSION EXPENSE		
CASH OPERATION FEES AND COMMISSIONS	(3,459)	(3,884)
PAYMENT OPERATION CHARGES	(2,715)	(2,631)
INTERBANK SERVICE FEES	(316)	(362)
CARD-RELATED FEES	(5,806)	(5,587)
OTHER FEE AND COMMISSION EXPENSES	(2,932)	(2,465)
	(15,228)	(14,929)
NET FEE AND COMMISSION INCOME	23,092	23,384

Other fee and commission income consists mainly of fees collected on the Bank's counters from customers for the payments made and amounts to HRK 2,504 thousand (2019: HRK 2,657 thousand).

5. OTHER OPERATING INCOME, NET

IN HRK THOUSANDS	2020	2019
NET REALIZED GAIN ON SALE OF SECURITIES CLASSIFIED		
AS FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER		
COMPREHENSIVE INCOME	7,638	19,570
FOREIGN EXCHANGE TRADING GAINS	5,136	5,582
RENTAL INCOME	2,320	2,453
REVENUES FROM THE SALE OF SECURITIES CLASSIFIED AS AT		
FAIR VALUE THROUGH PROFIT AND LOSS STATEMENT	4,813	918
NET INCOME ON SALE OF PROPERTY AND EQUIPMENT	26	178
DIVIDEND INCOME	644	1,446
REFUND OF COURT COSTS	845	1,613
NET (LOSS)/ GAIN ON THE SALE OF FORECLOSED ASSETS	213	(28)
INCOME ON SUBSEQUENT COLLECTION OF RECEIVABLES		
PREVIOUSLY WRITTEN OFF	8	9
NET FX DIFFERENCES ON RETRANSLATION AT THE MIDDLE		
EXCHANGE RATE	1,442	1,415
OTHER INCOME	1,387	1,962
	24,472	35,118

6. IMPAIRMENT LOSSES AND PROVISIONS

IN HRK THOUSANDS	2020	2019	
PROVISIONS FOR LOANS AND ADVANCES TO CUSTOMERS AND BANKS (NOTE 11,12,13,14D)	(20,840)	(22,381)	
IMPAIRMENT OF DEBT SECURITIES IN THE PORTFOLIO AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
(NOTE 15.2)	(126)	(114)	
IMPAIRMENT OF EQUITY SECURITIES (NOTE 15.2)	(62)	(16)	
REVERSAL OF PROVISIONS FOR GUARANTEES AND CONTINGENT LIABILITIES (NOTE 25)	115	609	
REVERSAL OF IMPAIRMENT/ (IMPAIRMENT) OF OTHER ASSETS (NOTE 20)	(114)	132	
IMPAIRMENT OF FORECLOSED ASSETS (NOTE 20)	(717)	(334)	
IMPAIRMENT OF INVESTMENT PROPERTIES (NOTE 16)	(518)	(671)	
PROVISIONS FOR LEGAL CASES (NOTE 25)	-	(326)	
	(22,262)	(23,101)	

7. ADMINISTRATIVE EXPENSES

IN HRK THOUSANDS	2020	2019
PERSONNEL COSTS	45,835	47,055
COST OF MATERIAL AND SERVICES	26,916	28,689
RENTAL COSTS	5,044	4,262
DEPOSIT INSURANCE PREMIUMS	6,107	5,633
TAXES AND CONTRIBUTIONS	1,359	1,116
OTHER EXPENSES	2,047	1,539
	87,308	88,294

Other expenses include advertising and promotion, sponsorships, donations and other costs.

Staff costs	IN HRK THOUSANDS	2020	2019
	NET SALARIES	27,269	25,007
	PENSION INSURANCE COSTS	6,784	6,386
	HEALTH INSURANCE COSTS	6,236	6,010
	TAXES AND SURTAXES	5,283	5,029
	PROVISIONS FOR EMPLOYEE BENEFITS	(2,342)	3,237
	OTHER STAFF COSTS	2,605	1,386
		45,835	47,055
		45,835	

As at 31 December 2020 the Bank had 239 employees (2019: 232 employees).

8. DEPRECIATION AND AMORTISATION OF TANGIBLE AND INTANGIBLE ASSETS

IN HRK THOUSANDS	2020	2019
DEPRECIATION OF PROPERTY AND EQUIPMENT (NOTE 18)	3,550	2,752
DEPRECIATION OF LEASEHOLD IMPROVEMENTS (NOTE 18)	74	411
DEPRECIATION OF PROPERTY WITH RIGHT OF USE (NOTE 18.1)	3,256	2,698
AMORTISATION OF INTANGIBLE ASSETS (NOTE 17)	2,603	2,439
	9,483	8,300

9. INCOME TAX EXPENSE

Corporate income tax is determined by applying the rate of 18% (2019: 18%) to taxable profits.

Tax returns are not final and are subject to review and audit for at least a three-year period. The Management Board believes that tax obligations have been adequately provided for in these financial statements.

The tax expense comprises the following:

TAX EXPENSE	3,224	6,068
INCOME TAX ON REALIZED EFFECTS ON EQUITY SECURITIES	(174)	(182)
TROŠAK ODGOĐENOG POREZA	129	(1,003)
TEKUĆI POREZNI TROŠAK	3,269	7,253
IN HRK THOUSANDS	2020	2019

The reconciliation between accounting profit and taxable profit is set out below:

IN HRK THOUSANDS	2020	2019
PROFIT BEFORE TAXATION	15,043	27,414
STATUTORY TAX RATE	18%	18%
EXPECTED TAX AT THE RATE	2,708	4,935
TEMPORARY DIFFERENCES		
DEFERRED LOAN ORIGINATION FEES	(548)	994
PROVISIONS FOR COURT COSTS - INTEREST	-	118
PROVISIONS FOR PAYMENTS TO EMPLOYEES	(2,288)	3,200
REALISED LOSSES – SALE OF FORECLOSED ASSETS (INVESTMENTS)	-	(46)
IMPAIRMENT OF FORECLOSED ASSETS	2,422	1,005
NET TEMPORARY DIFFERENCES	(414)	5,271
PERMANENT DIFFERENCES		
TAX EFFECT OF NON-TAXABLE INCOME	(501)	(1,417)
DIVIDENDS RECEIVED	(501)	(1,417)
EFFECT OF TAX NON-DEDUCTIBLE EXPENSES	4,034	9,028
ENTERTAINMENT AND TRANSPORT	356	515
DEPRECIATION ABOVE THE PRESCRIBED AMOUNTS	111	111
INTEREST FROM RELATED-PARTY RELATIONSHIPS	(109)	161
WRITTEN-OFF RECEIVABLES	2,632	7,135
RETAINED EARNINGS FROM THE SALE OF EQUITY SECURITIES	966	1,012
OTHERS	78	94
NET PERMANENT DIFFERENCES	3,533	7,611
TAXABLE PROFIT	18,162	40,296

29 74)	7,253 (1,003) (182) 6,068
29	(1,003)
69	7,253
269	7,253
8%	18%
62	40,296
_	162

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

2020 IN HRK THOUSANDS	OPENING BALANCE	TAX CHARGED TO PROFIT OR LOSS	RECOGNISED IN EQUITY	CLOSING BALANCE
LOSSES FROM FINANCIAL ASSETS	535	-	-	535
LOSSES ON OTHER INVESTMENTS	2,227	436	-	2,663
DEFERRED LOAN ORIGINATION FEES	1,239	(99)	-	1,140
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	(1,152)	-	1,345	192
IMPAIRMENT OF FINANCIAL ASSETS	363	-	-	363
PROVISIONS FOR LEGAL CASES – INTEREST	39	-	-	39
PROVISIONS FOR PAYMENTS TO EMPLOYEES	684	(466)	-	218
	3,935	(129)	1,345	5,150

			RECOGNISED IN OTHER	
2019		CHARGED TO PROFIT	COMPREHENSIVE	
IN HRK THOUSANDS	OPENING BALANCE	OR LOSS	INCOME	CLOSING BALANCE
LOSSES FROM FINANCIAL ASSETS	535	-	-	535
LOSSES ON OTHER INVESTMENTS	2,054	173	-	2,227
DEFERRED LOAN ORIGINATION				
FEES	1,060	179	-	1,239
FINANCIAL ASSETS AT FAIR				
VALUE THROUGH OTHER				
COMPREHENSIVE INCOME	1,944	-	(3,097)	(1,152)
IMPAIRMENT OF FINANCIAL				
ASSETS	363	-	-	363
PROVISIONS FOR LEGAL CASES -				
INTEREST	18	21	-	39
PROVISIONS FOR PAYMENTS TO				
EMPLOYEES	54	630	-	684
	6,028	1,003	(3,097)	3,935

The deferred tax assets and deferred tax liabilities are recognised by applying a rate of 18% (2019: 18%).

10. EARNINGS PER SHARE

For the purposes of calculating earnings per share, earnings are calculated as the net profit (after tax) for the period attributable to ordinary shareholders after deducting preference dividends.

	2020	2019
profit for the year (in hrk'000)	11,819	21,346
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR THE YEAR	668,749	668,749
EARNINGS PER SHARE (IN KUNAS) – BASIC AND DILUTED	17.67	31.92

11. CASH AND CASH EQUIVALENTS

	31 DECEMBER 31	DECEMBER
IN HRK THOUSANDS	2020	2019
GIRO ACCOUNT WITH THE CROATIAN NATIONAL BANK	580,325	273,314
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH FOREIGN BANKS	104,878	49,657
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH DOMESTIC BANKS	27,101	19,455
CASH IN HAND	46,503	47,761
OTHER ITEMS	12,388	12,439
	771,195	402,626
PROVISIONS FOR IMPAIRMENT	(599)	(306)
	770,596	402,320

Changes in provisions for losses

IN HRK THOUSANDS	2020	2019
BALANCE AT 1 JANUARY	306	324
INCREASE/ (DECREASE)	352	(22)
EXCHANGE DIFFERENCES	(59)	4
BALANCE AT 31 DECEMBER	599	306

For purposes of the statement of cash flows, cash and cash equivalents can be presented as follows:

	31 DECEMBER 31 DECEMBE	
IN HRK THOUSANDS	2020	2019
GIRO ACCOUNT WITH THE CROATIAN NATIONAL BANK	58,.325	273,314
CASH EQUIVALENTS – TERM DEPOSITS WITH OTHER BANKS		
(NOTE 13)	1,394	5,847
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH		
FOREIGN BANKS	104,878	49,657
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH		
DOMESTIC BANKS	27,101	19,455
CASH IN HAND	46,503	47,761
OTHER ITEMS	12,388	12,439
	772,589	408,473

12. BALANCES WITH THE CROATIAN NATIONAL BANK

	31 DECEMBER 31	31 DECEMBER 31 DECEMBER	
IN HRK THOUSANDS	2020	2019	
OBLIGATORY RESERVE	160,280	198,946	
	160,280	198,946	
IMPAIRMENT ALLOWANCES	(48)	-	
	160,232	198,946	

The obligatory reserve represents the amount of liquid assets banks are required to partially place with the Croatian National Bank. The obligatory reserve is calculated every second Wednesday in a month on certain average balances of liabilities from the previous month. The calculation base includes the daily average balance of received loans and deposits, issued debt securities, hybrid and subordinated instruments and other financial liabilities, along with certain deductible items, especially for kuna and foreign currency sources of funds. The obligatory reserve requirement rate was reduced in March 2020 from the previous 12% to 9% by the end of 2020. Throughout 2019, a reserve requirement rate of 12% was applied.

Of the total balance of the calculated obligatory reserve funds, 75% are included in the kuna-denominated reserve funds. The Bank has the obligation to allocate to a separate mandatory reserve account with the CNB 70% of the total kuna-denominated reserve funds. These funds are maintained at the level of the average balance on the settlement account and on the negative balance reserve account at the National Clearing System. Banks do not allocate the obligatory reserve but must maintain at least 2% of the FX obligatory reserve funds on their own euro-denominated accounts with the CNB.

The obligatory reserve balances with the Croatian National Bank are not interestbearing.

Changes in provision for losses	BALANCE AT 1 JANUARY	2020	2019
IOSSES	INCREASE	- 48	-
	BALANCE AT 31 DECEMBER	48	-

13. BALANCES WITH OTHER BANKS

	31 DECEMBER 31 I	31 DECEMBER 31 DECEMBER	
IN HRK THOUSANDS	2020	2019	
TERM DEPOSITS	1,394	5,847	
	1,394	5,847	
LESS: PROVISION FOR LOAN IMPAIRMENT	(4)	(19)	
	1,390	5,828	

The term deposit in the amount of HRK 1,394 thousand relates to a special-purpose short-term contract with an interest rate of 0%. Term deposits with other banks amount to HRK 5,847 thousand in 2019 and represent term deposits with foreign financial institutions bearing interest a rate of 2.75% annually.

Changes in provision for losses		2020	2019
105565	BALANCE AT 1 JANUARY	19	213
	DECREASE	(52)	(194)
	EXCHANGE DIFFERENCES	37	-
	BALANCE AT 31 DECEMBER	4	19

Geographical analysis

The analysis includes term deposits and current accounts (Note 11) with foreign banks:

	31 DECEMBER 31	31 DECEMBER 31 DECEMBER	
IN HRK THOUSANDS	2020	2019	
BELGIUM	56,211	18,389	
AUSTRIA	33,255	19,893	
UNITED STATES OF AMERICA	7,000	7,561	
MONTENEGRO	3,256	2,251	
CANADA	1,731	491	
GREAT BRITAIN	1,394	1,377	
ITALY	1,291	4,775	
SWEDEN	1,082	214	
SLOVENIA	1,052	552	
	106,272	55,504	

14. LOANS TO CUSTOMERS

a) Analysis by type of customer

	31 DECEMBER 31 DECEMBER	
IN HRK THOUSANDS	2020	2019
RETAIL CUSTOMERS		
- HRK DENOMINATED, INCLUDING LOANS WITH A		
CURRENCY CLAUSE	1,037,008	941,913
- FOREIGN-CURRENCY DENOMINATED	23,058	23,062
	1,060,066	964,975
CORPORATE CUSTOMERS		
- HRK DENOMINATED, INCLUDING LOANS WITH A		
CURRENCY CLAUSE	985,621	1,125,393
- FOREIGN-CURRENCY DENOMINATED	107,693	159,406
	1,093,314	1,284,799
GROSS LOANS TO CUSTOMERS	2,153,380	2,249,774
PROVISION FOR LOAN IMPAIRMENT	(224,117)	(222,828)
NET LOANS TO CUSTOMERS	1,929,263	2,026,946

b) Analysis by sector

	31 DECEMBER 3	31 DECEMBER 31 DECEMBER	
IN HRK THOUSANDS	2020	2019	
RETAIL CUSTOMERS	1,060,066	964,975	
WHOLESALE AND RETAIL TRADE	276,635	335,677	
PROCESSING AND MANUFACTURING	245,750	316,252	
REAL ESTATE OPERATIONS	123,479	127,101	
AGRICULTURE AND FORESTRY	70,126	128,697	
CONSTRUCTION	66,083	71,244	
HOTELS AND RESTAURANTS	57,783	60,247	
FOOD AND BEVERAGE PRODUCTION	45,010	49,298	
TRANSPORT, STORAGE, COMMUNICATIONS	21,430	31,058	
ENERGY, GAS AND WATER SUPPLY	11,539	15,647	
OTHER SECTORS	175,479	149,580	
	2,153,380	2,249,776	
LESS: PROVISION FOR LOAN IMPAIRMENT	(224,117)	(222,828)	
	1,929,263	2,026,946	

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

BANK		2020	
IN THOUSANDS HRK	STAGE 1	STAGE 2	STAGE 3
BALANCE AT 1 JANUARY	1,856,464	7,480	385,830
TRANSFER FROM STAGE 1	(53,844)	41,352	12,492
TRANSFER FROM STAGE 2	2,879	(5,112)	2,232
TRANSFER FROM STAGE 3	553	787	(1,340)
CHARGE	(175,714)	(883)	(8,223)
REPAYMENT + WRITE-OFFS	(514,009)	(1,153)	(23,984)
NEW ASSETS	616,900	7,392	3,281
BALANCE AT 31 DECEMBER	1,733,229	49,863	370,288

BANK		2019	
IN THOUSANDS HRK	STAGE 1	STAGE 2	STAGE 3
BALANCE AT 1 JANUARY	1,631,673	27,686	418,348
TRANSFER FROM STAGE 1	(24,086)	4,527	19,560
TRANSFER FROM STAGE 2	22,373	(26,286)	3,913
TRANSFER FROM STAGE 3	2,007	436	(2,443)
CHARGE	(140,147)	1,457	(10,598)
REPAYMENT + WRITE-OFFS	(539,335)	(2,352)	(133,651)
NEW ASSETS	903,979	2,012	90,701
BALANCE AT 31 DECEMBER	1,856,464	7,480	385,830

During 2020, HRK 16,098 thousand of customer loans were rescheduled (in 2019: HRK 76,309 thousand).

d) Provisions for losses

	2020	2019
BALANCE AT 1 JANUARY	222,828	243,062
INCREASE IN IMPAIRMENT ALLOWANCE	73,148	86,414
AMOUNTS COLLECTED	(53,886)	(64,347)
EXCHANGE RATE FLUCTUATIONS	1,251	526
AMOUNTS WRITTEN OFF	(19,224)	(42,827)
BALANCE AT 31 DECEMBER	224,117	222,828

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

COVID-19 impact

Despite the current crisis caused by the COVID-19 pandemic, the Bank did not have a significant impact on the worsening of non-performing exposures in 2020.

In accordance with regulatory guidelines, the Bank has approved moratoriums for up to six months and for clients from tourism industry for up to twelve months.

Moratoriums related to COVID-19, in accordance with regulatory guidelines, if there were no other indicators of increased credit risk, the Bank did not consider concessions.

During 2020, the Bank approved a total of 275 requests for moratorium with an exposure of HRK 309 million, 138 of which were approved to legal entities in the amount of HRK 271 million and 137 of which were approved to individuals in the amount of HRK 38 million. Almost two thirds of the approved moratoriums expired by the end of the year, and as of December 31, 2020, the share of active moratoriums represents 4.9% of all loans.

The Bank continuously monitors the execution of palacement liabilities during and after the expiration of the moratorium measures in order to identify in a timely matter the increased credit risk in the portfolio and to recognize provisions for losses through the income statement.

Strong earthquakes in 2020 did not have an impact on Bank's operations. During 2020, the Bank has approved 1 request for a moratorium that expired by the end of the year. Taking into account the deteriorating situation in the economy, the fall in GDP and the increase in the number of unemployed, a worsening of the loan portfolio is to be expected in the upcoming years.

15.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 DECEMBER 31 DECEMBER	
IN HRK THOUSANDS	2020	2019
INVESTING IN FUNDS	183,533	137,853
	183,533	137,853

Movements in investment during the year:

a) shares in investment funds

IN HRK THOUSANDS	2020	2019
BALANCE AT 1 JANUARY	137,853	157,474
INCREASE	58,520	142,047
DECREASE	(14,137)	(162,586)
CHANGE IN FAIR VALUE / REALIZATION	1,297	918
BALANCE AT 31 DECEMBER	183,533	137,853

At the beginning of 2019, the Bank reclassified a portion of its equity portfolio, which was treated in accordance with its economic substance, from its fair value portfolio through other comprehensive income to its fair value portfolio through profit or loss. The total value of reclassified assets from the portfolio of financial assets at fair

value through other comprehensive income in the amount of HRK 130,885 thousand relates to investments in several domestic and foreign investment funds in the total amount of HRK 128,970 thousand and to the reclassification of investments in one equity security in the amount of 1,914 thousand.

b) equity securities

IN HRK THOUSANDS	2020	2019
BALANCE AT 1 JANUARY	-	-
INCREASE	3,575	-
DECREASE	(7,090)	-
REALIZATION	3,515	-
BALANCE AT 31 DECEMBER	-	-

15.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 DECEMBER 31	31 DECEMBER 31 DECEMBER	
IN HRK THOUSANDS	2020	2019	
TREASURY BILLS OF THE REPUBLIC OF CROATIA	-	40,440	
BONDS	677,343	605,866	
EQUITY SECURITIES	46,813	49,624	
	724,156	695,930	
IMPAIRMENT OF FINANCIAL ASSETS AT FAIR VALUE			
THROUGH OTHER COMPREHENSIVE INCOME	(10,034)	(9,972)	
	714,122	685,958	

Investments in debt securities are presented as follows:

a) Treasury bills of the Republic of Croatia

IN HRK THOUSANDS	2020	2019
BALANCE 1 JANUARY	40,440	-
PURCHASE	21,126	99,892
SALE/PAYMENT	(61,572)	(59,484)
REALIZED GAIN / (LOSS)	32	6
CHANGE IN FAIR VALUE	(14)	14
IMPAIRMENT ALLOWANCE	(12)	12
BALANCE 31 DECEMBER	-	40,440

b) Bonds

IN HRK THOUSANDS	2020	2019
BALANCE 1 JANUARY	60,865	505,720
PURCHASE	772,431	800,074
SALE	(704,063)	(730,989)
REALIZED GAIN	7,606	19,564
CHANGE IN FAIR VALUE	(4,634)	10,923
TRANSFER UPDATES TO OCI	-	472
IMPAIRMENT ALLOWANCE	138	102
BALANCE 31 DECEMBER	677,343	605,866

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

	31 DECEMBER 31 DECEMBER	
IN HRK THOUSANDS	2020	2019
BONDS OF DOMESTIC ISSUERS		
- CROATIAN MINISTRY OF FINANCE	436,101	404,951
- FINANCIAL INSTITUTIONS	13,060	15,128
- NON-FINANCIAL INSTITUTIONS	61,584	43,246
	510,745	463,325
BONDS OF FOREIGN ISSUERS		
- FOREIGN GOVERNMENT BONDS	96,590	60,614
- FINANCIAL INSTITUTIONS	56,033	72,291
- NON-FINANCIAL INSTITUTIONS	13,975	9,636
	166,598	142,541
	677,343	605,866

Investments in equity securities are shown as follows:

c) Equity securities

	31 DECEMBER 31	31 DECEMBER 31 DECEMBER	
IN HRK THOUSANDS	2020	2019	
LISTED SECURITIES	39,041	40,622	
UNLISTED SECURITIES	7,772	9,002	
	46,813	49,624	
IMPAIRMENT OF EQUITY SECURITIES	(10,034)	(9,972)	
TOTAL	36,779	39,652	

Movements in equity securities during the year:

IN HRK THOUSANDS	2020	2019
BALANCE AT 1 JANUARY	39,652	37,412
PURCHASES	29,911	28,872
DISPOSALS	(30,562)	(32,690)
CHANGE IN THE FAIR VALUE	(2,952)	5,245
REALIZATION	792	829
IMPAIRMENT OF EQUITY SECURITIES	(62)	(16)
BALANCE AT 31 DECEMBER	36,779	39,652

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

IN HRK THOUSANDS	31 DECEMBER 31 DECEMBER	
	2020	2018
EQUITY SECURITIES OF DOMESTIC ISSUERS		
- FINANCIAL INSTITUTIONS	5,050	1,550
- NON-FINANCIAL INSTITUTIONS	11,929	33,020
	29,834	34,570
EQUITY SECURITIES OF FOREIGN ISSUERS		
- FINANCIAL INSTITUTIONS	5,257	5,257
- NON-FINANCIAL INSTITUTIONS	9,797	9,797
	16,979	15,054
	46,813	49,624
IMPAIRMENT OF EQUITY SECURITIES	(10,034)	(9,972)
	36,779	39,652

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

TYPE OF SECURITIES	31 DECEMBER 31	31 DECEMBER 31 DECEMBER	
IN HRK THOUSANDS	2020	2019	
BY SECURITY TYPE:			
DEBT SECURITIES	4,813	9,335	
EQUITY SECURITIES	(5,884)	(2,932)	
DEFERRED TAX (NOTE 9)	193	(1,153)	
TOTAL FAIR VALUE RESERVE	(878)	5,250	

Movements in the fair value reserve

IN HRK THOUSANDS	2020	2019
BALANCE AT 1 JANUARY - RESTATED	5,250	(8.508)
CHANGE IN THE FAIR VALUE OF DEBT SECURITIES	(4,647)	10,937
CHANGE IN THE FAIR VALUE OF UNITS/SHARES IN INVESTMENT FUNDS	-	87
CHANGE IN THE FAIR VALUE OF EQUITY SECURITIES	(2,952)	5,245
CHANGES IN PROVISIONS FOR EXPECTED CREDIT LOSSES ON FVOCI FINANCIAL ASSETS	126	114
TRANSFER UPDATES TO OCI	-	472
DEFERRED TAX RECOGNISED IN EQUITY (NOTE 9)	1,345	(3,097)
BALANCE AT 31 DECEMBER	(878)	5,250

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

IN HRK THOUSANDS	2020	2019
BALANCE AT 1 JANUARY	9,972	10,427
ADDITIONS	258	1,113
DECREASE	(196)	(1,568)
BALANCE AT 31 DECEMBER	10,034	9,972

16. INVESTMENT PROPERTY

Movement of impairment of investment property

	31 DECEMBER 31	31 DECEMBER 31 DECEMBER	
IN HRK THOUSANDS	2020	2019	
INVESTMENTS IN PROPERTIES	22,156	22,156	
INVESTMENTS IN PROPERTIES-REPOSSESED ASSETS	30,231	29,844	
	52,387	52,000	
FAIR VALUE CHANGE	(11,139)	(10,621)	
	41,248	41,379	
IN HRK THOUSANDS	2020	2019	
BALANCE AT 1 JANUARY	10,621	9,9 50	
IMPAIRMENT	518	671	
BALANCE AT 31 DECEMBER	11,139	10,621	

Investment property relates to repossessed 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 2020 shows a decrease in the value of assets in the total amount of HRK 518 thousand (in 2019: decrease of 671 thousand HRK).

Investments in properties are measured at fair value less costs to sell. The fair value of such assets is estimated annually. Gains in the income statement in addition to previously recognized impairments are recognized upon derecognition.

To assess the fair value of assets, the Bank employs independent and certified appraisers who have experience in valuing similar assets and have no interest in the property in question or interest in the amount of the assessed value of the property. The appraisers prepare the assessment report in accordance with the Law on Real Estate Valuation (OG 78/2015), and the accompanying Rulebook on Methods of Valuation of Real Estate (OG 105/2015), according to statutory and appropriate methods, considering a number of factors in determining its fair value. present market values.

The valuation method has not changed during the year.

17. INTANGIBLE ASSETS

IN HRK THOUSANDS	SOFTWARE	GOODWILL	ASSETS UNDER DEVELOPMENT	TOTAL INTANGIBLE ASSETS
COST OR VALUATION				
BALANCE AT 1 JANUARY 2019	48,372	16,867	24	65,263
ADDITIONS	513	-	1,179	1,692
TRANSFER FROM ASSETS UNDER DEVELOPMENT	-	-	-	-
DISPOSALS AND WRITE-OFFS	-	-	-	-
BALANCE AT 31 DECEMBER 2019	48,885	16,867	1,203	66,955
ADDITIONS	1,748	-	217	1,965
TRANSFER FROM ASSETS UNDER DEVELOPMENT	1,301	-	(1,301)	-
DISPOSALS AND WRITE-OFFS	(1,326)	-	-	(1,326)
BALANCE AT 31 DECEMBER 2020	50,608	16,867	119	67,594
AMORTISATION				
BALANCE AT 1 JANUARY 2019	21,183	-	-	21,183
CHARGE FOR THE YEAR	2,439	-	-	2,439
DISPOSALS AND RETIREMENTS	-	-	-	-
BALANCE AT 31 DECEMBER 2019	23,622	-	-	23,622
CHARGE FOR THE YEAR	2,603	-		2,603
DISPOSALS AND WRITE-OFFS	(1,254)	-	-	(1,254)
BALANCE AT 31 DECEMBER 2020	24,971	-	-	24,971
NET BOOK VALUE				
BALANCE AT 31 DECEMBER 2019	25,263	16,867	1,203	43,333
BALANCE AT 31 DECEMBER 2020	25,637	16,867	119	42,623

Goodwill has been allocated to the cash generating unit acquired on the merger of Požeška Banka d.d. The recoverable amount of the cash generating units is determined based on profitability calculation. For the purposes of calculation, cash flow forecasts have been developed based on financial projection over a time horizon of five years. The discount rate applied to determine the value in use was 5.9% (2019: 9.0%) and the long-term growth rate was 0.0% (2019: 2.0%).

The planned budgeted gross margin has been determined on the basis of the past experience and the expected market development. The discount rate applied reflects the specific risks of the relevant business segment.

The Bank carries out stress tests on individual inputs used in determining the value in use, with three scenarios. The specific scenario in which the discount rate equals the used rate, while anticipated profitability is 34% lower as a result of lower interest and fee income and the interest and fee expenses increase simultaneously by 30%, and the systemic scenario uses an increase of the discount rate increases to 8% and there

is also a mixed scenario in which the anticipated profitability is lower by 34% and the macroeconomic indicators and the credit rating of the state are worse than those applied in the specific and systemic scenarios.

The test results are provided below:

	31 DECEMBER 2020	SPECIFIC SCENARIO	SYSTEMIC SCENARIO	COMBINED SCENARIO
INVESTMENT COST	43,465	43,465	43,465	4,465
TOTAL PRESENT		10.0(1	00.100	
VALUE	110,490	49,261	82,199	36,812
LESS: IMPAIRMENT				(6,653)
	31 DECEMBER 2019	SPECIFIC SCENARIO	SYSTEMIC SCENARIO	COMBINED SCENARIO
INVESTMENT COST			0.0.20	
INVESTMENT COST	2019	SCENARIO	SCENARIO	SCENARIO
	2019	SCENARIO	SCENARIO	SCENARIO

The stress test results in the specific and systemic scenarios are positive, while the combined scenario implies opposite assumptions in order to achieve a negative result. The test has shown that the recoverable amount of the cash generating unit exceeds its carrying amount and that no impairment should be recognised.

The goodwill disclosed in the Bank's books of account was created upon the acquisition of Požeška banka, which was merged with Podravska banka d.d. on 1 July 2006.

18. PROPERTY AND EQUIPMENT

IN HRK THOUSANDS COST OR VALUATION	LAND AND BUILDINGS	FURNITURE AND EQUIPMENT	MOTOR VEHICLES	IT EQUIPMENT	LEASEHOLD IMPROVE- MENTS	ASSETS UNDER CONSTRUCTION	TOTAL
BALANCE AT 1 JANUARY 2019	89,4 78	40,428	2,537	25,828	10,478	11	168,760
ADDITIONS	-	645	954	590	-	-	2,189
DISPOSALS AND WRITE-OFFS	-	(965)	(1,684)	(521)	-	-	(3,170)
BALANCE AT 31 DECEMBER 2019	89,478	40,108	1,807	25,897	10,478	11	167,779
ADDITIONS	-	1,431	-	7,719	-	-	9,150
DISPOSALS AND WRITE-OFFS	-	(1,770)	-	(6,865)	(2,506)	-	(11,141)
BALANCE AT 31 DECEMBER 2020	89,478	39,769	1,807	26,751	7,972	11	165,788
DEPRECIATION							
BALANCE AT 1 JANUARY 2019	47,340	38,937	2,080	25,576	9,990	-	123,923
CHARGE FOR THE YEAR	1,551	844	211	146	411	-	3,163
DISPOSALS AND WRITE-OFFS	-	(965)	(1,279)	(521)	-	-	(2,765)
BALANCE AT 31 DECEMBER 2019	48,891	38,816	1,012	25,201	10,401	-	124,321
CHARGE FOR THE YEAR	1,551	421	191	1.387	74	-	3,624
DISPOSALS AND RETIREMENTS	-	(1,768)	-	(6,865)	(2,506)	-	(11,139)
BALANCE AT 31 DECEMBER 2020	50,442	37,469	1,203	19,723	7,969	-	116,806
NET BOOK VALUE							
AT 31 DECEMBER 2019	40,587	1,292	795	696	77	11	43,458
AT 31 DECEMBER 2020	39,036	2,300	604	7,028	3	11	48,982

The Bank has no tangible assets pledged as collateral for deposits or other assets in 2020 and 2019.

18.1. RIGHT-OF-USE ASSETS

IN HRK THOUSANDS	LAND AND BUILDINGS	MOTOR VEHICLES	COMPUTER EQUIPMENT	TOTAL
COST OR ESTIMATED VALUE				
IFRS 16 - INITIAL RECOGNITION	14,659	-	-	14,659
BALANCE AT 1 JANUARY 2019	14,659	-	-	14,659
ADDITIONS	-	1,980	-	1,980
DISPOSALS AND WRITE-OFFS	-	-	-	-
BALANCE AT 31 DECEMBER 2019	14,659	1,980	-	16,639
ADDITIONS	-	131	4,079	4,210
DISPOSALS AND WRITE-OFFS	-	-	~	-
BALANCE AT 31 DECEMBER 2020	14,659	2,111	4,079	20,849
DEPRECIATION				
BALANCE AT 1 JANUARY 2019	-	-	-	-
CHARGE FOR THE YEAR	2,492	206	-	2,698
DISPOSALS AND RETIREMENTS	-	-	-	-
BALANCE AT 31 DECEMBER 2019	2,492	206	-	2,698
CHARGE FOR THE YEAR	2,492	516	248	3,256
DISPOSALS AND RETIREMENTS	-	-	-	-
BALANCE AT 31 DECEMBER 2020	4,984	722	248	5,954
NET BOOK VAUE				
BALANCE AT 31 DECEMBER 2019	12,167	1,774	-	13,941
BALANCE AT 31 DECEMBER 2020	9,675	1,389	3,831	14,895

The new IFRS 16 standard, effective January 1, 2019, requires a lessee to recognize the right-of-use asset and associated lease liability in his financial records.

Right-of-use assets consist of leased property for which, under the lease agreement, the right of direct use and control over its use has been granted for a fixed period in exchange for compensation. The exemption are short-term lease agreements where the lease term is less than 12 months or where the lease object is of a low value.

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

19. ASSETS HELD FOR SALE

	31 DECEMBER 31 I	DECEMBER
IN HRK THOUSANDS	2020	2019
ASSETS HELD FOR SALE	998	998
	998	998
IMPAIRMENT OF ASSETS HELD FOR SALE	-	-
	998	998
Movements in impairment of assets held for sale		
IN HRK THOUSANDS	2020	2019
BALANCE AT 1 JANUARY	-	46
IMPAIRMENT	-	-
DISPOSALS	-	(46)
BALANCE AT 31 DECEMBER	-	-

The portfolio of assets held for sale refers to the property acquired in exchange for non-repayable receivables. In 2020 and 2019, there was no change in the value of the portfolio of property intended for sale. Assets are marketed for sale through foreign real estate agencies with which the Bank has concluded Mediation Contracts. The expected sales deadline is one year. In 2020, there was no realization of the sale of assets intended for sale (2019: HRK 2016 thousand).

20. OTHER ASSETS

	31 DECEMBER 31	DECEMBER
IN HRK THOUSANDS	2020	2019
FORECLOSED ASSETS	13,765	10,194
ACCRUED FEES AND COMMISSIONS	4,283	4,576
PREPAID EXPENSES	1,752	1,717
OTHER PREPAYMENTS	2,075	1,485
INCOME TAX RECEIVABLES	2,882	-
OTHER ASSETS	б,035	1,856
	30,792	19,828
LESS: IMPAIRMENT	(6,392)	(6,236)
	24,400	13,592

Property and equipment taken over in exchange for uncollected receivables are not used for the Bank's needs. In the Bank's books they are recognized in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations. As at 31 December 2020 the net value of the assets taken over is HRK 10.970 thousand (in 2019: HRK 8.115 thousand).

Assets acquired in exchange for uncollectible receivables are measured at fair value. The fair value of such assets is estimated annually. For the assessment of the fair value of assets, the Bank engages independent and certified appraisers who have experience in the assessment of similar assets, and have no interests in the subject assets or interests related to the amount of the assessed value of the property. Appraisers prepare an appraisal study in accordance with the Real Estate Valuation Act and the relevant Ordinance on Real Estate Valuation Methods, according to the methods prescribed by law and methods appropriate.

Subsequent measurement of acquired assets in exchange for uncollectible receivables in 2020 recorded a decrease in the value of acquired assets in the total amount of HRK 717 thousand (in 2019: HRK 334 thousand).

Movements in the provision for potential losses on other assets are as follows:

IN HRK THOUSANDS	2020	2019
BALANCE AT 1 JANUARY	6,236	6,649
IMPAIRMENT OF OTHER ASSETS	1,337	2,014
AMOUNTS COLLECTED	(1,224)	(2,147)
EXCHANGE DIFFERENCES	2	1
AMOUNTS WRITTEN-OFF	(676)	(615)
SALE OF FORECLOSED ASSETS	717	334
BALANCE AT 31 DECEMBER	6,392	6,236

21. AMOUNTS DUE TO OTHER BANKS

	31 DECEMBER 31	31 DECEMBER 31 DECEMBER		
IN HRK THOUSANDS	2020	2019		
DEMAND DEPOSITS, IN FOREIGN CURRENCIES	28,192	7,831		
DEMAND DEPOSITS, IN HRK	11	3		
	28,203	7,833		

Liabilities to banks in 2020 and 2019 relate to demand deposits received from foreign banks.

22. AMOUNTS DUE TO CUSTOMERS

	31 DECEMBER 3	1 DECEMBER
IN HRK THOUSANDS	2020	2019
RETAIL CUSTOMERS		
DEMAND DEPOSITS		
- HRK DENOMINATED	698,259	572,047
- FOREIGN-CURRENCY DENOMINATED	591,762	506,839
TERM DEPOSITS		
- HRK DENOMINATED	205,708	260,355
- FOREIGN-CURRENCY DENOMINATED	502,932	610,117
TOTAL RETAIL DEPOSITS	1,998,661	1,949,358
CORPORATE		
DEMAND DEPOSITS		
- HRK DENOMINATED	476,970	476,196
- FOREIGN-CURRENCY DENOMINATED	135,515	83,657
TERM DEPOSITS		
- HRK DENOMINATED	87,240	176,673
- FOREIGN-CURRENCY DENOMINATED	68,683	20,532
TOTAL LOANS TO LEGAL PERSONS	768,408	757,058
TOTAL DEPOSITS FROM CUSTOMERS	2,767,069	2,706,416

23. OTHER BORROWINGS

	31 DECEMBER 31	DECEMBER
IN HRK THOUSANDS	2020	2019
BORROWINGS FROM HBOR	122,779	145,979
LOANS FROM HBOR	50,003	-
REPO LOANS FROM THE CNB, HRK DENOMINATED	312,315	93,287
REPO LOANS FROM DOMESTIC BANKS, FOREIGN-CURREN DENOMINATED	CY -	13,488
LOANS FROM DOMESTIC BANKS	17,501	7,443
	502,598	260,197

The HBOR loans are intended for granting loans to legal and natural persons in accordance with the HBOR SME, Tourism and Agriculture Loan Programmes. Loans from HBOR refer to one short-term loan in 2020 with an interest rate of 0.20% per annum.

Repo loans comprise loans for which the Bank has pledged securities as collateral, with the obligation to repurchase them at a certain future date. In 2020, the Bank has four repo loan arrangements entered with the Croatian National Bank, with interest

rates of 1.20% and 0,25%. In 2019 the Bank had three long-term repo loan agreements with the Croatian National Bank with interest rates of 1.20% and 1.80% annually. One short-term repo loan with an interest rate of 2.80% was contracted with domestic banks in 2019. For all repo loans in 2020 and 2019 the Bank has pledged the bonds of the Ministry of Finance of Republic of Croatia as security.

Two short-term loans were made with domestic banks at an annual interest rate of 0.15% and 0.20% annually (in 2019: one loan at 0.10% annually).

24. OTHER LIABILITIES

	31 DECEMBER 31	DECEMBER
IN HRK THOUSANDS	2020	2019
ITEMS IN COURSE OF PAYMENT UNDER GIVEN LOANS	17,078	25,598
LIABILITIES FOR USE OF PROPERTY	15,211	14,169
OTHER FOREIGN-CURRENCY DENOMINATED LIABILITIES	5,477	5,408
PROVISIONS FOR RETIREMENT AND OTHER BENEFITS TO EMPLOYEES	1,468	3,810
LIABILITIES TO EMPLOYEES	3,457	3,437
CURRENT TAX LIABILITY	604	3,322
ACCOUNTS PAYABLE	3,159	2,779
OTHER HRK DENOMINATED LIABILITIES	1,849	1,674
OBLIGATIONS IN THE PAYMENT PROCESS	1,805	1,617
LIABILITIES IN ACCRUAL BASED ON RECEIVED FUNDS	1,883	1,488
PREPAID DEPOSIT INSURANCE PREMIUMS	1,569	1,437
ACCRUED FEES AND COMMISSIONS	467	662
DIVIDENDS PAYABLE	106	111
	54,133	65,512

25. PROVISIONS FOR CONTINGENT LIABILITIES AND CHARGES

a) Analysis

	31 DECEMBER 31	DECEMBER
IN HRK THOUSANDS	2020	2019
PROVISIONS FOR FRAME LOANS	3,543	3,382
PROVISIONS FOR GUARANTEES	1,163	1,444
PROVISIONS FOR LEGAL CASES	622	622
PROVISIONS FOR UNCOVERED LETTERS OF CREDIT	2	2
PROVISIONS FOR OTHER CONTINGENT LIABILITIES	20	15
	5,350	5,465

b) Movements in provisions

IN HRK THOUSANDS	2020	2019
BALANCE AT 1 JANUARY	5,465	5,748
ADDITIONAL PROVISIONS MADE WITH RESPECT TO CREDIT		
RISK	10,445	17,569
DECREASE IN THE BALANCE OF PROVISIONS DURING THE		
YEAR WITH RESPECT TO CREDIT RISK	(10,599)	(18,183)
FOREIGN EXCHANGE GAINS/LOSSES	39	5
(DECREASE) / INCREASE IN PROVISIONS FOR LEGAL CASES	-	326
BALANCE AT 31 DECEMBER	5,350	5,465

26. ISSUED HYBRID AND SUBORDINATED INSTRUMENTS

	31 DECEMBER 31	DECEMBER
IN HRK THOUSANDS	2020	2019
ISSUED SUBORDINATED BONDS	98,564	97,337
	98,564	97,337

On 23 December 2013, the Bank carried out subscription of subordinated instruments by issuing PDBA-O-21CA bonds, ISIN: HRPDBAO21CA3. The bonds were issued in book-entry form, with a total issue value of HRK 6,911 thousand euro, denominated in EUR 1. The interest rate is fixed at 6.5% per annum, with a semi-annual payment and a one-off principal maturity of 2021.

On May 29, 2018, the Bank issued a new series of PDBA-O-255E subordinated bonds, ISIN: HRPDBAO255E4, in book-entry form, for a total amount of EUR 9,407 thousand in denomination of EUR 1, with a fixed interest rate of 4.0% per annum and a half-yearly payment, and a one-off principal maturity on May 29, 2025.

Subordinated bonds were issued with a public offering in 2018, without the prospectus being published, with the simultaneous early redemption of all or part of the PD-BA-O-188A and PDBA-O-21CA bond issues.

Upon completion and the end of the public offering, hybrid bonds PDBA-O-188A, ISIN: HRPDBAO188A5 in the amount of EUR 6,127 thousand and subordinate bonds PDBA-O-21CA, ISIN: HRPDBAO21CA3 in the amount of EUR 3,280 thousand were early redeemed and annulled.

Balance of issued subordinated bonds as at 31.12.2020. includes ISIN HRPDBAO21CA3 with a nominal value of EUR 3,631 thousand and ISIN HRPDBAO255E4 with a nominal value of EUR 9,407 thousand.The Bank's additional capital includes the unamortized amount of subordinated bonds issued.

27. SHARE CAPITAL

The share capital consists of ordinary shares. The total number issued shares at the end of 2020 was 668,749 ordinary shares (2019: 668,749 ordinary shares) with a nominal value of HRK 400.00 per share.

The Bank has 3,324 treasury shares as at 31 December 2020 (1,523 in 2019), booked at cost.

The key shareholders of the Bank at 31 December were as follows:

		2020		2019
IN HRK THOUSANDS	NUMBER OF SHARES	ORDINARY SHARES, IN%	NUMBER OF SHARES	ORDINARY SHARES, IN%
ANTONIA GORGONI	66,278	9.91	66,278	9.91
LORENZO GORGONI	66,002	9.87	66,002	9.87
ASSICURAZIONI GENERALI S.P.A.	63,791	9.54	63,791	9.54
CERERE S,R,L, TRIESTE	63,735	9.53	63,735	9.53
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
GIOVANNI SEMERARO	27,494	4.11	27,494	4.11
MARIO GORGONI	22,868	3.42	22,868	3.42
OTHER SHAREHOLDERS (INDIVIDUALLY LESS				
than 3%)	148,765	22.25	148,765	22.25
	668,749	100.00	668,749	100.00

28. RESERVES

	31 DECEMBER 3	1 DECEMBER
IN HRK THOUSANDS	2020	2019
LEGAL RESERVES	177,386	156,041
RESERVES FOR OWN SHARES	16,830	16,830
GENERAL BANKING RISK RESERVE	5,104	5,104
NON-DISTRIBUTABLE RESERVES	199,320	177,975
CAPITAL GAINS ON TRADING IN TREASURY SHARES	(4,179)	(3,282)
FAIR VALUE RESERVE	(878)	5,250
DISTRIBUTABLE RESERVES	(5,057)	1,968
	194,263	179,943

Under the Croatian Companies Act, the Bank is required to allocate part of the net profit to a non-distributable legal reserve until the reserve funds reach 5% of the share capital or more if specified by the Bank's statute. The general banking risk reserve was allocated in accordance with the CNB regulations out of the net profits for 2006. The general banking risk reserve funds may be allocated upon the expiry of three consecutive years in which the Bank's exposure has been increasing at a rate below 15% annually. Other reserves are distributable only with the approval by the General Shareholders' Assembly.

Both the distributable and non-distributable reserves of the Bank have been determined and presented in these financial statements in accordance with Croatian regulations and decisions of the Croatian National Bank.

29. FUNDS MANAGED FOR AND ON BEHALF OF THIRD PARTIES AND SECURITIES CUSTODY SERVICES

The Bank manages funds for and on behalf of third parties. Those funds are accounted for separately from those of the Bank. Income and expenses arising from these funds are credited and charged to third parties, and the Bank has no liabilities with respect to these transactions. The Bank charges a fee for these services.

Assets and liabilities on loans managed for and on behalf of third parties can be presented as follows:

	31 DECEMBER 31	DECEMBER
IN HRK THOUSANDS	2020	2019
ASSETS		
LOANS TO INDIVIDUALS	9,115	9,064
CORPORATE LOANS	700	691
CASH	523	533
TOTAL ASSETS	10,338	10,288
LIABILITIES		
FINANCIAL INSTITUTIONS	7,568	7,473
PUBLIC SECTOR	957	948
CORPORATE	1,813	1,867
TOTAL LIABILITIES	10,338	10,288

The Bank provides security custody services on behalf of third parties. The values of the instruments held in the Bank's custody are shown below:

2020	2019
777,027	727,645

30. CONTINGENT LIABILITIES AND COMMITMENTS

a) Legal cases

At 31 December 2020 there were several legal cases outstanding against the Bank. Based on the Management's estimate, a provision for potential losses on the litigations has been made in the amount of HRK 622 thousand (2019: HRK 622 thousand).

b) Guarantees, letters of credit and undrawn loans commitmens

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

	31 DECEMBER 31	DECEMBER
IN HRK THOUSANDS	2020	2019
COMMITMENTS - UNDRAWN LOANS	193,726	182,207
COMMITMENTS - UNDRAWN FRAME LOANS ON		
TRANSACTION ACCOUNTS	155,316	141,665
GUARANTEES	65,354	80,043
FX LETTERS OF CREDIT	109	95
	414,505	404,010

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:

	31 DECEMBER 3	1 DECEMBER
IN HRK THOUSANDS	2020	2019
UP TO 1 YEAR	68	69
TOTAL	68	69

Upon the expiry of the lease term, the lease agreements are renewable at the market price. The Bank has operating lease agreements for business premises, vehicles and equipment.

With the application of the new IFRS 16 standard since 2019, the value of operating lease liabilities decreased significantly because long-term leases and leases of assets of more than \$ 5,000 are recorded in the books of account as assets with a right of use and lease liabilities (Note 18.1).

The value of liabilities under operating leases amounts to HRK 68 thousand (2019: HRK 69 thousand) and refers to the lease of business premises for ATM accommodation, and contracts for this type of lease are classified as leases of small assets. All payments associated with such leases are recognized in the Bank's books of account as an expense over the term of the lease. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Such transactions are made in the ordinary course of business at market terms and conditions, and 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 personnel and related persons are presented the following table:

IN HRK THOUSANDS		KEY MANAGEMENT AND THEIR RELAT		SUPERVISO	DRY BOARD
		2020	2019	2020	2019
LOANS					
BALANCE AT BEGINNING OI	F THE YEAR	1,624	1,941	22,645	22,467
INCREASE / (DECREASE) DU	JRING YEAR	(601)	(317)	152	178
BALANCE AT THE END OF	THE YEAR	1,023	1,624	22,797	22,645
REALISED INTEREST INCOM	E	32	64	1,249	1,248
DEPOSITS RECEIVED					
BALANCE AT BEGINNING OI	F THE YEAR	4,862	6,623	2,800	1,007
INCREASE / (DECREASE) DU	JRING THE YEAR	201	(1,761)	(1,136)	1,793
BALANCE AT THE END OF	THE YEAR	5,063	4,862	1,664	2,800
REALISED INTEREST EXPE	NSE	6	15	5	1
Management	IN HRK THOUSANDS	;		2020	2019
remuneration	GROSS SALARIES AND	OTHER SHORT-TERM E	BENEFITS	16,014	14,925

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 2020, there are no projected costs for management bonuses. Remuneration to the members of the Supervisory Board in 2020 amounts to HRK 4,457 thousand (in 2019: HRK 3,991 thousand).

Transactions with other parties related with the Bank are presented the following table:

IN HRK THOUSANDS	2020	2019
DUE FROM BANKS		
OPENING BALANCE	2,251	992
INCREASE / (DECREASE) DURING YEAR	1,004	1,259
CLOSING BALANCE	3,255	2,251
DUE TO BANKS AND LIABILITIES FROM ISSUED SU	JBORDINATED INSTRUM	MENTS
OPENING BALANCE	15,894	15,188
INCREASE / (DECREASE) DURING YEAR	(655)	706
CLOSING BALANCE	15,239	15,894

	2020	2019
INTEREST INCOME	-	25
FEE AND COMMISSION INCOME	80	224
TOTAL INCOME	80	249
INTEREST EXPENSE	603	593
FEE AND COMMISSION EXPENSE	9	19
TOTAL EXPENSE	612	612

32. FINANCIAL RISK MANAGEMENT OBJECTIVES

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 smo of these operations include analysing, assessing, accepting and managing a certain level of risk, or a combination of risks. Assuming risk is a fundamental feature of financial operations, with risks being inherent to such operations. The Bank's aim is to achieve an appropriate balance between the risk and return, whilst 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, and to monitor those risks and limit compliance 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 the credit risk, liquidity risk, market risk and operational risk. The market risk includes the currency risk, interest rate risk and equities and debt securities price risk. Limits are set for all the risk types. The methodology and models for managing the operational risk have been developed.

Credit risk

The Bank takes on exposure 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. 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 Credit Risk Management Division, and risk control is the responsibility of the Risk Management Division.

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 customer, or groups of customers, type or group 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 legal persons and individuals. Credit risk is reviewed 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 insurance instruments.

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

When assessing the credit risk of placements, 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.

For the purpose of determining creditworthiness, a Rating Model for business entities was developed - double-entry bookkeeping (DEB) and single-entry bookkeeping (SEB) and a Rating Model for natural persons (PI). The rating for businesses has ratings 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 behavior - behavioral scoring,

(2) application - financial - application scoring with citizens, i.e. financial scoring with legal entities

Each rating is assigned a PD - Probability of non-fulfillment of financial obligations. One-year PD is awarded for stage 1 and lifelong PD for stage 2 (cumulative PD). Loss upon occurrence of the status of non-fulfillment of financial obligations - LGD was determined by segments of rating model and collateralisation.

In the placement monitoring process, there is a continuous check on whether there is any deterioration in the client's financial position, currency risk exposure, or risk due to a reduction in the value of the insurance instrument.

Depending on the assessment of the above criteria, the Bank allocates all placements 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 indicator for determining a significant increase in 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 credit rating at the time of initial recognition (for more than four rating classes).

The slowdown in economic activity as a result of the COVID-19 pandemic affected estimates of the recoverability of credit exposures and the calculation of related provisions for credit losses. The amount of provisions for credit losses is determined by the parameters probability of entering the default status of PD and loss due to the occurrence of default status of LGD) with the expected development of macroeconomic scenarios. The Bank updated the macroeconomic scenarios as at 31 December 2020, taking into account, in addition to the baseline scenario, the adverse scenario and the positive scenario, weighting factors were applied.

The Bank allocates credit exposures in the status of non-fulfilment of financial liabilities in risk group B (stage 3 - impairment loss). These are exposures in which the nonfulfilment of obligations under the Decision on Risk Classification and the Method of Determining Credit Losses have occurred. The Bank also considers restructured exposures as classified in the status of non-fulfilment of liabilities as well as exposures to debtors over which bankruptcy or liquidation is initiated. The level of impairment for certain exposures classified in risk groups 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.

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, subordinated liabilities including deposits, borrowings and equity. 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 fulfill due obligations, which are influenced by internal (business decisions of the Bank) and external events, but also the behavior 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 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 maintenance of liquidity reserves, by matching liabilities and assets, monitoring compliance with the externally and internally set limits, preferred liquidity ratios and contingency planning procedure. The Financial Markets Division manages liquidity reserves daily and makes sure to respond to customer needs in a satisfactory way.

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 on a monthly level.

In addition to the regulatory requirements set out above, the Bank has the obligation to monitor the structural indicators of the liquidity and concentration levels, which have been set in 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; the ratio of total loans to total liabilities.

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

Liquidity risk management is organized through the Board, the Financial markets sector, the Risk management sector, the Risk control department 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 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. The instruments are recognised at fair value and all changes in market conditions directly affect the revaluation reserves. The Bank manages its instruments traded on the market in response to changing market conditions.

Limits are defined in accordance with the Bank's requirements and strategy, and the senior management risk policy guidance.

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

Market Risk Management is organized through the Board of Directors and the Risk Control Department, and the operational and organizational separation of the transaction management function from the function of supporting the Treasury business operations and functions, and the Asset and Liability Management Committee.

Key liquidity data about the liquidity positions in the local and foreign currency is provided to the Bank's Management Board and senior management on a daily basis, with a focus on the most significant fluctuations in interest and foreign exchange rates. The Department for management of the market, operational and other risks is responsible for daily independent monitoring and control of the use of the limits to which the treasury operations are exposed. Weekly reports by the Financial Markets Division with data on currency risk exposure are also submitted to the Bank's Management Board. The Risk Control Department submits to the Bank's Management Board an overview of the total currency risk exposure in regular and quarterly risk reports.

In managing its market risks, the Bank resorts to various risk protection strategies. Value-at-risk (VaR) methodology is applied to the Bank's open foreign currency position to estimate the maximum potential losses on the basis of 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 case of major changes in market terms and conditions.

Currency risk

Currency risk is the risk of losses caused by unfavorable exchange rate movements, and it arises from lending, deposit 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 bal-

ance sheet level in terms of foreign exchange open positions, as specified by applicable legislation, as well as by internal limits on a daily basis.

The currency position is monitored daily through the report on the open foreign currency positions in accordance with the CNB requirements. For the purposes of analysing the currency risk exposure, the Risk Management Division prepares regular management reports. The overall exposure by a foreign currency position is reflected in the prescribed percentages. The Risk Management Divison 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 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 floating rate, the assets and liabilities are also exposed to the basis risk, which is the difference in repricing characteristics of the various floating 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. When market interest rates are consistent with the Bank's business strategy, risk management activities are aimed at optimising the net interest income and economic value of equity.

Interest rate risk is reported through an interest rate gap report by which the Management Board approves internally set limits for individual time horizons. The Bank's Management Board and Asset and Liability Committee control and manage the interest rate risk by involving all organisational units that operatively apply the prescribed interest rates.

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 Board of Directors, the Risk Management Division, the Risk Control Department, the Financial Market Sector and the Asset and Liability Management Committee, with the participation of all organizational units taking over interest rate risk.

Equity and debt security price risk	Equity and debt security price risk is the risk that equity and debt security prices will fluctuate, affecting the fair value of the underlying investments.
Derivative financial assets and liabilities	The Bank enters into derivative financial assets and liabilities primarily to satisfy the needs and requirements of the customers. Derivative financial assets and liabilities used by the Bank include a one-way foreign currency clause.
Operational risk	The operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition in-

cludes legal risk, but excludes strategic and reputation risk.

Operational risk management falls within the area of competence of the Directorate for 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).

Directorate for Market, Operational and Other Risk Management monitors the operational risk exposure by reference to the defined internal by-laws and standards, collecting operational risk data (risk events, key risk indicators, sensitivity analyses), proposing measures to reduce and/or avoid operational risk, monitoring of and reporting about the Bank's operational risk profile, participating in the implementation of new products and significant changes, organising operational risk training and providing regular operational risk exposure reports to the Bank's Management Board, the Operational Risk Board and senior management.

The purpose and main principles of taking-on 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 of the Bank.

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.

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 2020, the total capital adequacy ratio is 19.37%, and the and the Tier 1 and Common Equity Tier 1 capital ratio is 16.90%.

> 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%.

Furthermore, 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).

Included in the Common Equity Tier 1 capital are the share capital, the share premium, accumulated other comprehensive income, other and general banking risk reserve funds. Items deducted from the capital are accumulated losses, intangible assets and purchased own shares.

Supplementary (Tier 2) capital items include debt securities issued by the Bank, specifically, subordinated bonds in the amount of HRK 62,510 thousand (2019: HRK 80,709 thousand).

IN HRK THOUSANDS	2020	2019	
REGULATORY CAPITAL			
CORE TIER 1 CAPITAL	428,091	410,472	
COMMON EQUITY TIER 1 CAPITAL	428,091	410,472	
TIER 2 CAPITAL	62,510	80,709	
TOTAL REGULATORY CAPITAL	490,601	491,181	
CAPITAL ADEQUACY RATIO IN %	19.37%	18.46%	
MINIMUM CAPITAL ADEQUACY RATIO IN %	8.00%	8.00%	

33. 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, i.e. an exit price 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 take into account 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:

2020 IN HRK THOUSANDS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE THROUGH	I PROFIT AND LOSS S	TATEMENT		
EQUITY SECURITIES	183,533	-	-	183,533
TOTAL	183,533	-	-	183,533
2020				
IN HRK THOUSANDS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE THROUGH	I OTHER COMPREHEN	ISIVE INCO	ME	
EQUITY SECURITIES	30,415	-	6,365	36,780
DEBT SECURITIES	657,977	-	19,365	677,342
TOTAL	688,392	-	25,730	714,122
2019				
IN HRK THOUSANDS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE THROUGH	I PROFIT AND LOSS S	TATEMENT		
EQUITY SECURITIES	137,853	-	-	137,853
TOTAL	137,853	-	-	137,853
2019 IN HRK THOUSANDS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE THROUGH	I OTHER COMPREHEN	ISIVE INCO/	ME	
EQUITY SECURITIES	28,867	-	10,785	39,652
DEBT SECURITIES	617,105	-	29,200	646,305
TOTAL	645,972	-	39,985	685,957

At level 3 there are the equity securities of Spin Valis d.d., HROK d.d., Central Clearing Depository Company, Tržište novca d.d., SWIFT Belgium, Franck d.d., VISA Inc., Atlas banka a.d. Podgorica, and Proficio d.d. which are valued according to the model or the cost of procurement.

Level 3 contains the debt securities of JGL d.d.

During the year, a change was made for equity securities from level 3 to level 1 for the company Bilokalnik d.d. During the year, a change was made from level 3 to level 1 for the Montenegrin government bond, ISIN: MEGB24KA1PG4 and from level 1 to level 3 for the corporate bond of the issuer Jadran - Galenski Laboratorij d.d., ISIN: HRJDG-LO24XA2.

Fair value measurementa)Assets at fair value through profit and loss statement

FINANCIAL ASSETS AND FINANCIAL LIABILITIES	FAIR VALUE A	t (in hrk'000)	FAIR VALUE HIERARCHY	VALUATION TECHNIQUE(S)U AND KEY INPUT(S)	SIGNIFICANT NOBSERVABLE INPUT(S)
	31 DECEMBER 2020	31 DECEMBER 2019			
				VALUATION ACCORDING	,
EQUITY SECURITIES	183,533	137,853	LEVEL 1	TO MARKET PRICES	N/A
TOTAL EQUITY SECURITIES:	183,533	137,853			

b) Assets at fair value through other comprehensive income

FINANCIAL ASSETS AND FINANCIAL LIABILITIES	FAIR VALUE A	t (in hrk'000)	FAIR VALUE HIERARCHY	VALUATION TECHNIQUE(S)U AND KEY INPUT(S)	SIGNIFICANT NOBSERVABLE INPUT(S)
	31 DECEMBER 2020	31 DECEMBER 2019			
				VALUATION ACCORDING	
EQUITY SECURITIES	30,415	28,867	LEVEL 1	TO MARKET PRICES	N/A
				VALUATION IN ACCORDANCE	
				WITH VALUATION TECHNIQUES	
				OR VALUATION AT COST	
				DUE TO IMMATERIALITY	
EQUITY SECURITIES	6,365	10,785	LEVEL 3	OF THE INVESTMENT	N/A
TOTAL EQUITY SECURITIES:	36,780	39,652			
				VALUATION ACCORDING	
DEBT SECURITIES	657,977	617,105	LEVEL 1	TO MARKET PRICES	N/A
				VALUATION ACCORDING	
				TO THE SIMILAR ASSETS	
				(TREASURY BILLS AND	
				COMMERCIAL BILLS ARE	
				ADJUSTED TO PRICES FROM	
				THE MOST RECENT AUCTION	
DEBT SECURITIES	-	-	LEVEL 2	OF TREASURY BILLS)	N/A
			1	VALUATION BY THE DISCOUNTED	
DEBT SECURITIES	19,365	29,200	LEVEL 3	CASH FLOW (DCF) METHOD	N/A
TOTAL DEBT					
SECURITIES:	677,342	646,305			
TOTAL SECURITIES	714,122	685,957			

Movement of financial assets in Level 3

	FINANCIAL ASSETS
	AT FAIR VALUE
	THROUGH OTHER
2020	COMPREHENSIVE
'000 HRK	INCOME
OPENING BALANCE	39,985
TOTAL LOSSES	(775)
ACQUISITION OF ASSETS	-
DISPOSAL OF ASSETS	(423)
MATURED ASSETS	(2,274)
RECLASSIFIED FROM LEVEL 3	(10,782)
CLOSING BALANCE	25,730
	FINANCIAL ASSETS
	AT FAIR VALUE
	THROUGH OTHER
2019	COMPREHENSIVE
'000 HRK	INCOME
OPENING BALANCE	19,869
TOTAL LOSSES	10,246
ACQUISITION OF ASSETS	9,870

2019 '000 HRK	COMPRE
OPENING BALANCE	
TOTAL LOSSES	
ACQUISITION OF ASSETS	
DISPOSAL OF ASSETS	
MATURED ASSETS	
RECLASSIFIED FROM LEVEL 3	

CLOSING BALANCE

39,985

-

-

-

34. INTEREST RATE RISK

The tables below provide the Bank's interest rate sensitivity position at 31 December 2020 and 2019 based upon the known repricing dates of fixed and floating rate assets and liabilities and the assumed repricing dates of other items.

AT 31 DECEMBER 2020 IN HRK THOUSANDS	UP TO 1 MONTH	1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	OVER 1 YEAR	NON- INTEREST BEARING	TOTAL
ASSETS						
CASH AND AMOUNTS DUE FROM BANKS	133,941	-	-	-	636,655	770,596
BALANCES WITH THE CROATIAN NATIONAL BANK	-	-	-	-	160,232	160,232
BALANCES WITH OTHER BANKS	-	-	-	-	1,390	1,390
LOANS TO CUSTOMERS	1,330,998	89,724	245,751	262,790	0	1,929,263
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-	183,533	183,533
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	3,442	12,681	32,204	629,017	36,778	714,122
TOTAL ASSETS	1,468,381	102,405	277,955	891,807	1,018,588	3,759,136
LIABILITIES						
AMOUNTS DUE TO OTHER BANKS	16,183	-	-		12,020	28,203
AMOUNTS DUE TO CUSTOMERS	2,048,119	146,457	365,584	201,048	5,861	2,767,069
OTHER BORROWINGS	68,021	6,270	20,514	407,793		502,598
HYBRID INSTRUMENTS ISSUED	-	0	27,665	70,899	-	98,564
TOTAL LIABILITIES	2,132,323	152,727	413,763	679,740	17,881	3,396,434
NET INTEREST EXPOSURE	(663,942)	(50,322)	(135,808)	212,067	1,000,707	362,702

AT 31 DECEMBER 2019 IN HRK THOUSANDS	UP TO 1 MONTH	1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	OVER 1 YEAR	NON- INTEREST BEARING	TOTAL
ASSETS						
CASH AND AMOUNTS DUE FROM BANKS	68,890	-		2,393	331,037	402,320
BALANCES WITH THE CROATIAN NATIONAL BANK	-	-	-	-	198,946	198,946
BALANCES WITH OTHER BANKS	-	4,455	-	-	1,373	5,828
LOANS TO CUSTOMERS	1,299,966	176,748	275,925	274,307	-	2,026,946
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-	137,853	137,853
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	8,413	32,460	63,308	540,625	41,152	685,958
TOTAL ASSETS	1,377,269	215,036	339,233	817,325	708,988	3,457,851
LIABILITIES						
AMOUNTS DUE TO OTHER BANKS	1,698	-	1,937	-	6,136	7,834
AMOUNTS DUE TO CUSTOMERS	1,806,648	148,107	447,093	295,732	8,836	2,706,416
OTHER BORROWINGS	21,353	49,565	23,936	165,343	-	260,197
HYBRID INSTRUMENTS ISSUED	-	-	302	97,035	-	97,337
TOTAL LIABILITIES	1,829,699	197,672	471,331	558,110	14,972	3,071,784
NET INTEREST EXPOSURE	(452,430)	15,991	(132,098)	259,215	695,389	386,067

In 2020, the weighted effective interest rates on loans to customers stood at 4.52% (2019: 4.85%).

In 20200, the weighted effective interest rates on deposits received from customers stood at 0.19% (2019: 0.29%).

The table below presents the sensitivity of the Bank's assets and liabilities at variable interest rates to changes in the interest rates. The growth assumptions were derived from the actual growth or decline in the interest rates in 2020 and 2019. A change in the interest rates has a direct impact on the net interest income. By applying the same percentages to simulate a decline in interest rates, the result would be an interest expense in the same amount.

IN HRK THOUSANDS	ASSUMED INCREASE IN INTEREST RATE	IMPACT ON 2019 PROFIT OR LOSS	IMPACT ON 2018 PROFIT OR LOSS
ASSETS	5% RELATIVE	2,710	2,828
LIABILITIES	5% RELATIVE	(168)	(216)
IMPACT ON THE NET INTEREST		2,542	2,612

35. 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 HRK assets in other currencies.

				TOTAL		
AT 31 DECEMBER 2020 (IN HRK THOUSANDS)	EUR		OTHER CURRENCIES	FOREIGN CURRENCIES	HRK	TOTAL
	EOK	030	CORRENCIES	CORRENCIES	ПКК	TOTAL
ASSETS						
CASH AND AMOUNTS DUE FROM						
BANKS	190,837	50,513	16,264	257,614	512,982	770,596
BALANCES WITH THE CROATIAN						
NATIONAL BANK	-	-	-	-	160,232	160,232
BALANCES WITH OTHER BANKS	1,390	-	-	1,390	-	1,390
LOANS TO CUSTOMERS	832,891	1,298	-	834,189	1,095,074	1,929,263
FINANCIAL ASSETS AT FAIR VALUE						
THROUGH PROFIT OR LOSS	60,272	-	-	60,272	123,261	183,533
FINANCIAL ASSETS AT FAIR						
VALUE THROUGH OTHER	107 190	== (~~~	22.526	207 105	446 343	744400
	197,180	77,699	22,526	297,405	416,717	714,122
INTANGIBLE ASSETS	-	-	-	-	41,247	41,247
PROPERTY AND EQUIPMENT	-		-	-	42,623	42,623
RIGHT-OF-USE ASSETS	-	-	-	-	48,982	48,982
DEFERRED TAX ASSETS	-	-	-	-	14,895	14,895
INVESTMENT PROPERTY	-	-	-	-	998	998
NON-CURRENT ASSETS HELD FOR						
SALE	-	-	-	-	5,151	5,151
OTHER ASSETS	20	3,470	2	3,492	20,908	24,400
TOTAL ASSETS	1,282,590	132,980	38,792	1,454,362	2,483,070	3,937,432
LIABILITIES AND SHAREHOLDERS'	EOUITY					
LIABILITIES						
AMOUNTS DUE TO OTHER BANKS	25,715		2,477	28,192	11	28,203
AMOUNTS DUE TO CUSTOMERS	1,134,177	131,939	35,661	1,301,777	1,465,292	2,767,069
OTHER BORROWINGS	23,174			23,174	479,424	502,598
OTHER LIABILITIES	6,073	20	16	6,109	48,024	54,133
PROVISIONS FOR CONTINGENT	0,075	20	10	0,109	40,024	54,135
LIABILITIES AND CHARGES	324	24	-	348	5,002	5,350
ISSUED HYBRID AND	524			570	5,002	51550
SUBORDINATED INSTRUMENTS	98,564	-	-	98,564	-	98,564
	5-75-1			5-75-1		5-75-1
TOTAL LIABILITIES	1,288,027	131,983	38,154	1,458,164	1,997,753	3,455,917
EQUITY						
SHARE CAPITAL	-	-	-	-	267,500	267,500
SHARE PREMIUM	-	-	-	-	3,015	3,015
TREASURY SHARES	-	-	-	-	(1,184)	(1,184)
OTHER RESERVES	69	677	27	773	193,490	194,263
PROFIT FOR THE YEAR	-	-	-	-	11,819	11,819
RETAINED EARNINGS /						
(ACCUMULATED LOSSES)	-	-	-	-	6,102	6,102
TOTAL SHAREHOLDERS' EQUITY	69	677	27	773	480,742	481,515
TOTAL LIABILITIES AND						
SHAREHOLDERS' EQUITY	1,288,096	132,660	38,181	1,458,937	2,478,495	3,937,432
NET FX EXPOSURE	(5,506)	320	611	(4,575)	4,575	-

AT 31 DECEMBER 2019 (IN HRK THOUSANDS)	EUR	USD	OTHER CURRENCIES	TOTAL FOREIGN CURRENCIES	HRK	TOTAL
ASSETS						
CASH AND AMOUNTS DUE FROM BANKS	102,450	12,194	14,237	128,881	273,439	402,320
BALANCES WITH THE CROATIAN NATIONAL BANK	-	-	-	-	198,946	198,946
BALANCES WITH OTHER BANKS	5,828	-	~	5,828	~	5,828
LOANS TO CUSTOMERS	860,731	3,698	~	864,429	1,162,517	2,026,946
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	34,728	-	-	34,728	103,125	137,853
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	200,278	126,569	22,275	349,122	336,836	685,958
FINANCIAL ASSETS AVAILABLE				510,		
FOR SALE	-	-	-	-	41,379	41,379
INTANGIBLE ASSETS	-	-	-	-	43,333	43,333
PROPERTY AND EQUIPMENT	-	-	-	-	43,458	43,458
DEFERRED TAX ASSETS	-	-	-	-	13,941	13,941
INVESTMENT PROPERTY	-	-	-	-	998	998
NON-CURRENT ASSETS HELD FOR SALE	-	-	-	-	3,935	3,935
OTHER ASSETS	23	-	1	24	13,568	13,592
TOTAL ASSETS	1,204,038	142,461	36,513	1,383,012	2,235,475	3,618,487
LIABILITIES AND SHAREHOLDERS	FOULTY					
LIABILITIES	LQUIII					
AMOUNTS DUE TO OTHER BANKS	5,244		2,587	7,831	3	7,834
AMOUNTS DUE TO CUSTOMERS	1,061,750	129,892	32,618	1,224,260	1,482,156	2,706,416
OTHER BORROWINGS	33,642	13,488	-	47,130	213,067	260,197
OTHER LIABILITIES	5,105	21	17	5,143	60,369	65,512
PROVISIONS FOR CONTINGENT						
LIABILITIES AND CHARGES	596	24	-	620	4,845	5,465
ISSUED HYBRID AND SUBORDINATED INSTRUMENTS	97,337	-	-	97,337	-	97,337
TOTAL LIABILITIES	1,203,674	143,425	35,222	1,382,321	1,760,440	3,142,761
EQUITY						
SHARE CAPITAL	-	-	-	-	267,500	267,500
SHARE PREMIUM	-	-	-	-	3,015	3,015
TREASURY SHARES	-	-	-	-	(1,388)	(1,388)
OTHER RESERVES	-	-	-	-	179,943	179,943
PROFIT FOR THE YEAR	-	-	-	-	21,346	21,346
retained earnings / (accumulated losses)	-		-	-	5,310	5,310
TOTAL SHAREHOLDERS' EQUITY	-	-	-	-	475,726	475,726
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,203,674	143,425	35,222	1,382,321	2,236,166	3,618,487
NET FX EXPOSURE	364	(964)	1,291	691	(691)	-
				-		

The table below details the sensitivity of the Bank's net assets to an upward change of the mid-point exchange rate of the CNB i.e. an increase in the relevant exchange rate and its impact on profit or loss, showing a summary amount of the simplified increase in all currencies by 2%. By applying the same assumed percentage to a decrease in the mid-point exchange rate of the CNB, there would be the same but opposite impact on profit or loss by currency on a net principle i.e. the sum of the effects for all currencies would result in an expense for 2019 and an income for 2019. The change in the interest rates would be reflected through the income statement as foreign exchange gains or losses.

ASSUMED INCREASE

CURRENCY AT 31 DECEMBER 2020	OF THE CNB'S MIDDLE EXCHANGE RATE	IMPACT ON PROFIT OR LOSS	IMPACT ON PROFIT OR LOSS	IMPACT ON PROFIT OR LOSS
IN HRK THOUSANDS		ASSETS	LIABILITIES	NET
ASSETS	2.00%	29,087	-	29,087
LIABILITIES	2.00%	-	29,179	29,179
NET ASSETS / (LIABILITIES)		29,087	29,179	(92)

NET ASSETS / (LIABILITIES)		27,660	27,646	14
LIABILITIES	2.00%	-	27,646	27,646
ASSETS	2.00%	27,660	-	27,660
IN HRK THOUSANDS		ASSETS	LIABILITIES	NET
CURRENCY AT 31 DECEMBER 2019	ASSUMED INCREASE OF THE CNB'S MIDDLE EXCHANGE RATE	IMPACT ON PROFIT OR LOSS	IMPACT ON PROFIT OR LOSS	IMPACT ON PROFIT OR LOSS

36. LIQUIDITY RISK

AT 31 DECEMBER 2020 IN HRK THOUSANDS	UP TO 1 MONTH	1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 MONTH TO 3 YEARS	OVER 3 YEARS	TOTAL
ASSETS						
CASH AND AMOUNTS DUE FROM BANKS	770,596	-	-	-	-	770,596
BALANCES WITH THE CROATIAN NATIONAL BANK	160,232	-	-	-	-	160,232
BALANCES WITH OTHER BANKS	-	1,390	-	-	-	1,390
LOANS TO CUSTOMERS	223,660	134,839	370,862	399,675	800,227	1,929,263
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	183,533	-	-	-	-	183,533
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER						
COMPREHENSIVE INCOME	40,221	12,681	32,204	166,638	462,378	714,122
FINANCIAL ASSETS	1,378,242	148,910	403,066	566,313	1,262,605	3,759,136
LIABILITIES						
AMOUNTS DUE TO OTHER BANKS	28,203	-	-	-	-	28,203
AMOUNTS DUE TO CUSTOMERS	2,052,657	146,457	365,584	186,435	15,936	2,767,069
OTHER BORROWED FUNDS	68,021	6,270	20,514	101,784	306,009	502,598
ISSUED HYBRID AND						
SUBORDINATED INSTRUMENTS	-	~	27,665	-	70,899	98,564
FINANCIAL LIABILITIES	2,148,881	152,727 (3,817)	413,763 (10,697)	288,219	<u>392,844</u> 869,761	3,396,434
AT 31 DECEMBER 2019	(770,639) Up to 1	1 TO 3	3 MONTHS	1 MONTH	OVER	362,702
IN HRK THOUSANDS	MONTH	MONTHS	TO 1 YEAR	TO 3 YEARS	3 YEARS	TOTAL
ASSETS						
CASH AND AMOUNTS DUE FROM BANKS	402,320	-	-	-	-	402,320
BALANCES WITH THE CROATIAN						
NATIONAL BANK	198,946	-	-	-	-	198,946
BALANCES WITH OTHER BANKS	-	5,828	~	-	-	5,828
LOANS TO CUSTOMERS	235,301	208,557	446,042	374,474	762,572	2,026,946
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	137,853	-	-	-	-	137,853
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER						
COMPREHENSIVE INCOME	49,565	32,460	63,308	102,409	438,216	685,958
FINANCIAL ASSETS						
	1,023,985	246,845	509,350	476,883	1,200,788	3,457,851
LIABILITIES	1,023,985	246,845	509,350	476,883	1,200,788	3,457,851
AMOUNTS DUE TO OTHER BANKS	1,023,985 7,834	246,845	509,350	476,883	1,200,788	3,457,851 7,834
		246,845 - 148,107	509,350 - 447,287	476,883 - 274,912	1,200,788 - 22,085	
AMOUNTS DUE TO OTHER BANKS	7,834	-		-		7,834
AMOUNTS DUE TO OTHER BANKS AMOUNTS DUE TO CUSTOMERS	7,834 1,814,025	- 148,107	447,287	274,912	22,085	7,834 2,706,416
AMOUNTS DUE TO OTHER BANKS AMOUNTS DUE TO CUSTOMERS OTHER BORROWED FUNDS ISSUED HYBRID AND	7,834 1,814,025	- 148,107	- 447,287 23,936	- 274,912 78,902	22,085 86,441	7,834 2,706,416 260,197

37. CREDIT RISK

IN HRK THOUSANDS AT 31 DECEMBER 2020	GROSS EXPOSURE	IMPAIRMENT ALLOWANCES	NET EXPOSURE
A. BALANCE-SHEET EXPOSURE			
BALANCES WITH THE CROATIAN NATIONAL BANK	160,280	(48)	160,232
BALANCES WITH OTHER BANKS	1,394	(4)	1,390
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	183,533	-	183,533
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER			
COMPREHENSIVE INCOME	724,156	(10,034)	714,122
LOANS TO CUSTOMERS	1,733,229	(17,173)	1,716,056
- LEVEL 1	49,863	(1,872)	47,992
- LEVEL 2	370,288	(205,073)	165,215
- LEVEL 3	160,280	(48)	160,232
TOTAL BALANCE SHEET EXPOSURE	3,222,743	(234,204)	2,988,540
B. OFF-BALANCE SHEET EXPOSURE			
CLIENTS			
-LEVEL 1	412,837	(4,479)	408,358
-LEVEL 2	1,075	(20)	1,055
-LEVEL 3	593	(228)	365
TOTAL OFF-BALANCE SHEET EXPOSURE	414,505	4,727	409,778
TOTAL EXPOSURE (A+B)	3,637,248	(229,477)	3,398,318
IN HRK THOUSANDS		IMPAIRMENT	
AT 31 DECEMBER 2019	GROSS EXPOSURE	ALLOWANCES	NET EXPOSURE
A. BALANCE-SHEET EXPOSURE			
BALANCES WITH THE CROATIAN NATIONAL BANK	198,946	-	198,946

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

TOTAL BALANCE SHEET EXPOSURE	3,288,350	(232,819)	3,055,531
- LEVEL 3	385,830	(203,760)	182,070
- LEVEL 2	7,480	(328)	7,152
- LEVEL 1	1,856,464	(18,740)	1,837,724
LOANS TO CUSTOMERS			
COMPREHENSIVE INCOME	695,930	(9,972)	685,958
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER			
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	137,853	-	137,853
BALANCES WITH OTHER BANKS	5,847	(19)	5,828
BALANCES WITH THE CROATIAN NATIONAL BANK	198,946	-	198,946

B. OFF-BALANCE SHEET EXPOSURE

TOTAL EXPOSURE (A+B)	3,692,360	(237,662)	3,454,698
TOTAL OFF-BALANCE SHEET EXPOSURE	404,010	(4,843)	399,167
- LEVEL 3	2,895	(572)	2,323
- LEVEL 2	3,249	(120)	3,129
- LEVEL 1	397,866	(4,151)	393,715
CLIENTS			

b) Past due but unpaid receivables

Outstanding receivables comprise amounts with unimpaired principal, determined on the level of the individual placement, including outstanding interest. Other receivables past due comprise outstanding balances, the collection of which is still in progress.

IN HRK THOUSANDS AT 31 DECEMBER 2020	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 CUSTO	MERS:						
INDIVIDUALS	5,552	1,115	1,118	1,177	2,309	1,035	30,629
CORPORATE CUSTOMERS	14,815	712	1,267	8,014	11,979	7,508	111,604
PUBLIC AND OTHER SECTORS	6,464	1	~	-	~	1	6
OTHER RECEIVABLES PAST DUE	5,277	816	92	259	278	1,589	2,672
TOTAL PAST DUE BUT UNPAID RECEIVABLES	32,108	2,644	2,477	9,450	14,566	10,133	144,911
IN HRK THOUSANDS AT 31 DECEMBER 2019		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
THOUSANDS AT 31 DECEMBER	TO 30 DAYS	FROM 31 TO	FROM 91 TO	FROM 181 TO	BETWEEN 1	BETWEEN 2	BEYOND 3
THOUSANDS AT 31 DECEMBER 2019	TO 30 DAYS	FROM 31 TO	FROM 91 TO	FROM 181 TO	BETWEEN 1	BETWEEN 2	BEYOND 3
THOUSANDS AT 31 DECEMBER 2019 LOANS TO CUSTOR	TO 30 DAYS	FROM 31 TO 90 DAYS	FROM 91 TO 180 DAYS	FROM 181 TO 365 DAYS	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 3 YEARS	BEYOND 3 YEARS
THOUSANDS AT 31 DECEMBER 2019 LOANS TO CUSTON INDIVIDUALS CORPORATE	TO 30 DAYS MERS: 5,247	FROM 31 TO 90 DAYS 670	FROM 91 TO 180 DAYS 588	FROM 181 TO 365 DAYS 1,691	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 3 YEARS 2,972	BEYOND 3 YEARS 31,784
THOUSANDS AT 31 DECEMBER 2019 LOANS TO CUSTON INDIVIDUALS CORPORATE CUSTOMERS PUBLIC AND OTHER	TO 30 DAYS MERS: 5,247 6,874	FROM 31 TO 90 DAYS 670 4,479	FROM 91 TO 180 DAYS 588 3,760	FROM 181 TO 365 DAYS 1,691 6,791	BETWEEN 1 AND 2 YEARS 1,413 11,209	BETWEEN 2 AND 3 YEARS 2,972 9,293	BEYOND 3 YEARS 31,784 119,384

c) Coverage by collateral

AT 31 DECEMBER 2020 IN HRK THOUSANDS	DEPOSIT	MORTGAGE ON RESIDENTIAL PROPERTY	MORTGAGE ON COMMERCIAL PROPERTY	OTHER SECURITYN INSTRUMENTS C	O INSTRUMENT OF COLLATERAL
A. BALANCE-SHEET EXPOSURE					
BALANCES WITH THE CROATIAN NATIONAL BANK	-	-	-	-	160,232
BALANCES WITH OTHER BANKS	-	-	-	-	1,390
FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-	-	183,533
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	_	-	_	714,122
LOANS TO CUSTOMERS	32,000	356,285	395,705	102,140	1,043,133
TOTAL BALANCE SHEET EXPOSURE	32,000	356,285	395,705	102,140	2,102,410
B. OFF-BALANCE SHEET EXPOSURE					
CLIENTS	1,762	8,528	32,138	5,298	366,779
TOTAL OFF-BALANCE SHEET EXPOSURE	1,762	8,528	32,138	5,298	366,779
TOTAL EXPOSURE (A+B)	33,762	364,813	427,843	107,438	2,469,189
AT 31 DECEMBER 2019		MORTGAGE ON	MORTGAGE ON	OTHER	
IN HRK THOUSANDS	DEPOSIT	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	SECURITYN	O INSTRUMENT
A. BALANCE-SHEET EXPOSURE	DEPOSIT				
	DEPOSIT				
A. BALANCE-SHEET EXPOSURE	DEPOSIT	PROPERTY	PROPERTY		OF COLLATERAL
A. BALANCE-SHEET EXPOSURE BALANCES WITH THE CROATIAN NATIONAL BANK	DEPOSIT 	PROPERTY	PROPERTY		DF COLLATERAL
A. BALANCE-SHEET EXPOSURE BALANCES WITH THE CROATIAN NATIONAL BANK BALANCES WITH OTHER BANKS FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT AND LOSS FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE	DEPOSIT	PROPERTY - - -	PROPERTY		DF COLLATERAL 198,946 5,828 137,853
A. BALANCE-SHEET EXPOSURE BALANCES WITH THE CROATIAN NATIONAL BANK BALANCES WITH OTHER BANKS FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT AND LOSS FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	PROPERTY	PROPERTY	INSTRUMENTS C	DF COLLATERAL 198,946 5,828 137,853 685,958
A. BALANCE-SHEET EXPOSURE BALANCES WITH THE CROATIAN NATIONAL BANK BALANCES WITH OTHER BANKS FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT AND LOSS FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE	DEPOSIT	PROPERTY - - -	PROPERTY		DF COLLATERAL 198,946 5,828 137,853
A. BALANCE-SHEET EXPOSURE BALANCES WITH THE CROATIAN NATIONAL BANK BALANCES WITH OTHER BANKS FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT AND LOSS FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME LOANS TO CUSTOMERS		PROPERTY - - - - - - - - - - -	PROPERTY - - - - 428,029	INSTRUMENTS 0	DF COLLATERAL 198,946 5,828 137,853 685,958 1,206,794
A. BALANCE-SHEET EXPOSURE BALANCES WITH THE CROATIAN NATIONAL BANK BALANCES WITH OTHER BANKS FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT AND LOSS FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME LOANS TO CUSTOMERS TOTAL BALANCE SHEET EXPOSURE		PROPERTY - - - - - - - - - - -	PROPERTY - - - - 428,029	INSTRUMENTS 0	DF COLLATERAL 198,946 5,828 137,853 685,958 1,206,794 2,235,379
A. BALANCE-SHEET EXPOSURE BALANCES WITH THE CROATIAN NATIONAL BANK BALANCES WITH OTHER BANKS FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT AND LOSS FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME LOANS TO CUSTOMERS TOTAL BALANCE SHEET EXPOSURE B. OFF-BALANCE SHEET EXPOSURE	- - - 25,895 25,895	PROPERTY 289,815 289,815	PROPERTY 428,029 428,029	INSTRUMENTS 0	DF COLLATERAL 198,946 5,828 137,853 685,958 1,206,794

d) Provision ratio in loans to customers

IN HRK THOUSANDS	LOANS TO CUSTOMERS (%)	2020 PROVISION RATIO IN LOANS (%)
STAGE 1	80.49	0.99
STAGE 2	2.32	3.75
STAGE 3	17.20	55.38
TOTAL	100.00	

IN HRK THOUSANDS	LOANS TO CUSTOMERS (%)	2019 PROVISION RATIO IN LOANS (%)
STAGE 1	82.52	1.01
STAGE 2	0.33	4.39
STAGE 3	17.15	52.81
TOTAL	100.00	

38. RISK OF PRICE FLUCTUATIONS

Equity and debt financial instrument price risk represents the sensitivity of the portfolio of securities at fair value through profit or loss and securities at fair value through other comprehensive income to fluctuations in market prices, which affects the profit or loss as well as the revaluation reserve within the Bank's equity.

		IMPACT OF PRICE	IMPACT OF PRICE
		INCREASE ON	INCREASE ON
	ASSUMED PRICE	PROFIT AND LOSS	REVALUATION
IN HRK THOUSANDS	CHANGE	STATEMENT	RESERVES
AT 31 DECEMBER 2020	3%	5,506	21,725
AT 31 DECEMBER 2019	3%	4,136	20,878

39. CONCENTRATIONS 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 HRK THOUSANDS	2020	2019
GIRO ACCOUNT AT CNB	580,147	273,314
BONDS OF THE REPUBLIC OF CROATIA	436,101	404,951
OBLIGATORY RESERVES AND TREASURY NOTES WITH THE		
CROATIAN NATIONAL BANK	160,232	198,946
OTHER CASH RESERVE FUNDS	10,000	10,000
DEFERRED TAX ASSETS/LIABILITIES	5,151	3,935
OTHER ASSETS	3,544	662
CURRENT TAX ASSETS/LIABILITIES	2,299	(3,301)
DEPOSITS RECEIVED	(40)	(99)
OTHER LIABILITIES	(74)	(40)
CNB REPO LOAN AGREEMENTS	(312,315)	(93,287)
	885,045	795,081

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

IN HRK THOUSANDS	2020	2019
CUSTOMER LOANS GUARANTEED BY THE STATE	32,614	8,711
OTHER LOANS	30,220	38,553
RIGHT-OF-USE ASSETS	2,259	2,586
STATE AGENCY FOR DEPOSIT INSURANCE AND BANK		
REHABILITATION	(1,569)	(1,437)
OTHER LIABILITIES	(2,861)	(2,883)
DEPOSITS RECEIVED	(107,323)	(152,721)
BORROWINGS FROM HBOR	(172,782)	(145,979)
	(219,442)	(253,170)

40. EVENTS AFTER THE BALANCE SHEET DATE

The Bank is closely following the latest developments regarding COVID-19, both in Croatia and worldwide, as well as current recommendations from the Croatian Institute of Public Health, the Ministry of Health and the Directorate of Civil Protection of the Ministry of the Interior and has taken all available risk management measures,

The Bank ensures business continuity in accordance with the Crisis Management Plan and has taken organizational measures to reduce the risks associated with ensuring business continuity, such as working from home and / or from remote locations.

In order to implement measures based on the Conclusions of the Government of the Republic of Croatia for the preservation of employment and assistance to economic entities and citizens affected by the coronavirus pandemic, the Bank undertakes activities and takes appropriate decisions in order to harmonize compliance with the recommendations and requirements of the legislative and executive authorities, regulatory bodies, the CNB and HANFA.

41. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Management Board on 25 March 2021 and were signed on its behalf by:

Goran Varat resident of the age<u>me</u>nt Board

Daniel Unger Member of the Management Board

Renata Vinković

ember of the Management Board -

ANNUAL REPORT 2020



ABOUT BANK

BANK'S MANAGEMENT AND ORGANISATIONAL STRUCTURE

The Bank's operations are supervised by the Supervisory Board and managed by the Management Board.

Supervisory Board	Miljan Todorovic, Chairman Sigilfredo Montinari, Deputy Chairman Michele Cakcaterra Borri, Member Maurizio Dallocchio, Member Filippo Disertori, Member Antonio Moniaci, Member Dario Montinari, Member Dolly Predović, Member Ezio Simonelli, Member
Management Board	Goran Varat , Chairman of the Board Daniel Unger, Member of the Board Renata Vinković, Member of the Board
Chief Executive Officer	Moreno Marson
Units	Internal Audit Unit – Krunoslav Vnučec Risk Control Unit – Hrvoje Miloš Compliance Unit – Mario Brajnić Legal Affairs – Krunoslav Grošić Administration and HR Management Unit – Božana Kovačević
Divisions	Financial Markets Division – Daniel Varga Development and Investment Banking Sector – Maja Bešević Vlajo Corporate Customers Division – Branko Faletar Retail Customers Division – Dijana Vladislavić Risk Management Division – Vesna Laloš Accounting Sector – Snježana Pobi Operations & Support Division – Snježana Pobi ICT Sector – Saša Lončarić



Legend

Commercial Centre

• Branches

RETAIL CENTRES

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. 072 655 000, fax. 072 655 239
	Koprivnica , Trg Eugena Kumičića 11, tel. 072 655 330, fax. 072 655 339
	Koprivnica , Ivana Meštrovića bb, 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 2,
	tel. 072 655 354, fax. 072 655 355
	Legrad, Trg Svetog Trojstva 44,
	tel. 072 655 356, fax. 072 655 357
	Križevci, I. Z. Dijankovečkog 2,
	tel. 072 655 360, fax. 072 655 369
Commercial Centre	Bjelovar, Trg Eugena Kvaternika 12,
Bjelovar	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, Ivana Zajca 18, Rijeka tel. 072 655 660, fax. 072 655 669 Commercial Centre Varaždin, Trg slobode 2, Varaždin tel. 072 655 600, fax. 072 655 609 Ludbreg, Petra Zrinskog 32, tel. 072 655 620, fax. 072 655 629 **Commercial Centre** Split, Ulica slobode 33, Split tel. 072 655 630, fax. 072 655 639 Commercial Centre Zadar, Stjepana Radića 2f, Zadar tel. 072 655 650, fax. 072 655 659

> Info centre 072 20 20 20 www.poba.hr info@poba.hr

APPENDIX I SUPPLEMENTARY REPORTS FOR THE CROATIAN NATIONAL BANK

APPENDIX II OTHER LEGAL AND REGULATORY REQUIREMENTS Pursuant to Article 19, paragraph 6 of the Accounting Act (Official Gazette 78/2015, 134/2015 and 120/2016) and Article 43, paragraph 2, item 9 of the Law on the Croatian National Bank (Official Gazette 75 / 2008 and 54/2013), the Croatian National Bank adopted the Decision on the Structure and Content of the Annual Financial Statements of Credit Institutions (OG 42/2018), The following tables present the financial statements in accordance with the aforementioned Decision.

BALANCE SHEET AT 31 DECEMBER 2020

		PREVIOUS	CURRENT
UNAUDITED (IN HRK THOUSANDS) POSITION TITLE	ΑΟΡ ΤΑG	YEAR (NET)	YEAR (NET)
1	2	4	5
ASSETS			
1. FUNDS. CENTRAL BANK MONETARY CLAIMS AND OTHER DEMAND			
DEPOSITS (AOP 002 DO 004)	001	399,880	768,207
1.1. CASH IN HAND	002	47,761	46,503
1.2. MONETARY CLAIMS ON CENTRAL BANKS	003	283,229	590,147
1.3. OTHER DEMAND DEPOSITS	004	68,890	131,557
2. FINANCIAL ASSETS HELD FOR TRADING (AOP 006 DO 009)	005	0	0
2.1. DERIVATIVES	006	0	0
2.2. EQUITY INSTRUMENTS	007	0	0
2.3. DEBT SECURITIES	008	0	0
2.4. LOANS AND ADVANCES	009	0	0
3. NON-TRADABLE FINANCIAL ASSETS THAT ARE MEASURED AT FAIR			
VALUE THROUGH PROFIT OR LOSS (AOP 011 DO 013)	010	137,853	183,533
3.1. EQUITY INSTRUMENTS	011	137,853	183,533
3.2. DEBT SECURITIES	012	0	0
3.3. LOANS AND ADVANCES	013	0	0
4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (AOP 015 +			
016)	014	0	0
4.2. DEBT SECURITIES	015	0	0
4.3. LOANS AND ADVANCES	016	0	0
5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE		<u>()</u>	
INCOME (AOP 018 DO 020)	017	685,958	714,122
5.1. EQUITY INSTRUMENTS	018	39,652	36,779
5.1. DEBT SECURITIES	019	646,306	677,343
5.2. LOANS AND ADVANCES	020	0	0
6. FINANCIAL ASSETS AT AMORTIZED COST (AOP 022+023)	021	2,237,376	2,101,775
6.1. DEBT SECURITIES	022	68,029	23,754
6.2. LOANS AND ADVANCES	023	2,169,347	2,078,021
7. DERIVATIVES - HEDGE ACCOUNTING	024	0	0
8. CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN THE PORTFOLIO	005		
HEDGING AGAINST INTEREST RATE RISK	025	0	0
9. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES		0	
10. TANGIBLE ASSETS	027	98,703	105,123
11. INTANGIBLE ASSETS 12. TAX ASSETS		43,408	42,624
	029	4,001	8,101
13. OTHER ASSETS	030	2,195	1,980
14. NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	031	9,113	11,967
15. TOTAL ASSETS (AOP 001 + 005 + 010 + 014 + 017 + 021 + 024 DO 031)	032	3,618,487	3,937,432

POSITION TITLE	AOP TAG	PREVIOUS YEAR (NET)	CURRENT YEAR (NET)
1	2	4	5
LIABILITIES 16. FINANCIAL LIABILITIES HELD FOR TRADING (AOP 034 DO 038)	033	0	0
16.1. DERIVATIVES	034	0	0
16.2. SHORT POSITIONS	035	0	0
16.3. DEPOSITS	036	0	0
16.4. DEBT SECURITIES ISSUED	037	0	0
16.5. OTHER FINANCIAL LIABILITIES	038	0	0
17. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (AOP 040 DO 042)	039	0	0
17.1. DEPOSITS	040	0	0
17.2. DEBT SECURITIES ISSUED	041	0	0
17.3. OTHER FINANCIAL LIABILITIES	042	0	0
18. FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST (AOP 044 DO			
046)	043	3,090,506	3,413,656
18.1. DEPOSITS	044	2,974,447	3,297,871
18.2. DEBT SECURITIES ISSUED	045	97,337	98,564
18.3. OTHER FINANCIAL LIABILITIES	046	18,722	17,221
19. DERIVATIVES - HEDGE ACCOUNTING	047	0	0
20. CHANGES IN THE FAIR VALUE OF HEDGED ITEMS WHEN HEDGING A PORTFOLIO AGAINST INTEREST RATE RISK	048	0	0
21. RESERVATIONS	049	5,465	5,350
22. TAX LIABILITIES	050	3,525	688
23. SHARE CAPITAL RETURNED ON DEMAND	051	0	0
24. OTHER LIABILITIES	052	43,265	36,223
25. LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	053	0	0
26. TOTAL LIABILITIES (AOP 033 + 039 + 043 + 047 DO 053)	054	3,142,761	3,455,917
CAPITAL			
27. SHARE CAPITAL	055	267,500	267,500
28. STOCK PREMIUM	056	3,015	3,015
29. EQUITY INSTRUMENTS ISSUED OTHER THAN EQUITY	057	0	0
30. OTHER EQUITY INSTRUMENTS	058	0	0
31. ACCUMULATED OTHER COMPREHENSIVE INCOME	059	5,250	(878)
32. RETAINED PROFIT	060	5,310	6,102
33. REVALUATION RESERVES	061	0	0
34. OTHER RESERVES	062	174,693	195,141
35. TREASURY STOCKS	063	(1,388)	(1,184)
36. PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	064	21,346	11,819
37. DIVIDENDS DURING THE BUSINESS YEAR	065	0	0
38. MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	066	0	0
39. TOTAL CAPITAL(AOP 055 DO 066)	067	475,726	481,515
40. TOTAL LIABILITIES AND CAPITAL (AOP 054+067)	068	3,618,487	3,937,432

PROFIT AND LOSS STATEMENT FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

UNAUDITED (IN HRK THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
	2	4	5
1			
1. INTEREST INCOME	001	104,639	100,050
2. INTEREST EXPENSES	002	16,032	13,518
3. EXPENDITURE ON SHARE CAPITAL RETURNED ON REQUEST	003	0	0
4. DIVIDEND INCOME	004	1,446	644
5. FEE AND COMMISSION INCOME	005	38,313	38,320
5. FEE AND COMMISSION EXPENSES	006	14,929	15,228
7. GAINS OR LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND			
LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	007	16,333	9,981
B. GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES HELD			
FOR TRADING, NET	008	5,582	5,136
9. GAINS OR LOSSES ON NON-TRADABLE FINANCIAL ASSETS MEASURED AT FAIL	R		
VALUE THROUGH PROFIT OR LOSS, NET	009	918	4,813
10. GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT			
FAIR VALUE THROUGH PROFIT OR LOSS, NET	010	0	0
11. GAINS OR LOSSES ON HEDGE ACCOUNTING, NET	011	0	0
12. FOREIGN EXCHANGE DIFFERENCES (PROFIT OR LOSS), NET	012	849	158
13. GAINS OR LOSSES ON DERECOGNITION OF NON-FINANCIAL ASSETS, NET	013	(671)	(518)
14. OTHER OPERATING INCOME	014	5,468	4,807
15. OTHER OPERATING EXPENSES	015	6,135	6,653
16. TOTAL INCOME FROM OPERATIONS, NET			
(AOP 069 - 070 - 071 + 072 + 073 - 074 + 075 DO 082 - 083)	016	135,781	127,992
17. ADMINISTRATIVE EXPENDITURE	017	73,124	76,678
18. AMORTIZATION	018	5,633	6,220
19. GAINS OR LOSSES ON CHANGES, NET	019	8,300	9,483
20. RESERVATIONS OR CANCELLATIONS	020	0	0
21. IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF FINANCIAL ASSETS NOT			
MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	021	(288)	(154)
22. IMPAIRMENT OR ELIMINATION OF INVESTMENTS IN SUBSIDIARIES, JOINT			
VENTURES AND ASSOCIATES	022	21,808	19,890
23. IMPAIRMENT OR ELIMINATION OF IMPAIRMENT OF NON-FINANCIAL ASSETS	023	0	0
24. NEGATIVE GOODWILL RECOGNIZED IN PROFIT OR LOSS	024	0	0
25. HARE OF PROFIT OR LOSS FROM INVESTING IN SUBSIDIARIES. JOINT			
VENTURES AND ASSOCIATES CALCULATED USING THE EQUITY METHOD	025	0	0
26. PROFIT OR LOSS ON NON-CURRENT ASSETS AND DISPOSAL GROUPS			
CLASSIFIED AS HELD FOR SALE THAT DOES NOT QUALIFY AS A GOING			
CONCERN	026	0	0
27. PROFIT OR LOSS BEFORE TAX FROM OPERATING OPERATIONS (AOP 084	4		
- 085 - 086 + 087 - 088 DO 091+ 092 DO 094)	027	(334)	(717)
28. TAX EXPENSE OR INCOME RELATED TO THE PROFIT OR LOSS FROM			
CONTINUING OPERATIONS	028	26,870	15,158
29. PROFIT OR LOSS AFTER TAX FROM OPERATING OPERATIONS THAT WIL	L		
CONTINUE (AOP 095 - 096)	029	6,068	3,224
30. PROFIT OR LOSS AFTER TAX FROM OPERATIONS THAT WILL NOT			
CONTINUE (AOP 099 - 100)	030	20,802	11,934
30.1. PRE-TAX PROFIT OR LOSS FROM OPERATIONS THAT WILL NOT			
CONTINUE	031	544	(115)
	032	544	(115)
30.2. TAX OR BUSINESS-RELATED EXPENSES THAT WILL NOT CONTINUE			, 07
	033	21,346	11,819
30.2. TAX OR BUSINESS-RELATED EXPENSES THAT WILL NOT CONTINUE 31. PROFIT OR LOSS FOR THE CURRENT YEAR (AOP 097 + 098; 102 + 103) 32. BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	033	21,346 0	11,819

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

	AUDITED (II ITION TITLI	n HRK THOUSANDS) E	AOP TAG	PREVIOUS YEAR	
1			2	4	5
				YEAR YEAR 4 5 21,346 11,819 14,587 (5,337) 5,201 (1,629) 0 0 11,523 (4,522) 0 0 0 0	
1.		LOSS FOR THE CURRENT YEAR (AOP 101)	104		
2.		MPREHENSIVE INCOME (AOP 106 + 118)	105	14,587	(5,337)
		THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS (AOP 107 3 + 116 + 117)	106	5 201	(1.620)
		TANGIBLE ASSETS	107		() = /
		INTANGIBLE ASSETS	108		
		ACTUARIAL GAINS OR LOSSES ON EMPLOYER-SPONSORED	100	0	
	2,1,3,	RETIREMENT PLANS	109	0	C
	2.1.4.	NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	110	0	C
	2.1.5.	SHARES OF OTHER RECOGNIZED INCOME AND EXPENSE FROM			
		ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	111	0	C
	2.1.6.	CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS			
		MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE			
		INCOME	112	6,161	(2,160)
	2.1.7.	GAINS OR LOSSES ON ACCOUNTING FOR THE PROTECTION OF			
		EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, NET	113	0	C
	2.1.8.	CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS	115	0	
	2.1.0.	MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE			
		INCOME (HEDGED ITEM)	114	0	C
	2.1.9.	CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS			
		MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE			
		INCOME (HEDGING INSTRUMENT)	115	0	C
	2.1.10.	CHANGES IN THE FAIR VALUE OF FINANCIAL LIABILITIES			
		MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS ATTRIBUTABLE TO CHANGES IN CREDIT RISK	116	0	C
	2 1 11	INCOME TAX RELATING TO ITEMS THAT WILL NOT BE	110	0	
	2.1.11.	RECLASSIFIED	117	(960)	531
	2.2. ITEMS	THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS (AOP 119 DO		(- /	
	126)	· -	118	9,386	(3,708)
	2.2.1	PROTECTION OF NET INVESTMENT IN FOREIGN OPERATIONS			
		(effective share)	119	0	C
	2.2.2.	FOREIGN CURRENCY TRANSLATION	120	0	C
	2.2.3.	CASH FLOW HEDGES (EFFECTIVE SHARE)	121	0	C
	2.2.4.	RISK PROTECTION INSTRUMENTS (ELEMENTS NOT SPECIFIED)	122	0	C
	2.2.5.	DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	123	11,523	(4,522)
	2.2.6.	NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	124	0	C
	2.2.7.	SHARE OF OTHER RECOGNIZED INCOME AND EXPENSE			
		FROM INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND			
		ASSOCIATES	125	0	C
	2.2.8.	INCOME TAX RELATING TO ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS	126	(2,137)	814
3.	TOTAL CON	IPREHENSIVE INCOME FOR THE CURRENT YEAR (AOP 104 + 105 I			
	AOP 128 +	129)	127	35,933	6,482
ŀ.	BELONGS TO	D MINORITY INTEREST (NON-CONTROLLING INTEREST)	128	0	C
5.	IT BELONGS	TO THE OWNERS OF THE PARENT COMPANY	129	35,933	6,482

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

UNAUDITED (IN HRK THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
1	2	4	5
BUSINESS ACTIVITIES AND RECONCILIATIONS			
1. PROFIT / LOSS BEFORE TAX	001	27,414	15,043
2. IMPAIRMENT AND PROVISIONS	002	22,526	0
3. AMORTIZATION	003	8,300	20,970
 NET UNREALIZED GAINS / LOSSES ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH RDG 	004	(716)	9,483
5. PROFIT / LOSS FROM SALE OF TANGIBLE ASSETS	005	33	(1,288)
6. OTHER NON-MONETARY ITEMS	006	(183)	(26)
CHANGES IN ASSETS AND LIABILITIES FROM OPERATING ACTIVITIES			
7. CNB FUNDS	007	(8,371)	38,667
 DEPOSITS WITH FINANCIAL INSTITUTIONS AND LOANS TO FINANCIAL INSTITUTIONS 	008	36,808	(3,467)
9. LOANS AND ADVANCES TO OTHER CUSTOMERS	009	(389,879)	(57,969)
10. SECURITIES AND OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	010	(137,677)	(45,804)
11. SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	011	0	C
12. SECURITIES AND OTHER FINANCIAL INSTRUMENTS THAT ARE NOT ACTIVELY TRADED AND ARE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	012	0	C
13. SECURITIES AND OTHER FINANCIAL INSTRUMENTS THAT ARE CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS	013	20,338	(44,392)
14. SECURITIES AND OTHER FINANCIAL INSTRUMENTS CARRIED AT AMORTIZED COST	014	51,620	42,804
15. OTHER ASSETS FROM BUSINESS ACTIVITIES	015	(942)	(2,582)
INCREASE / DECREASE IN BUSINESS LIABILITIES			
16. DEPOSITS FROM FINANCIAL INSTITUTIONS	016	177	20,289
17. OTHER CLIENTS TRANSACTION ACCOUNTS	017	332,511	235,106
18. SAVINGS DEPOSITS OF OTHER CLIENTS	018	60,880	29,216
19. TIME DEPOSITS OF OTHER CUSTOMERS	019	(125,555)	(198,154)
20. DERIVATIVE FINANCIAL LIABILITIES AND OTHER TRADING LIABILITIES	020	0	(*********
21. OTHER LIABILITIES	021	(4,035)	(10,232)
22. UNPAID INTEREST FROM BUSINESS ACTIVITIES	022	104,021	101,824
23. DIVIDENDS RECEIVED FROM OPERATING ACTIVITIES	023	1,453	644
24. INTEREST PAID FROM BUSINESS ACTIVITIES	024	(17,434)	(5,802)
25. PAID INCOME TAXES	025	(4,597)	(8,869)
A) NET CASH FLOWS FROM OPERATING ACTIVITIES (AOP 001 DO 025)	026	(23,308)	135,248

UNAUDITED (IN HRK THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURREN [®] YEAI	
INVESTING ACTIVITIES				
RECEIPTS FROM SALES / PURCHASE PAYMENTS / TANGIBLE AND INTANGIBLE ASSETS	035	(5,128)	(11,015)	
RECEIPTS FROM SALES / PURCHASE PAYMENTS / INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	036	0	0	
RECEIPTS FROM COLLECTION / PURCHASE PAYMENTS / SECURITIES AND OTHERS FINANCIAL INSTRUMENTS FROM INVESTING ACTIVITIES	037	0	0	
DIVIDENDS RECEIVED FROM INVESTING ACTIVITIES	038	0	0	
OTHER RECEIPTS / PAYMENTS / FROM INVESTING ACTIVITIES	039	1,234	(3,746)	
NET CASH FLOWS FROM INVESTING ACTIVITIES (AOP 35 TO 39)	040	(3,894)	(14,761)	
FINANCING ACTIVITIES				
NET INCREASE / DECREASE / LOANS RECEIVED FROM FINANCING ACTIVITIES	041	(62,488)	242,401	
NET INCREASE / DECREASE / DEBT SECURITIES ISSUED	042	4,873	1,228	
NET INCREASE / DECREASE IN TIER 2 INSTRUMENTS	043	0	0	
INCREASE IN SHARE CAPITAL	044	0	0	
DIVIDEND PAID	045	0	0	
OTHER RECEIPTS / PAYMENTS FROM FINANCING ACTIVITIES	046	0	0	
NET CASH FLOWS FROM FINANCING ACTIVITIES (AOP 41 FROM 46)	047	(57,615)	243,629	
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (AOP 34 + 40 + 47)	048	(84,817)	364,116	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	049	493,290	408,473	
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	050	0	0	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (AOP 48 + 49 + 50)	051	408,473	772,589	

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM **1 JANUARY 2020 TO 31 DECEMBER 2020**

DISTRIBUTABLE TO HOLDERS OF PARENT CAPITAL

	UDITED (IN HRK THOUSANDS) ITION DESCRIPTION	AOP TAG	NO. NOTES	CAPITAL	STOCK PREMIUM	EQUITY INSTRUMENTS ISSUED OTHER THAN EQUITY	OTHER EQUITY SHARES	COMPREHENSIVE	
1		2		3	4	5	6	j 7	
1.	INITIAL STATE (BEFORE REMODELLING)	01		267,500	3,015	0	0	5,250	
2.	THE EFFECT OF BUG FIXES	02		0	0	0	0	0 0	
3.	THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES	03		0	0	0	0	0 0	
4.	INITIAL STATUS (CURRENT PERIOD) (AOP 01 TO 03)	04		267,500	3,015	0	0	5,250	
5.	ISSUANCE OF ORDINARY SHARES	05		0	0	0	0	0	
6.	ISSUANCE OF PREFERRED SHARES	06		0	0	0	0	0 0	
7.	ISSUANCE OF OTHER EQUITY INSTRUMENTS	07		0	0	0	0	0	
8.	EXECUTION OR EXPIRATION OF OTHER ISSUED EQUITY INSTRUMENTS	08		0	0	0	0	0 0	
9.	CONVERTING DEBT INTO EQUITY INSTRUMENTS	09		0	0	0	0) 0	
10.	REDUCTION OF CAPITAL	10		0	0	0	0	0	
11.	DIVIDENDS	11		0	0	0	0	0	
12.	PURCHASE OF TREASURY SHARES	12		0	0	0	0	0	
13.	SALE OR CANCELLATION OF TREASURY SHARES	13		0	0			0	
14.	RECLASSIFICATION OF FINANCIAL INSTRUMENTS FROM EQUITY INSTRUMENTS INTO LIABILITIES	14		0	0	0	0	0 0	
15.	RECLASSIFICATION OF FINANCIAL INSTRUMENTS FROM LIABILITIES INTO EQUITY INSTRUMENTS	15		0	0	0	0) 0	
16.	TRANSFERS BETWEEN COMPONENTS OF EQUITIES	16				0	0	0 0	
17.	INCREASE OR DECREASE IN EQUITY INSTRUMENTS AS A RESULT OF BUSINESS COMBINATIONS	17		0	0	0	0) 0	
18.	STOCK BASED PAYMENTS	18		0	0		0	(791)	
19.	OTHER INCREASE OR DECREASE IN EQUITY INSTRUMENTS	19				0	0		
20.	TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR	20						0	
21.	FINAL (CURRENT PERIOD) (AOP 04 TO 20)	21		267,500	3,015	0	0	(878)	



MINORITY SHARE

		ACCUMULATED OTHER COMPREHENSIVE	DIVIDENDS DURING THE	PROFIT / LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT	TREASURY		REVALUATION	RETAINED
TOTAL	OTHER ITEMS	INCOME	BUSINESS YEAR	COMPANY	STOCKS	OTHER RESERVES		INCOME
16	15	14	13	12	11	10	9	8
475,726	0	0	0		(1,388)		0	5,310
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
472,726	0	0	0	21.346	(1,388)	174,693	0	5,310
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
ο	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
(1,843)	0	0	0	0	(1,843)	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	5
0	0	0	0	(21,346)	0	21,346	0	0
0	0	0	0	0	0	0	0	0
1,150	0	0	0	0	2,047	(898)	0	792
6,482	0	0	0	11,819	0	0		0
0	0	0	0	0	0	0	0	0
481,515	0	0	0	11,819	(1,184)	195,141	0	6,102

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

DISTRIBUTABLE TO HOLDERS OF PARENT CAPITAL

	UDITED (IN HRK THOUSANDS) TION DESCRIPTION	AOP TAG NO. NOTES	CAPITAL !	STOCK PREMIUM	EQUITY INSTRUMENTS ISSUED OTHER THAN EQUITY		ACCUMULATED OTHER COMPREHENSIVE	
1		2	3	4	5	6	5 7	I
UNA	AUDITED (IN HRK THOUSAND)							
1.	INITIAL STATE (BEFORE REMODELLING)	01	267,500	3,015	0	0	(8,508)	
2.	EFFECT OF BUG FIXES	02	0	0	0	0	0	!
3.	EFFECT OF CHANGES IN ACCOUNTING POLICIES	03	0	0	0	0	0	
4.	INITIAL STATE (CURRENT PERIOD) (AOP 01 TO 03)	04	267,500	3,015	0	0	(8,508)	
5.	ISSUANCE OF ORDINARY SHARES	05	0	0				I
6.	ISSUANCE OF PREFERRED SHARES	06	0	0	0			
7.	ISSUANCE OF OTHER EQUITY INSTRUMENTS	07			0			
8.	EXECUTION OR EXPIRATION OF OTHER ISSUED EQUITY INSTRUMENTS	08			0			
9.	CONVERTING DEBT INTO EQUITY INSTRUMENTS	09	0	0	0	0		
10.	REDUCTION OF CAPITAL	10	0	0				
11.	DIVIDENDS	11	0	0	0	0		
12.	PURCHASE OF TREASURY SHARES	12						
13.	SALE OR CANCELLATION OF TREASURY SHARES	13						
14.	RECLASSIFICATION OF FINANCIAL INSTRUMENTS FROM EQUITY INSTRUMENTS TO LIABILITIES	14	0	0	0	0		
15.	RECLASSIFICATION OF FINANCIAL INSTRUMENTS FROM LIABILITIES TO EQUITY INSTRUMENTS	15	0	0	0	0	1	
16.	TRANSFERS BETWEEN COMPONENTS OF EQUITY	16			0	0	0	
17.	INCREASE OR DECREASE IN EQUITY INSTRUMENTS AS A RESULT OF BUSINESS COMBINATIONS	17	0	0	0	0	0 0	
18.	STOCK BASED PAYMENTS	18	0	0		0		
19.	OTHER INCREASE OR DECREASE IN EQUITY INSTRUMENTS	19			0	0	(829)	
20.	TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR	20					14,587	
21.	FINAL (CURRENT PERIOD) (AOP 04 TO 20)	21	267,500	3,015	0	0	5,250	

MINORITY SHARE

TOTAL	OTHER ITEMS	ACCUMULATED OTHER COMPREHENSIVE INCOME	DIVIDENDS DURING THE	PROFIT / LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY				RETAINED
16	15	14	13	12	11	10	9	8
440,565	0	0	0	12,106	(1,388)	163,359	0	4,481
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
440,565	0	0	0	12,106	(1,388)		0	4,481
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	(12,106)		12,106	0	0
0	0				0	0	0	0
0	0				0			
(772)	0	0	0	0	0	(772)		829
35,933	0			21,346		0	0	0
475,726	ο	ο	0	21,346	(1,388)	174,693	0	5,310

Since the information included in the financial statements prepared in accordance with the decision of the Croatian National Bank ("CNB") diverge from those in the financial statements prepared in accordance with the statutory accounting requirements for banks in the Republic of Croatia, the tables below show comparative information,

COMPARATIVE BALANCE SHEET AS AT DECEMBER 31, 2020

POS	ITION TITLE	АОР	CNB DECISION	ANNUAL REPORT	DIFFERENCE
ASS	ETS				
1.	FUNDS. CENTRAL BANK MONETARY CLAIMS AND OTHER				
	DEMAND DEPOSITS (AOP 002 DO 004)	001	768,207	930,828	(162,621)
	1.1. CASH IN HAND	002	46,503	46,507	(4)
	1.2. MONETARY CLAIMS ON CENTRAL BANKS	003	590,147	750,379	(160,232)
	1.3. OTHER DEMAND DEPOSITS	004	131,557	133,942	(2,385)
2.	FINANCIAL ASSETS HELD FOR TRADING (AOP 006 DO				
	009)	005	0	0	0
	2.1. DERIVATIVES	006	0	0	0
	2.2. EQUITY INSTRUMENTS	007	0	0	0
	2.3. DEBT SECURITIES	008	0	0	0
	2.4. LOANS AND ADVANCES	009	0	0	0
3.	NON-TRADABLE FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS				
	(AOP 011 DO 013)	010	183,533	183,533	0
	3.1. EQUITY INSTRUMENTS	011	183,533	183,533	0
	3.2. DEBT SECURITIES	012	0	0	0
	3.3. LOANS AND ADVANCES	013	0	0	0
4.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR				
	LOSS (AOP 015 + 016)	014	0	0	0
	4.2. DEBT SECURITIES	015	0	0	0
	4.3. LOANS AND ADVANCES	016	0	0	0
5۰	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER				
	COMPREHENSIVE INCOME (AOP 018 DO 020)	017	714,122	714,122	0
	5.1. EQUITY INSTRUMENTS	018	36,779	36,779	0
	5.1. DEBT SECURITIES	019	677,343	677,343	0
	5.2. LOANS AND ADVANCES	020	0	0	0
6 .	FINANCIAL ASSETS AT AMORTIZED COST (AOP 022+023)	021	2,101,775	1,930,653	171,122
	6.1. DEBT SECURITIES	022	23,754	23,754	0
	6.2. LOANS AND ADVANCES	023	2,078,021	1,906,899	171,122
7.	DERIVATIVES - HEDGE ACCOUNTING	024	0	0	0
8.	CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN THE PORTFOLIO HEDGING AGAINST INTEREST RATE RISK	025	0	0	0
9.	INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND				
J .	ASSOCIATES	026	0	0	0
10.	TANGIBLE ASSETS	027	105,123	105,124	(1)
11.	INTANGIBLE ASSETS	028	42,624	42,623	1
12.	TAX ASSETS	029	8,101	5,151	2,950
13.		030	1,980	24,400	(22,420)
	NON-CURRENT ASSETS AND DISPOSAL GROUPS				
	CLASSIFIED AS HELD FOR SALE	031	11,967	998	10,969
15.	TOTAL ASSETS (AOP 001 + 005 + 010 + 014 + 017 + 021 + 024 DO 031)	032	3,937,432	3,937,432	0

POS	ITION TITLE	AOP	CNB DECISION	ANNUAL REPORT	DIFFERENCE
LIAE	BILITIES				
16.	FINANCIAL LIABILITIES HELD FOR TRADING				
	(AOP 034 DO 038)	033	0	0	0
	16.1. DERIVATIVES	034	0	0	0
	16.2. SHORT POSITIONS	035	0	0	0
	16.3. DEPOSITS	036	0	0	0
	16.4. DEBT SECURITIES ISSUED	037	0	0	0
	16.5. OTHER FINANCIAL LIABILITIES	038	0	0	0
17.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH				
	PROFIT OR LOSS (AOP 040 DO 042)	039	0	0	0
	17.1. DEPOSITS	040	0	0	0
	17.2. DEBT SECURITIES ISSUED	041	0	0	0
	17.3. OTHER FINANCIAL LIABILITIES	042	0	0	0
18.	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST				
	(AOP 044 DO 046)	043	3,413,656	3,396,434	17,222
	18.1. DEPOSITS	044	3,297,871	3,297,870	1
	18.2. DEBT SECURITIES ISSUED	045	98,564	98,564	0
	18.3. OTHER FINANCIAL LIABILITIES	046	17,221	0	17,221
19.	DERIVATIVES - HEDGE ACCOUNTING	047	0	0	0
20.	CHANGES IN THE FAIR VALUE OF HEDGED ITEMS WHEN HEDGING A PORTFOLIO AGAINST INTEREST RATE RISK	048	0	0	0
21.	RESERVATIONS	049	5,350	5,350	0
22.	TAX LIABILITIES	050	688	0	688
23.	SHARE CAPITAL RETURNED ON DEMAND	051	0	0	0
24.	OTHER LIABILITIES	052	36,223	54,133	(17,910)
25.	LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	053	0		0
26.	TOTAL LIABILITIES (AOP 033 + 039 + 043 + 047 DO 053)	054	3,455,917	3,455,917	0
	ITAL				
27.	SHARE CAPITAL	055	267,500	267,500	0
28.	STOCK PREMIUM	056	3,015	3,015	0
29.	EQUITY INSTRUMENTS ISSUED OTHER THAN EQUITY	057	0	0	0
30.	OTHER EQUITY INSTRUMENTS	058	0	0	0
31.	ACCUMULATED OTHER COMPREHENSIVE INCOME	059	(878)	0	(878)
32.	RETAINED EARNINGS	060	6,102	6,102	0
33.	REVALUATION RESERVES	061	0	0	0
34.	OTHER RESERVES	062	195,141	194,263	878
35.	TREASURY STOCKS	063	(1,184)	(1,184)	0
36.	PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE		• • • • • •		
	PARENT COMPANY	064	11,819	11,819	0
37.	DIVIDENDS DURING THE BUSINESS YEAR	065	0	0	0
38.	MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	066	0	0	0
39.	TOTAL CAPITAL (AOP 055 DO 066)	067	481,515	481,515	0
40.	TOTAL LIABILITIES AND CAPITAL (AOP 054+067)	068	3,937,432	3,937,432	0

The differences in the Bank's balance sheet items published in the annual financial statements relative to the balance sheet drawn up in accordance with the structure and content prescribed by the CNB's decision relate to the following positions and reclassifications:

The difference in the position Cash on hand relates to receivables for checks sent abroad to the amount of HRK 4 thousand which are included in the item Other assets under the CNB Decision.

The difference in the amount of HRK 160,232 thousand relates to the allocated reserve requirements, which are held in a separate position within the Annual Report as funds held at the Croatian National Bank, and according to the CNB Decision these receivables are included in the item Loans and advances at amortized cost,

The difference in the item Other demand deposits in the amount of HRK 2,385 thousand relates to a deposit with a financial institution that, according to the CNB Decision, is included in the item Loans and advances at amortized cost, while in the Annual Report the concerned deposit is included in the item Placements with other banks,

The difference within Loans and advances at amortized cost in the amount of HRK 1,390 thousand relates to short-term deposits with financial institutions which are included in the Loans and advances item under the CNB Decision, and in the Annual Report the concerned deposits are included in the item Placements with other banks,

The difference in the amount of HRK 8,506 thousand relates to receivables on fees which are presented in the item Other Assets in the Annual Report, and according to the CNB Decision are shown in the item Loans and advances at amortized cost.

According to the CNB Decision, tangible assets include investments in property, plant and equipment (IAS 16) in the amount of HRK 48,981 thousand, right-of-use assets (IFRS 16) in the amount of HRK 14,895 thousand and investments in property carried under IAS 40 in the amount of HRK 41,247 thousand, while in the Annual Report these investments are included in separate items of property: 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), Investments for the purpose of improving tangible assets under operating leases are disclosed under the CNB Decision under the heading Intangible assets, while in the Annual Report those are included in the item Tangible assets in the amount of HRK 1 thousand.

The difference relates to current tax receivables in the amount of HRK 2,950 thousand, which are presented in the item Other assets in the Annual Report.

The difference refers to the reclassification of acquired assets in exchange for uncollected receivables in the amount of HRK 10,970 thousand (which is not kept under IFRS 5 or IAS 40) and is included in Other Assets in the Annual Report, while included in the position of Assets and disposal groups classified as held for sale under the CNB Decision.

Liabilities and equity

According to the CNB's Decision, Deposits at amortized cost include all deposits and loans received from customers in the amount of HRK 3,297,871 thousand, while in the Annual Report these items are presented in separate positions: deposits in the item Bank liabilities in the amount of HRK 28,203 thousand as well as in the item Loans to

Assets

customers in the amount of HRK 2,767,069 thousand and loans received in the item Other borrowed funds in the amount of HRK 502,598 thousand.

The difference in the item Other financial liabilities at amortized cost in the total amount of HRK 17,221 thousand refers to payables related to right-of-use assets in the amount of HRK 15,211 thousand, fees payables in the amount of HRK 467 thousand, liabilities for unpaid dividends in the amount of HRK 76 thousand and other liabilities in the amount of HRK 1,468 thousand, These liabilities are included in the Other liabilities item in the Annual Report.

The difference in the item Tax liabilities in the amount of HRK 688 thousand relates to the reclassification in the annual report in which these liabilities are included in the item Other liabilities.

According to the CNB Decision, accumulated other comprehensive income in the amount of HRK -878 thousand is presented in a separate item within Capital, while in the annual report this amount is included in the item Other reserves.

COMPARATIVE VIEW OF THE PROFIT AND LOSS STATEMENT AND THE STATEMENT OF OTHER COMPREHENSIVE INCOME AS AT 31 DECEMBER 2020

POSITION TITLE		AOP	CNB DECISION	ANNUAL REPORT	DIFFERENCE	
1.	INTEREST INCOME	001	100,050	100,050	0	
2.	INTEREST EXPENSES	002	13,518	13,518	0	
3.	EXPENDITURE ON SHARE CAPITAL RETURNED ON REQUEST	003	0	0	0	
4.	DIVIDEND INCOME	004	644	0	644	
5.	FEE AND COMMISSION INCOME	005	38,320	38,320	0	
6.	FEE AND COMMISSION EXPENSES	006	15,228	15,228	0	
7.	GAINS OR LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	007	9,981	0	9,981	
8.	GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING, NET	008	5,136	0	5,136	
9.	GAINS OR LOSSES ON NON-TRADABLE FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	009	4,813	0	4,813	
10.	GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	010	0	0	0	
11.	GAINS OR LOSSES ON HEDGE ACCOUNTING, NET	011	0	0	0	
12.	FOREIGN EXCHANGE DIFFERENCES (PROFIT OR LOSS), NET	012	158	0	158	
13.	GAINS OR LOSSES ON DERECOGNITION OF NON-FINANCIAL ASSETS, NET	013	(518)	0	(518)	
14.	OTHER OPERATING INCOME	014	4,807	24,472	(19,665)	
15.	OTHER OPERATING EXPENSES	015	6,653	0	6,653	
16.	TOTAL INCOME FROM OPERATIONS, NET (AOP 069 - 070 - 071 + 072 + 073 - 074 + 075 DO 082 - 083)	016	127,992	134,096	(6,104)	
17.	ADMINISTRATIVE EXPENDITURE	017	76,678	87,308	(10,630)	
(SH CONTRIBUTIONS TO RESOLUTION COMMITTEES AND OSIT INSURANCE SCHEMES)	018	6,220	0	6,220	
18.	AMORTIZATION	019	9,483	9,483	0	
19.	GAINS OR LOSSES ON CHANGES, NET	020	0	0	0	
20.	RESERVATIONS OR CANCELLATIONS	021	(154)	0	(154)	
21.	IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF FINANCIAL ASSETS THAT NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	022	19,890	22,262	(2,372)	
22.	IMPAIRMENT OF OR IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	023	0	0	0	
23.	IMPAIRMENT OR ELIMINATION OF IMPAIRMENT OF NON- FINANCIAL ASSETS	024	0	0	0	
24.	NEGATIVE GOODWILL RECOGNIZED IN PROFIT OR LOSS	025	0	0	0	
25.	SHARE OF PROFIT OR LOSS FROM INVESTING IN SUBSIDIARIES. JOINT VENTURES AND ASSOCIATES CALCULATED USING THE EQUITY METHOD	026	0	0	0	

26.	PROFIT OR LOSS ON NON - CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS INTENDED FOR SALE THAT DO NOT QUALIFY AS A BUSINESS THAT WILL NOT CONTINUE	027	(717)	0	(717)
27.	PROFIT OR LOSS BEFORE TAX FROM OPERATING OPERATIONS (AOP 084 - 085 - 086 + 087 - 088 DO 091+ 092 DO 094)	028	15,158	15,043	115
28.	TAX EXPENSE OR INCOME RELATED TO THE PROFIT OR LOSS FROM CONTINUING OPERATIONS	029	3,224	3,224	0
29.	PROFIT OR LOSS AFTER TAX FROM OPERATING OPERATIONS (AOP 095 - 096)	030	11,934	11,819	115
30.	PROFIT OR LOSS AFTER TAX FROM OPERATIONS THAT WILL NOT CONTINUE (AOP 099 - 100)	031	(115)	0	(115)
	30.1. PRE-TAX PROFIT OR LOSS FROM OPERATIONS THAT WILL NOT CONTINUE	032	(115)	0	(115)
	30.2. TAX OR BUSINESS-RELATED EXPENSES THAT WILL NOT CONTINUE	033	0	0	0
31.	PROFIT OR LOSS FOR THE CURRENT YEAR (AOP 097 + 098; 102 + 103)	034	11,819	11,819	0
32.	BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	035	0	0	0
33.	BELONGS TO THE OWNERS OF THE PARENT COMPANY	036	11,819	11,819	0

POSITION TITLE		АОР	CNB DECISION	ANNUAL REPORT	DIFFERENCE			
OTHER COMPREHENSIVE INCOME REPORT								
1.	PROFIT O	R LOSS FOR THE CURRENT YEAR (AOP 101)	037	11,819	11,819	0		
2.	OTHER CO	DMPREHENSIVE INCOME (AOP 106 + 118)	038	(5,337)	(5,337)	0		
		IS THAT WILL NOT BE RECLASSIFIED TO PROFIT OSS (AOP 107 DO 113 + 116 + 117)	039	(1,629)	(1,629)	0		
	2.1.1.	TANGIBLE ASSETS	040	0	0	0		
	2.1.2.	INTANGIBLE ASSETS	041	0	0	0		
	2.1.3.	ACTUARIAL GAINS OR LOSSES ON EMPLOYER- SPONSORED RETIREMENT PLANS	042	0	0	0		
	2.1.4.	NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	043	0	0	0		
	2.1.5.	SHARE OF OTHER RECOGNIZED INCOME AND EXPENSE FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	044	0	0	0		
	2.1.6.	CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	045	(2,160)	(2,160)	0		
	2.1.7.	GAINS OR LOSSES ON ACCOUNTING FOR THE PROTECTION OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, NET	046	0	0	0		
	2.1.8.	CHANGES IN THE FAIR VALUE OF EQUITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGED ITEM)	467	0	0	0		

2.1.9.	CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGING INSTRUMENT)	048	0	0	0
2.1.10.	CHANGES IN THE FAIR VALUE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS ATTRIBUTABLE TO CHANGES IN CREDIT RISK	049	0	0	0
2.1.11.	INCOME TAX RELATING TO ITEMS THAT WILL NOT BE RECLASSIFIED	050	531	531	0
2.2. ITEMS THA (AOP 119)	AT CAN BE RECLASSIFIED TO PROFIT OR LOSS DO 126)	051	(3,708)	(3,708)	0
2.2.1	PROTECTION OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE SHARE)	052	0	0	0
2.2.2.	FOREIGN CURRENCY TRANSLATION	053	0	0	0
2.2.3.	cash flow hedges (effective interest rate))	054	0	0	0
2.2.4.	RISK PROTECTION INSTRUMENTS (ELEMENTS NOT SPECIFIED)	055	0	0	0
2.2.5.	DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	056	(4,522)	(4,522)	0
2.2.6.	NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	057	0	0	0
2.2.7.	SHARE OF OTHER RECOGNIZED INCOME AND EXPENSE FROM INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	058	0	0	0
2.2.8.	INCOME TAX RELATING TO ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS	059	814	814	0
	MPREHENSIVE INCOME FOR THE CURRENT P 104 + 105 I AOP 128 + 129)	060	6,482	6,482	0
-	O MINORITY INTEREST (NON-CONTROLLING	061	0	0	0
interest)		001	0	0	0

Comparative view of the Profit and Loss Statement and the Statement of other comprehensive income as at 31 December 2019 (continued)

According to the CNB Decision, dividend income is presented in a separate position, while in the Annual Report this income is included in the item Other net operating income.

Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss include net realized gains on securities that are measured at fair value through other comprehensive income in the amount of HRK 7,638 thousand included in the item Other net operating income in the Annual Report and expense on other liabilities in the amount of HRK 2,342 thousand included in the administrative expenses in the Annual Report.

In the Annual Report, the total amount of gains on foreign currency sale and purchase transactions in the amount of HRK 5,136 thousand is included in Other net operating income. The total amount of HRK 4,813 thousand from the adjustment and sale/ purchase of securities within portfolio at fair value through profit or loss is included in the item Other net operating income in the Annual Report.

In accordance with the CNB Decision, foreign exchange differences in the amount of HRK 158 thousand are presented in a separate position, of which HRK 1,284 thousand relates to foreign exchange losses on adjustments included in the item Impairment and provisioning costs in the Annual Report and gains in the amount of HRK 1,442 thousand from other net exchange differences included in the item Other net operating income in the Annual Report.

Net gains on derecognition of non-financial assets in the amount of HRK 518 thousand are included in the item Impairment and provisioning expenses in the Annual Report.

Other operating expenses include other non-interest expenses such as taxes, contributions, membership fees and similar expenses in the amount of HRK 6,567 thousand included in the item Administrative expenses in the Annual Report as well as expense of HRK 86 thousand related to the unrecorded value of tangible assets included in the item Other net operating income in the Annual Report.

Cash contributions to resolution committees and deposit insurance systems includes the costs of savings deposit insurance premiums in the amount of HRK 6,107 thousand and the costs of taxes, contributions and similar expenses in the amount of HRK 113 thousand, which are included in the item Administrative expenses.

According to the CNB Decision, the costs of provisions for contingent liabilities are disclosed in a separate item, while in the annual report they are disclosed in the item Impairment costs and provisions.

Revenues from the collection of written-off receivables from previous years in the amount of HRK 8 thousand are included, according to the CNB Decision, in the position Impairment or (-) reversal of impairment of financial assets not measured at fair value through profit or loss, and in the annual report these revenues are included in Other net operating income.

In accordance with the CNB Decision, the impairment of acquired assets held for sale in the amount of HRK 717 thousand is stated in a separate position, while in the Annual Report this impairment is included in the Impairment and provisioning costs.

According to the CNB Decision, the item Profit or loss before tax from operations that will not continue includes extraordinary income in the amount of HRK 70 thousand, which in the annual report is included in Other net operating income and other non-standard expenses in the amount of HRK 185 thousand, which are included in the annual report in Administrative operating expenses.

Reconciliation of the Statement of cash flows and the Statement of changes in equity

Inconsistencies within positions of the Statement of cash flows in the Annual Report relative to Statement of cash flows prepared in accordance with the CNB Decision are conditioned by a different methodology and arise from different structures and contents, that is, differences in the classification of individual positions of assets, liabilities and capital. The same applies to the Statement of changes in equity.

APPENDIX II – OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Law on Credit Institutions, Article 164, Podravska Bank publishes the following information.

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

- 1. receiving deposits or other repayments from the public and granting loans from these funds for your own account,
- 2. receiving deposits or other repayable funds,
- 3. granting of loans and borrowings, including consumer credits and loans and mortgage credits and loans, if permitted by special law, and the financing of commercial transactions, including export financing on a discounted basis and without recourse to long-term overdue claims secured by financial instruments (forfeiting),
- 4. purchase of receivables with or without recourse (factoring),
- 5. financial leasing (leasing),
- 6. issuing guarantees or other warranties,
- 7. trading for own account or for account of the client:
 - money market instruments,
 - transferable securities,
 - foreign exchange, including exchange transactions,
 - financial futures and options,
 - currency and interest rate instruments,
- 8. payment services, as follows:
 - 1) services that allow cash to be deposited into a payment account as well as all the procedures required to maintain a payment account;
 - 2) services that enable cash withdrawals from the payment account as well as all the procedures required to maintain the payment account;
 - 3) payment transaction execution services, including the transfer of funds to a payment account with a payment service user or another payment service provider:
 - execution of direct debits, including one-off direct debits,
 - execution of payment transactions by 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 a payment service user:
 - execution of direct debits, including one-off direct debits,
 - execution of payment transactions by payment cards or similar means,
 - execution of credit transfers, including standing orders;
 - 5) services of issuing and / or accepting payment instruments;
 - 6) money delivery 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 provision 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
 - services for the implementation of offers, i,e, sale of financial instruments subject to the repurchase obligation
 - services for the implementation of the offering or 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 insurance instruments
 - granting credits or loans to investor to enable it to conclude 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
 - services related to the services of implementation of the offer, i,e, 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

	31.12.2020	31.12.2019
TOTAL INCOME	134,096	147,109
PROFIT BEFORE TAX	15,043	27,414
INCOME TAX	(3,224)	(6,068)
NUMBER OF WORKERS BASED ON FULL-TIME EQUIVALENT (PAID WORKING HOURS) PER YEAR	182	181

In 2020 and 2019, the Bank did not receive any public subsidies.