



ANNUAL REPORT 2022

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**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 Bank's business results for 2022. Although 2022 was under influence of geopolitical challenges caused by Russia's invasion of Ukraine and increased inflation with the consequent increase in market interest rates, Podravska banka achieved a good result and maintained its position as a leading small bank on the Croatian financial market.

The financial markets during 2022 were marked by negative trends and by significant increase in interest rates as a response to the high levels of inflation. Despite the aforementioned global macroeconomic trends, as a result of positive fiscal and monetary results and as a result of accession to the Schengen area and the Eurozone, Croatia's credit rating was revised to a higher level in 2022 by all three agencies, with a stable outlook.

Podravska banka acted decisively in dealing with negative trends in the financial markets and with risks arising from inflationary pressures and geopolitical challenges, both in terms of its own operations and in the community. At all times, the Bank ensured a high level of capital adequacy, business continuity and services quality, while at the same time taking care of the health of its employees and clients. Timely identification and risk management and proactive approach toward clients affected by inflation, increased interest rates and clients whose business is related to war-affected areas, resulted in good business and operational performance indicators. Additionally, the Bank's capital position was strengthened as a result of the change in the business model for debt securities management from a portfolio held to collect cash flows and sell to a portfolio held to collect cash flows, which was recognized during 2023.

By the size of assets and total capital at the end of 2022, the Bank ranks 10th among twenty banks in Croatia. The Bank's total assets at the end of 2022 amount to HRK 4.6 billion, which represents an increase of over 9% compared to the previous year. Compared to the previous year, total customer deposits grew by 11% and amounted to HRK 3.5 billion. Total gross loans to clients during the past year increased by 10% to HRK 2.6 billion, whereby retail loans grew by 2% and corporate loans grew by 19%.

During 2022, the Bank actively worked on improving digital channels and preparing the Bank for the transition to the euro as the national currency, and the emphasis was on quality support to the clients, partners and the local community. The Bank successfully finalized the activities for the introduction of the euro without interruption in its operations and continues with activities that enable the acquisition of new clients along with the development of digital tools accompanied by the integration of a number of services.

In the coming 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 maintain a focus on the needs of clients and, accordingly, to develop products with the aim of establishing long-term relationships. The strengthening of commercial activities towards the retail and corporate sectors continues, while avoiding highly concentrated exposures. Through active risk management, market diversification and raising the quality of services, Podravska banka's goal is to continue to maintain its position as a leading small bank on the Croatian banking market.

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

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

Chairman of the Supervisory Board
Miljan Todorovic



ANNUAL REPORT OF THE MANAGEMENT BOARD

The Management Board of Podravska banka d.d. presents the results of its operations for the year 2022

In 2022, Podravska banka generated a profit before tax in the amount of HRK 16.1 million, which represents 21% increase compared to the previous year. Although 2022 was affected by increased inflation, rising interest rates and geopolitical challenges caused by Russia's invasion of Ukraine, the good result is due to the Bank's business strategy and strong capital and liquidity position.

During 2022, the Bank actively worked on the improvement of digital channels and on the preparation for the transition to the euro with emphasis on quality support to clients, partners and the local community. The process of digitalization continued and to a large extent was completed which resulted in growth in all business segments. Also, staff training and new employments continued, and further measures were taken in order to optimize operating costs.

The previous year was marked by inflationary pressures, an increase in interest rates, which had a significant impact on the financial markets, and significant geopolitical pressures, along with the simultaneous adjustment of the Bank's operations as well as the entire Croatian market to the transition to the euro as the official currency in 2023. Under these conditions the Bank paid special attention to risk management, managing the loan portfolio in accordance with business policies and applicable standards and further investment in digitalization.

By the size of its assets and total capital at the end of 2022, the Bank occupied the 10th place among twenty banks in Croatia. The total assets of the Bank at the end of 2022 amounted to HRK 4.6 billion, which represents an increase of 9% compared to the previous year. Total customer deposits increased by 11% year-on-year and amounted to HRK 3.5 billion. In 2022, total gross loans to customers increased by 10% and stood at HRK 2.6 billion, while retail loans increased by 2% and corporate loans by 19%.

The Bank remains highly capitalised with a regulatory capital rate peaking at 19.3% at the end of 2022. The regulatory capital at the end of 2022 amounted to HRK 512.4 million. Capitalization and liquidity have increased, and the Bank is successfully meeting all customer needs. During 2022, subordinated bonds in the amount of EUR 6.8 million were issued, which further strengthened the Bank's capital position, while on January 1, 2023, based on a change in business model, the Bank reclassified the portfolio of debt securities from a portfolio valued at fair value through other comprehensive income to a portfolio valued at amortized cost, which further strengthened the Bank's capital position.

The Bank's operating income amounts to HRK 161.3 million and in its structure the share of net interest income is 60%, net income from fees and commissions is 19%, while other income participates with 21%. The Bank's net interest income increased by 9%, while net fee and commission income increased by 20% compared to the same period last year. The profit for the year amounts to HRK 12.2 million.

The Bank's business result for the past year was primarily influenced by positive macroeconomic trends, the war in Ukraine that caused a geopolitical and increased economic crisis in the world, and high inflation that influenced a strong increase in inter-

est rates. This resulted in relatively positive macroeconomic indicators but also a very uncertain and complex economic and political situation.

According to the latest available data, the global economy grew by 3.4% in 2022, which still indicates positive trends, but in a lower volume compared to 2021, when the global economy grew at a rate of 6.2%.

According to the latest European Commission's projection, domestic GDP increased by 6.3% in 2022 which is significantly higher than the estimated 3.5% at the EU level and puts Croatia in 4th place in terms of economic growth rate within the EU.

Upon adoption of The National Plan for the Changeover from the Croatian Kuna to the Euro, Croatia continued and successfully finalized the activities for the introduction of the euro as the national currency. The introduction of the euro represents a significant challenge in 2022 for all economic entities in the Republic of Croatia, and especially for banks which as the main distribution channel for the new currency. Banks have successfully adjusted their own information systems and harmonized with the new legislation. Based on all of the above, Croatia's credit rating was revised to a higher level in 2022 by all three significant rating agencies.

The Croatian banking system remains stable, highly capitalized and liquid. According to unaudited data, the total regulatory capital of the system on 31 December 2022 was 20.64%, which is one of the highest capitalization rates in Europe. At the end of the year, a total of twenty banks and one housing saving bank operated on the Croatian market whereby in 2022 some housing savings banks were incorporated with parent banks, while further consolidation of the market is expected in 2023 with the joining of Nova Hrvatska banka d.d. with Hrvatska poštanska banka d.d.

The European Commission estimates the growth of Croatian GDP in 2023 at the rate of 1.2%, which is slightly higher than the average foreseen for the euro area, which should amount to 0.9%, or 0.8% at the EU level. The fact that at the beginning of 2023 Croatia joined the Schengen area and the euro area will certainly have a significant contribution to growth. As a consequence of these events, additional reductions in costs, barriers to trade and investment growth could follow. It is expected that economic growth will accelerate during the year with the easing of inflationary pressures and the recovery of consumer sentiment. It is estimated that the biggest contribution to growth will continue to be household consumption with a high employment rate and continued pressure on wage growth, especially in the tourism sector. A reasonable growth in investments due to the use of EU funds and state investments is also expected. A negative impact on GDP growth could be manifested in weaker foreign demand for goods and services and growing imports.

The HICP inflation rate averaged 10.7% in 2022, which is above the euro area average (8.4%), but still below the most countries in Central and Eastern Europe. The biggest impact on the growth of inflation was the price increase in the service sector, processed food and industrial products, excluding energy.

During 2023, oil and food prices are expected to decrease, which should have an impact on reducing inflation, which should amount to around 6.5% in 2023, bringing it closer to the average forecast inflation of the euro area of 5.6%. By joining the euro area at the beginning of 2023 during the ECB's monetary policy tightening cycle, the adjustment of the reserve requirement ratio and the minimum required foreign currency claims to the ECB's instruments strongly increased the banks' free cash resources and will act in the direction of mitigating and slowing down the further deteriora-



tion of financing conditions on the domestic market. High and growing inflation in an environment of geopolitical and economic uncertainty prompted a large number of central banks to tighten monetary policy faster and more strongly than earlier expectations. In such circumstances, the financing conditions on the global financial markets continued to deteriorate, which was reflected in the further growth of market yields on debt securities of the Republic of Croatia, the costs of financing companies also began to rise, while no significant change in financial conditions has yet been observed in lending to households.

In the upcoming period, the Bank's operations will depend on the pace of economic recovery and the risks associated with the Ukrainian crisis, inflation and energy crisis. The Bank will continue to focus on customer needs and will accordingly develop products and services in order to improve and maintain long-term relationships.

In 2023, the Bank expects to continue economic growth. The planned development of the Bank is based on the assumption of a moderate positive economic and financial situation in Croatia with a slight increase in economic activity and still a significant rate of inflation and interest growth. In 2023, the Bank plans to focus most efforts on commercial activities, which will be subordinated to the overall structure of the Bank.

Finally, I take this opportunity to express my gratitude to all our clients and business partners for the trust and cooperation that obliges us to constantly improve our professional relationship.

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

Daniel Unger
President of the Management Board



DESCRIPTION OF OPERATIONS



OVERVIEW OF THE WORLD ECONOMY IN 2022

After almost returning to its pre-pandemic growth trajectory, the world economy slowed sharply after the start of Russia's invasion of Ukraine. In the months that followed, the negative effects of the war spilled over into the global economy through a pronounced rise in the prices of energy and other raw materials, mostly on European countries, where these effects were additionally reinforced by the great uncertainty regarding the supply of energy from the Russian market. On the other hand, difficulties in global supply chains continued to decrease, despite occasional closures of trade and production zones in China due to the application of highly restrictive epidemiological policies.

Along with the increasingly pronounced spillover of the prices of energy and other raw materials on final goods and services, the strong growth of consumer price inflation continued, which in many countries reached levels not recorded for several decades. The aforementioned prompted a tightening of monetary policies and, along with a reduced appetite for risk, led to a noticeable deterioration in global financing conditions.

After a slight contraction in the first half of 2022, the US economy returned to an upward trajectory in the third quarter. However, the quarterly growth rate of 0.6% in the third quarter can largely be attributed to a strong contraction in imports of goods and services which, along with continued growth in exports, made the largest contribution to GDP growth. On the other hand, the investment activity of the private sector continued to weaken in conditions of increased uncertainty and increasingly unfavourable financing conditions. The growth of personal consumption also slowed under the influence of high inflation, whereby consumption focused on durable goods continued to fall, while consumption in the service segment recovered sharply after the almost complete lifting of epidemiological measures. At the same time, the labour market remained extremely strong, with the unemployment rate decreasing to 3.7% of the workforce in October. Government spending also made a very slight positive contribution to economic growth in the third quarter, although most of the support measures introduced during the pandemic were gradually phased out. Annual inflation in the USA peaked in June (9.1%), after which it decreased to 7.7% by October. At the same time, core inflation stabilized slightly above 6% until October.

Despite the increased uncertainty, especially regarding energy supply, and increasingly pronounced price pressures, economic activity in the euro area continued to grow in the third quarter, although at a very modest rate of 0.2%. On the one hand, the abolition of most epidemiological measures since the beginning of the year contributed to the recovery of the service sector, which was especially felt in the tourist industry during the summer months. At the same time, the manufacturing sector was operating under increasing pressure from high energy costs and still present difficulties in supply chains, especially with regard to gas supply. Due to structural differences among individual member countries, uneven dynamics of economic activity have been recorded in the past few quarters. Thus, countries with a large share of services in GDP, such as Italy, Spain and the Netherlands, have achieved significantly

better results than, for example, Germany, which has mostly stagnated or recorded insignificant growth since the beginning of the year.

Inflation in the euro area has been on a strong rise since the beginning of the year and reached an annual level of 10.7% in October. Although energy and food prices made

the biggest contribution, annual growth in other consumer prices also accelerated, reaching 5% in October.

According to the IMF's latest available estimate, the global economy grew by 3.4% in 2022, with growth of 2% in the US, 3.5% in the euro area, 4.1% in the United Kingdom, 3% in China and a high 6.8% in India. Although the world economy grew at a rate of 3.4%, this represents a significant slowdown compared to 2021, when it grew at a rate of 6.2%.

OVERVIEW OF THE CROATIAN ECONOMY IN 2022

As in the rest of the world, the Croatian economy continued to recover during 2022, with a strong contribution from domestic demand and tourism spending. The European Commission estimates the growth of Croatian GDP in 2022 at 6.3%, which is significantly higher than the estimated 3.5% at the EU level and puts Croatia in 4th place in terms of economic growth rate within the EU. The growth of total exports contributed the most to the growth of real GDP, where the contribution of exports of goods and exports of services was almost equal. A positive contribution to growth was made by all components of domestic demand, and household consumption stands out among them with a growth rate.

In 2022, consumer price inflation (CPI) accelerated to 10.7% (from 2.7% in 2021). Different factors influence the acceleration of inflation. The high prices of energy and food and industrial raw materials on the world market gradually spilled over to domestic producer and consumer prices. The pressures resulting from the stagnation in global supply chains, despite their recent easing, also acted to accelerate price growth. In addition, the strong demand for services after the lifting of epidemiological measures contributed to the acceleration of inflation, which is largely related to the tourism demand of non-residents, in conditions of rising input costs, lack of qualified labour and rising wages in the hospitality industry. On the other hand, limiting the prices of some energy products and basic food products moderated the intensity of the acceleration of inflation.

So far, movements on the labour market have not significantly reacted to unfavourable economic trends. In the third quarter, the total number of employees increased by 0.5% compared to the previous three months, whereby the number of employees in the private sector increased, while at the same time the number of employees in the public sector decreased. The employment of workers from third countries (outside the European Union) and the employment of retired persons on a part-time basis also contributed to the growth of employment.

High and growing inflation in an environment of geopolitical and economic uncertainty prompted a large number of central banks to tighten monetary policy faster and more strongly than earlier expectations. In such circumstances, financing conditions on the global financial markets continued to deteriorate, which was reflected in the further growth of market yields on debt securities of the Republic of Croatia, and the costs of financing companies began to rise, while no significant change in financial conditions has yet been observed in lending to households.



MACROECONOMIC INDICATORS FOR CROATIA	2022.	2021.	2020.	2019.
GROSS DOMESTIC PRODUCT, MILLION EUROS IN CURRENT PRICES	49,5931	58,207	50,451	54,784
GROSS DOMESTIC PRODUCT ("GDP"),% CHANGE	6.3	13.1	-8.6	3.4
BDP PER CAPITA, EUROS	12,8681	15,006	12,464	13,476
PERSONAL CONSUMPTION,% CHANGE	5.9	9.9	-5.1	4.0
PUBLIC SPENDING,% CHANGE	2.2	3.0	4.3	3.1
INVESTMENTS,% CHANGE	5.6	4.7	-5.0	9.0
EXPORTS OF GOODS AND SERVICES,% CHANGE	25.4	36.4	-2.3	6.8
IMPORTS OF GOODS AND SERVICES,% CHANGE	26.1	17.6	-12.4	6.6
INDUSTRIAL PRODUCTION,% CHANGE	1.6	6.7	-3.4	0.5
UNEMPLOYMENT RATE (ILO) (% OF ACTIVE POPULATION)	6.9	7.6	7.5	6.6
CONSUMER PRICES,% CHANGE	10.7	2.7	0.0	0.8
GENERAL GOVERNMENT BALANCE (% OF GDP)	-1.8	-2.6	-7.3	0.2
CURRENT ACCOUNT BALANCE (% GDP)	-1.4	1.8	-0.5	2.9
EXTERNAL DEBT (% OF GDP)	73.3	81.1	81.8	74.1

Source: CNB, 1) on 30th September 2022 2) Erste Group Research

Although Croatia joined the euro area at the beginning of 2023 during the cycle of tightening of the ECB's monetary policy, adjustment of the reserve requirement ratio and minimum required foreign currency claims to the ECB's instruments, it strongly increased the banks' free cash resources and acted in the direction of mitigating and slowing down the further deterioration of financing conditions on domestic market. The annual growth of total corporate financing continued to intensify, mainly due to accelerated borrowing from domestic credit institutions. The annual growth of placements to households remained stable during the second half of the year, with the majority of credit activity still related to housing loans.

In September 2022, the Government of the Republic of Croatia adopted an additional package of anti-inflationary measures with an unfavourable effect on the balance of the general government, but with the second rebalancing in October, the deficit was revised downwards. Above all, this reflects a better-than-expected tax revenue inflow, which is largely due to the influence of more favourable cyclical trends and an increase in the general price level. When it comes to public debt, the increase in nominal GDP resulted in a decrease in the ratio of public debt to GDP in August to 70.4% from 78.4%, which was at the end of 2021.

Due to accession to the Schengen area and the Eurozone, Croatia's credit rating was revised to a higher level by all three agencies in 2022, with a stable outlook, and the Republic of Croatia currently has the following rating:

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

DESCRIPTION OF BANK'S OPERATIONS

PRODUCTS AND SERVICES

In accordance with the strategic guidelines of the Bank's operations, in 2022, the Bank continues with intensive commercial activities aimed at citizens and achieves a good business result, guided primarily by customer satisfaction, competitiveness and flexibility in providing financial support to clients.

Circumstances to which the Bank had to adapt due to earlier years during the pandemic and the introduced measures restricting access of clients to the Bank's branches had a positive effect on adapting to new technological possibilities that clients recognized as an advantage in performing financial services that are available to them at any time without going to the Bank.

Lower costs of accessing services, security of use, saving time because electronic banking services can be used anywhere and anytime, speed of transactions and easier and simpler insight into the client's business are advantages recognized by clients, which consequently led to an increase in digital users channel. Following market demands and client interest in order to retain existing clients and acquire new ones, the Bank will enrich its mobile and internet banking services with new redesigned services at the end of 2022.

The year 2022 was certainly marked by the preparation for the implementation of the National Plan for replacing the Croatian kuna with the euro, primarily through the activities of preparing an application system for the exchange of cash, conversion of deposits and loans, adjustment of ATMs and consumer protection.

A few months before the end of the year, the Bank dually stated the prices of its services, informed clients about all important changes related to the introduction of the euro, provided funds for advance supply of euros, and performed a large scope of various business activities with the aim of timely adjustment without additional fees for clients. The Bank also has access to the Code of Ethics which aimed at providing a reliable and transparent exchange of the Croatian kuna with the euro in a direct relationship with consumers.

In order to strengthen the quality of the service, numerous internal and external trainings were organized where the employees gained new knowledge and skills so that they could respond to all challenges as well as possible and be of service to clients.

Compared to the previous year and in 2022, we are recording an increase in deposits, which speaks of the confidence of clients, although the multi-year trend of overflowing term deposits in vista deposits has continued due to low interest rates.

The growth of the retail credit portfolio continues in 2022. In addition to cash and housing loans, there is a sense of demand for loans with purpose of settlement of liabilities to other banks, as well as energy efficiency project funding loans for residential buildings, which was recognised as an additional opportunity to acquire new customers, both individuals and businesses engaged in residential facility management.

In 2022, the Bank participated in the programme of the Real Estate Agency (APN) for the financing of purchase of real estate, i.e. 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.

In 2023, the Bank plans to continue with the growth of placements to both "citizens" and "trading companies", primarily in the part of cash and housing lending and refinancing of credit obligations in other banks for the target segment of clients, but also in other forms of placement (margin loans, Lombard loans based on the pledge of financial instruments and deposits, tourist loans, etc.), without taking increased risks (with regard to the loan amount, repayment terms).

In the card business segment, the migration of the portfolio to a new type of current account card, the Mastercard debit card, is in the final phase. Technological improvement enables greater acceptance at points of sale around the world, and its modern design has made a step forward in relation to the traditional perception of the card as a means of payment. In addition, with the implemented integration with the EFTPOS concentrator system, which enabled the Bank to connect with merchants who use singlePOS solutions at cash registers. This opens the way to contracting the acceptance of bank cards at large retailers with full coverage of services such as instalment payments or deferred payment. In addition to the above, the Bank continuously focuses its activities on the further acquisition of new users of the singlePOS solution.

DEPOSIT OPERATIONS

Total customer deposits as at 31 December 2022 amounted to HRK 3.5 billion and increased by 11.4% compared to the previous year. According to the sectoral structure of customer deposits, as at 31 December 2022, corporate deposits amounted to HRK 1.0 million and increased by 3.7%, while retail deposits amounted to HRK 2.5 billion and increased by 14.9%.

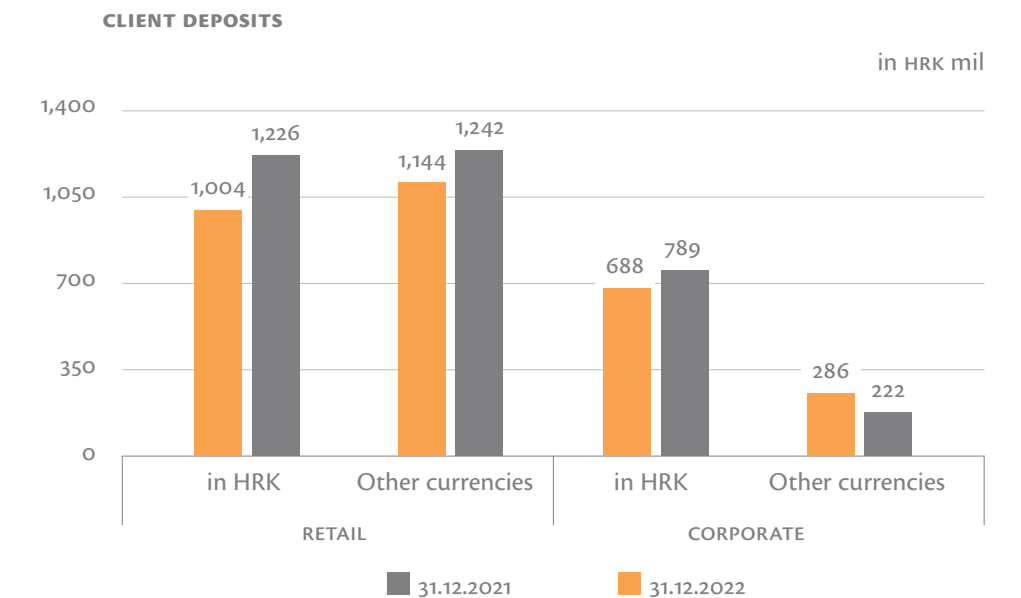
Value of clients' assets in custody as of 31 December 2022 amounted to HRK 847.1 million.

CLIENT DEPOSITS (IN HRK 000)	31 DEC 2022	31 DEC 2021	CHANGE 2022/2021
RETAIL	2,467,871	2,147,979	14.89%
CORPORATE	1,009,314	973,381	3.69%
TOTAL DEPOSITS	3,477,185	3,121,360	11.40%

RETAIL (IN HRK 000)	31 DEC 2022	31 DEC 2021	CHANGE 2022/2021
CROATIAN KUNA	1,225,618	1,004,251	22.04%
FOREIGN CURRENCY	1,242,253	1,143,728	8.61%
TOTAL DEPOSITS	2,467,871	2,147,979	14.89%

CORPORATE (IN HRK 000)	31 DEC 2022	31 DEC 2021	CHANGE 2022/2021
CROATIAN KUNA	786,853	687,791	14.40%
FOREIGN CURRENCY	222,461	285,590	-22.10%
TOTAL DEPOSITS	1,009,314	973,381	3.69%

According to the currency structure, in the retail segment, the share of kuna deposits slightly increased to 50%, while the share of foreign currency deposits decreased to 50%. In corporate segment, the share of kuna deposits decreased slightly to 78%, while the share of foreign currency deposits increased to 22%.



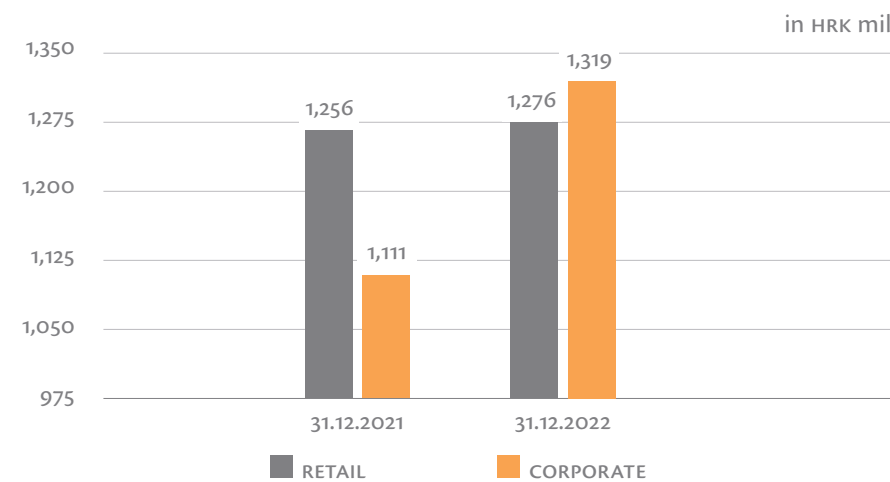
LENDING

Total gross loans to customers as at 31 December 2022 amounted to HRK 2.6 billion, 9.6% more than the previous year. If analysed by sectoral structure, as at 31 December 2022, corporate loans amounted to HRK 1.32 billion and increased by 18.7%, while retail loans amounted to HRK 1.28 billion and recorded an increase of 1.7%.

TOTAL LOANS TO CUSTOMERS (IN HRK 000)	31 DEC 2022	31 DEC 2021	CHANGE 2022/2021
TOTAL GROSS LOANS	2,595,309	2,367,067	9.64%
RETAIL	1,276,328	1,255,631	1.65%
CORPORATE	1,318,981	1,111,436	18.67%
TOTAL RESERVES ON LOANS	-232,485	-204,854	13.49%
TOTAL NET LOANS	2,362,824	2,162,213	9.28%

In the structure of total retail loans, the largest share is cash (35.4%) and housing loans (29.4%). In the structure of corporate loans, the largest share of placements is to the wholesale and retail trade sector (21.4%) manufacturing industry (13.6%) and agriculture and forestry (10.1%).

LOANS TO CUSTOMERS



During the past year, we continued to strengthen standard products and services to entrepreneurs. In order to meet the needs of clients and keep up with trends, the digitization of products continued. Special attention was paid to the improvement and new implementations of the POBAklik Internet banking and POBAgo mobile banking applications. Cooperation continued under the programs available to commercial banks, to which the Republic of Croatia, through the implementing institutions (HBOR and HAMAG-BICRO), issues guarantees to cover their exposures to the Bank.

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.

During the past year, the focus was on new client acquisitions, but also on expanding cooperation with the Bank's existing clients. Considering the specific situation in 2022 related to the rise in prices of energy and raw materials, great attention was paid to the impact of those moments on the business of existing and new clients, all with the aim of timely reaction and real understanding of the needs of business entities.

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 corporate loans. 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 corporate clients on 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.

A significant part of the products and services in 2022 was marketed to clients engaged in agricultural activities with grants from EU funds. Considering the general increase in energy prices on the market, the Bank directed more significant placements into the financing of renewable energy sources. The bank recognizes the need for more intensive

care for the environment and accordingly supports the financing of clients who are oriented towards environmentally acceptable activities. Based on the analysis carried out, at the end of the current year, the share of exposure of clients engaged in environmentally friendly activities amounts to 12% in relation to the Bank's total assets.

In 2023, the goal is to maintain positive growth trends in business with business entities. The plan is to further strengthen the status of a quality banking partner on the market through the expansion of cooperation with existing clients and quality acquisitions of new clients.

FINANCIAL MARKETS DIVISION

The financial markets sector operated in a very challenging environment of high inflation rates and rising interest rates. In view of the high inflation rates, all major central banks have started raising reference interest rates. The US FED was the most aggressive in this regard, raising interest rates from the level of 0%-0.25% to the level of 4.25%-4.50%. The European Central Bank increased the interest rate on overnight deposits from -0.50% to 2% at the end of the year, the interest rate for the main refinancing operations from 0% to 2.50% at the end of the year, and the interest rate for the possibility of borrowing to at the end of the day from 0.25 to 2.75%.

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.

Due to the growth of yields on the debt securities market, a portfolio of debt securities valued at amortized cost (ATR) was formed with the aim of collecting interest income, primarily by purchasing government bonds and bonds of credit institutions with an investment rating.

The value of the total portfolio of debt securities at the end of the year was HRK 841 million, of which HRK 202.8 million related to the bond portfolio valued at amortized cost. The dominant role in the portfolio is still played by government bonds of the Republic of Croatia and corporate issues of issuers from the Republic of Croatia, whose share in the portfolio is 51.9%. In the currency structure of the portfolio, 51.0% refers to the kuna segment, 33.1% to the euro and 13.4% to the dollar.

Additionally, during 2022, the business model of debt securities portfolio management was changed, and on January 1, 2023, the Bank reclassified the entire debt securities portfolio into a business model of holding for the purpose of collecting cash flows, i.e. into a portfolio valued at amortized cost.

In the asset structure of the share portfolio, the share of foreign shares is 44%, while according to the currency structure, the share of the dollar segment is 29%, and the share of the euro segment is 15%. The portfolio of equity securities as of December 31, 2022, amounted to HRK 32.4 million, which represents less than 1% of the Bank's total assets.

Although the Financial Markets Sector partially reduced exposure to equity securities during 2022, income from dividends increased by 30.8% compared to 2021.



In 2022, emphasis was also placed on the active management of the Bank's open foreign exchange position, which had extremely positive effects (profit from calculated exchange rate differences increased by 203.5%).

In 2023, in terms of excess liquid assets, it is planned to invest in securities, mainly in government bonds of the Republic of Croatia and bonds with the appropriate "rating".

PAYMENT OPERATIONS

The successful and safe functioning of payment transactions is extremely important for the entire financial system of every country, and its basic function is to enable the efficient use of money as a means of payment and the execution of cashless payment transactions, i.e. the transfer of funds from the payer to the payee. The provision of payment services in the Republic of Croatia is regulated by a number of laws and includes formal arrangements based on contracts and legislation, with standardized rules and contractual relationships for sending, clearing and settlement of obligations and instruments between participants, with technical support for the settlement of transactions. The digital age in which we live is rapidly changing the life needs of the Bank's clients, including their payment habits. Therefore, in 2022, the Bank implemented new digital and electronic banking services, POBAklik and POBAgo services.

With the national project to replace the kuna with the euro from January 1, 2023, when the euro becomes a legal tender, the Republic of Croatia joins the group of countries with more than 340 million people whose common currency is the euro. The year 2022 will be remembered as a year of huge technological refinements and harmonization of existing business processes in cash and non-cash payment transactions according to EU standards. During the national project, the Bank continuously provided all the necessary information and assistance to clients, consumers and business entities to introduce the new national means of payment into their operations as easily as possible. In accordance with the planned quantities and deadlines for the delivery of euro banknotes and coins, the bank was well supplied and organized and carried out a timely advance supply of euro cash to consumers and business entities for business in the first days after the introduction of the euro. With such an approach, the trust of the Bank's clients is ensured and regular business operations are enabled for the first working days of 2023.

The bank successfully completed this large project, while at the same time performing regular business tasks and achieving enviable results in payment transactions.

The Bank's total payment transaction in 2022 has increased by 10% compared to 2021, bringing the value of executed payment transactions to over HRK 22 billion. The number of non-cash transactions made through payment systems increased by 4.9%; national payment transactions recorded an increase of 5%, and cross-border and international transactions increased by 3%. The number of payment transactions made with swift increased significantly, by 12%, as well as the value of these transactions, by 61%.

Customer satisfaction, up-to-date and accurately executed payment services are best illustrated by the fact that, in addition to the increase in volume, the Bank also achieved a 12% increase in the part of payment transaction fees paid.

In 2022, the Bank continued the purchase and sale of equity and debt securities on the domestic and foreign markets for its own portfolio. It used the settlement and

storage services of Euroclear Bank Brussels, so the value of the completed purchase or sale settlements is over HRK 538 million. The bank is also an active participant in the capital market, and through CCDC, payments worth HRK 270 million were processed. According to the plans and conditions on the capital market, the Bank invested in foreign and domestic funds, and a settlement of over HRK 134 million was made.

By entering the EU payment system, Podravska banka will continue to develop and improve its services to clients in the coming years. In recent years, providers of payment services in the EU area have developed a new, fast, online 24 hours/365 days a year way of executing payment orders, called instant payment, so the Bank is facing a new challenge, the development of this payment service. The economic connection of citizens and entrepreneurs within the EU requires the Bank to transfer funds from the payer's account to the recipient's account safely. With the introduction of instant payment, the transfer of money from account to account is carried out in just a few seconds, so that the funds immediately become available to the recipient within the EU's SEPA payment system.

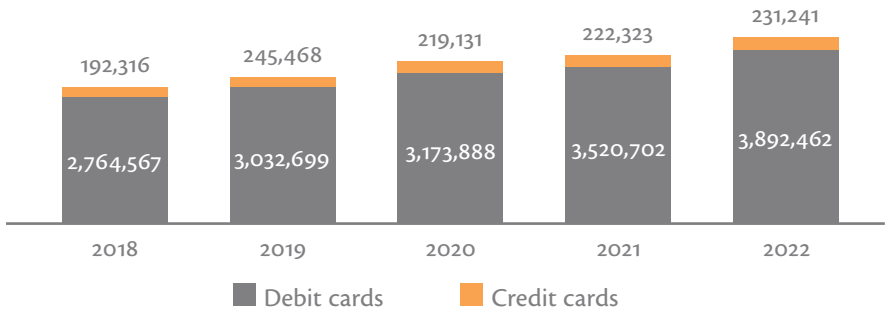
BUSINESS NETWORK AND DIRECT CHANNELS

At the end of 2022, the sales network consists of a total of 22 branches spread over almost the entire Republic of Croatia. In addition to the branched sales business network, banking services are also available to clients through other distribution channels - POBAklik online and POBAgo mobile banking services, ATMs, day-night vaults and EFTPOS terminals. Business information is also available to service users through the Info Center.

It is possible to accept Maestro, Mastercard, VISA and Diners cards at ATMs. In addition to its own network of ATMs, the Bank offers its clients a free cash withdrawal service at over 1,000 ATMs of the MB NET network throughout Croatia. Additionally, 422 EFTPOS terminals were installed and 1,759 singlePOS EFTPOS terminals were registered. The number of transactions on EFTPOS terminals in 2022 amounted to 463 thousand, or an average of 1,097 transactions per EFTPOS terminal. The number of transactions on singlePOS EFTPOS cash register terminals in 2022 amounted to 299 thousand, or 170 transactions per registered terminal.

The number of payment card transactions is also on the rise. At the end of 2022, compared to the year before, the number of card transactions increased by over 10%.

NUMBER OF CARD TRANSACTIONS

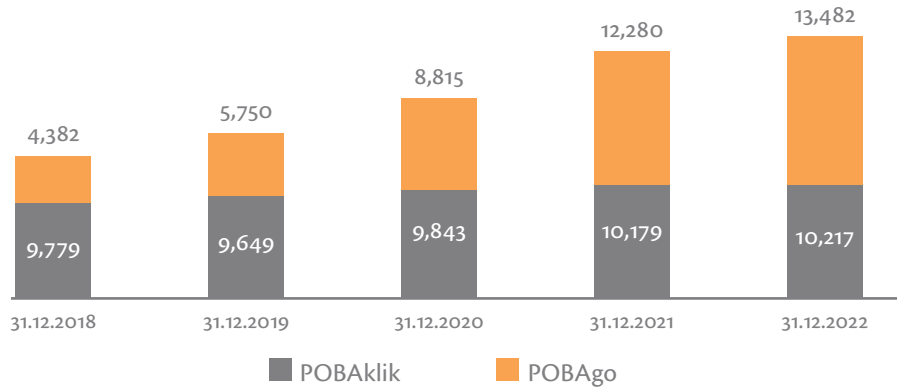


The total number of users of electronic services also recorded an increase, which at the end of 2022 was used by 5.5% of clients more than the previous year. The largest increase



is recorded by the mobile banking service (POBAgo), which is used by almost 10% more users compared to the previous year, while the number of users of the internet banking service (POBAklik service) is stable, with a noticeable slight increase due to the trend of migration of existing users in favor of the mobile banking service.

NUMBER OF USERS OF ELECTRONIC SERVICES



In the future, customer needs and preferences will encompass integrated distribution channels. Precisely for this reason, as part of the digitization project as a strategic determinant, the Bank will continue to improve its channels of communication and monitoring of clients through branches, the Internet, self-service devices, telephones and mobile phones.

ORGANISATION AND STAFF

As of December 31, 2022, the Bank had 235 employees, which is 3% more than the previous year. During 2022, 30 people were employed, mostly specialists in the field of risk and commercial, while at the same time a significant departure of 27 workers was recorded. Average age of employees on 31 December 2022 is 46 years old, and in the structure of employees from the total number of employees, 70% is the female population, while 52.0% of the total employees have higher and higher education. More than 50.0% of the Bank's employees are engaged in direct work with clients.

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 2022, the Bank strengthened the management of all risks to which the Bank is exposed in its operations, primarily by strengthening activities for the early collection of the Bank's due and unpaid claims and the management of the Bank's risky placements, forming a new Collection Sector, all with the aim of minimizing the credit risk as the Bank's most significant risk. In 2023, the Bank will continue to invest in the professional training of employees, and if necessary, employ competent and professional people, primarily in the domain of risk management, human resources management and specialists in the domain of dealing with clients in accordance with the development of the Business Network.

CAPITAL

At the end of the business year, the Bank's capital amounted to HRK 426.2 million and participated with 9.3% in the Bank's total sources of financing.

Compared to the previous year, the total capital is HRK 70.3 million lower, or 14.2% compared to the previous year. The decrease in capital is primarily the result of an increase in the negative effects of adjusting the fair value of securities valued at fair value through other comprehensive income by HRK 84.3 million. The profit of the previous year was allocated, based on the decision of the Bank's Assembly, to reserves, and thus the legal reserves of the Bank were increased by HRK 15.2 million compared to the previous year. The increase in retained earnings by HRK 1.8 million is the result of the sale of equity securities during the business year.

The share capital amounts to HRK 267.5 million, and consists of 668,749 registered ordinary shares, each with a nominal value of HRK 400.00. As of December 31, 2022, the Bank has a total of 3,324 treasury shares recorded at cost.

In 2022, no significant changes were recorded in the shareholder structure. As in the previous year, a group of shareholders, foreign individuals and legal entities acting jointly, holds 82.97% of the Bank's shares. During 2022, the Bank did not acquire its own shares during 2022.

From June 2022, the bank applies the temporary treatment of unrealized gains and losses that are measured through other comprehensive income based on Regulation (EU) 2020/873 when calculating the regular core capital.

With the application of temporary treatment, the regulatory capital at the end of 2022 amounts to HRK 512.4 million, of which HRK 394.1 million refers to core capital, and HRK 118.3 million to supplementary capital. The regulatory capital rate at the end of 2022 is 19.3%. Without the application of temporary treatment, regulatory capital at the end of 2022 amounts to HRK 483.1 million, of which HRK 364.8 million refers to core capital, and HRK 118.3 million to supplementary capital, and the rate of regulatory capital is 18.2%.

Additional capital includes the unamortized part of three issues of subordinated bonds issued in the total nominal amount of HRK 121.8 million.

PROFIT AND LOSS STATEMENT

In 2022, the Bank generated a profit before tax in the amount of HRK 16.1 million, while the net profit for the current year amounted to HRK 12.2 million.

Total operating income is increased by 21.0% compared to the previous year, with a significant increase in depreciation and provisioning costs as well as an increase in other operating costs.

Net interest income amounts to HRK 97.1 million and is higher by HRK 7.7 million, ie by 7.7% compared to the previous year. Interest income increased by 7.7% compared to 2021, while interest expenses compared to the previous business year.

In the structure of interest income, the share of interest income from retail segment is 51.5%, the share of interest income of corporate clients is 34.1%, while the remaining



part relates to income from other clients. In interest expenses, the largest part refers to individuals who participate with 44.5%, 42.2% relates to the costs of banks and the remaining 12.6% refers to the interest expenses related to other clients.

Net income from fees and commissions amounts to HRK 31.1 million, which is HRK 5.1 million more than in 2021 and represents an increase of 19.7% compared to the previous business year. During 2022, HRK 4.6 million more revenue from fees and commissions was generated compared to 2021, while the costs of fees and commissions increased by HRK 0.5 million compared to the same period last year.

Other net income from operations increased by HRK 15.2 million compared to the previous year, mostly due to the realization of the sale of part of the Bank's assets. Due to negative developments on the capital market in 2022, there were no positive effects from the realization and adjustment of securities that are carried at fair value.

In the structure of the Bank's operating income, the share of net interest income is 60.2%, net fee and commission income 19.3% and the share of other income is 20.5%.

Total administrative expenses, which include material costs and services and personnel costs, decreased by 9.2% compared to 2021, and due to new investments mostly in software and hardware and the impact of leases under IFRS16 throughout 2021. Depreciation costs increased by 10.8%. As of January 1, this year, the Croatian Deposit Insurance Agency suspended the collection of deposit insurance premiums from commercial banks until further notice, resulting in savings in premium costs of HRK 3.6 million compared to the same period last year.

During 2022, the costs of impairment and provisions increased significantly, which are HRK 22.7 million higher compared to the previous year, and mostly relate to the costs of loans to business entities. The achieved business results of Podravska banka at the end of 2022 are in line with the planned figures in almost all business segments.

MANAGEMENT AND GOVERNANCE

THE STATEMENT ON THE IMPLEMENTATION OF CORPORATE GOVERNANCE CODE

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 prescribed corporate governance measures with explanations with certain deviations within the Compliance Questionnaire and Management Practices 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 Statute of the Bank. Bank's shareholders exercise their rights at the General Assembly of the Bank, which decides on the issues determined by law and the Bank's Statute. The General Assembly is convened by the Management Board of the Bank and it must be convened when requested by the Supervisory Board, the Management Board or the shareholders, in accordance with law. Shareholders who wish to participate in the work of the General Assembly in person or by a proxy must notify their

participation in writing no later than by the fifth day prior to the holding of the General Assembly meeting. Each ordinary share of the Bank, with a nominal value of HRK 400.00, gives its holder the right to one vote.

In accordance with the provisions of the Statute, the Bank's Management Board consists of two to five members, and the decision on the final number of Management Board members is made by the Supervisory Board. The President and members of the Management Board are appointed by the Supervisory Board for a term of up to five years, with the possibility of re-appointment, with the prior consent of the Croatian National Bank. 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 Statute and a separate decision which 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 is obliged and authorised to undertake activities and adopt decisions necessary for the successful management of Bank's business.

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

The members of the Management Board must together have the professional knowledge, abilities and experience necessary for the independent and independent management of the Bank's affairs, and especially for understanding the affairs and significant risks, i.e. the collective suitability derived from the assessment of the suitability of an individual member of the Bank's Management Board to hold the office of president or member of the Bank's Management Board. The members of the Bank's Management Board are employed in the Bank full-time.

In accordance with the decision of the Supervisory Board, the Bank's Management Board in 2022 has three members, the president and two members of the Management Board, appointed for a term of three years.

Members of the Bank's Management Board as of the date of this Report:

- Daniel Unger, President of the Management Board (until 19 April 2022 member of the Management Board)
- Goran Varat, member of the Management Board (until 19 April 2022 President of the Management Board)
- Renata Vinković, member of the Management Board

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

The Supervisory Board has nine members elected and recalled by the General Assembly. The two members of the Supervisory Board are independent. Only a person who meets the conditions prescribed by laws and regulations governing the operations of credit institutions and who has obtained the prior consent of the Croatian National Bank to perform the function of a member of the Supervisory Board may be elected a member of



the Supervisory Board. Members of the Supervisory Board must meet the conditions for holding the position of member of the Supervisory Board prescribed by the Law on Companies, the Law on Credit Institutions and relevant by-laws and internal acts of the Bank.

The members of the Supervisory Board must together have the professional knowledge, abilities and experience necessary for independent and independent supervision of the Bank's affairs, and especially for understanding the affairs and significant risks, that is, the collective suitability derived from the assessment of the suitability of an individual member of the Supervisory Board to perform the function of a member of the Supervisory Board. The powers of the Supervisory Board are regulated by legal and by-laws, the Bank's Statute and other internal acts.

During 2022, five regular sessions of the Supervisory Board were held, and in addition, the Supervisory Board also made decisions in writing, whenever individual decisions had to be made without delay, mainly on the approval of the Supervisory Board on the Bank's exposure to individual clients in accordance with legal regulations. All members of the Bank's Supervisory Board were present at each session.

The Supervisory Board has established an Audit Committee and a Risk Committee, and the tasks of the Receipts Committee and the Appointments Committee are performed by the Supervisory Board. The scope and manner of work of the said committees is regulated by the regulations on the work of individual committees, in accordance with the relevant legal regulations. The members of the aforementioned committees are appointed from among the Supervisory Board.

Risk Committee members:

1. Sigilfredo Montinari – president of the Committee
2. Dolly Predović – member of the Committee
3. Dario Montinari – member of the Committee
4. Miljan Todorović – member of the Committee
5. Ezio Simonelli – member of the Committee

Audit Committee members:

1. Dolly Predović – president of the Committee
2. Michele Calcaterra Borri – member of the Committee
3. Sigilfredo Montinari – member of the Committee
4. Dario Montinari – member of the Committee
5. Miljan Todorović – member of the Committee

During 2022, the Audit Committee and the Risk Committee held four meetings in the presence of all members of the Committee and at which they discussed within their powers and responsibilities in accordance with the Bank's internal acts.

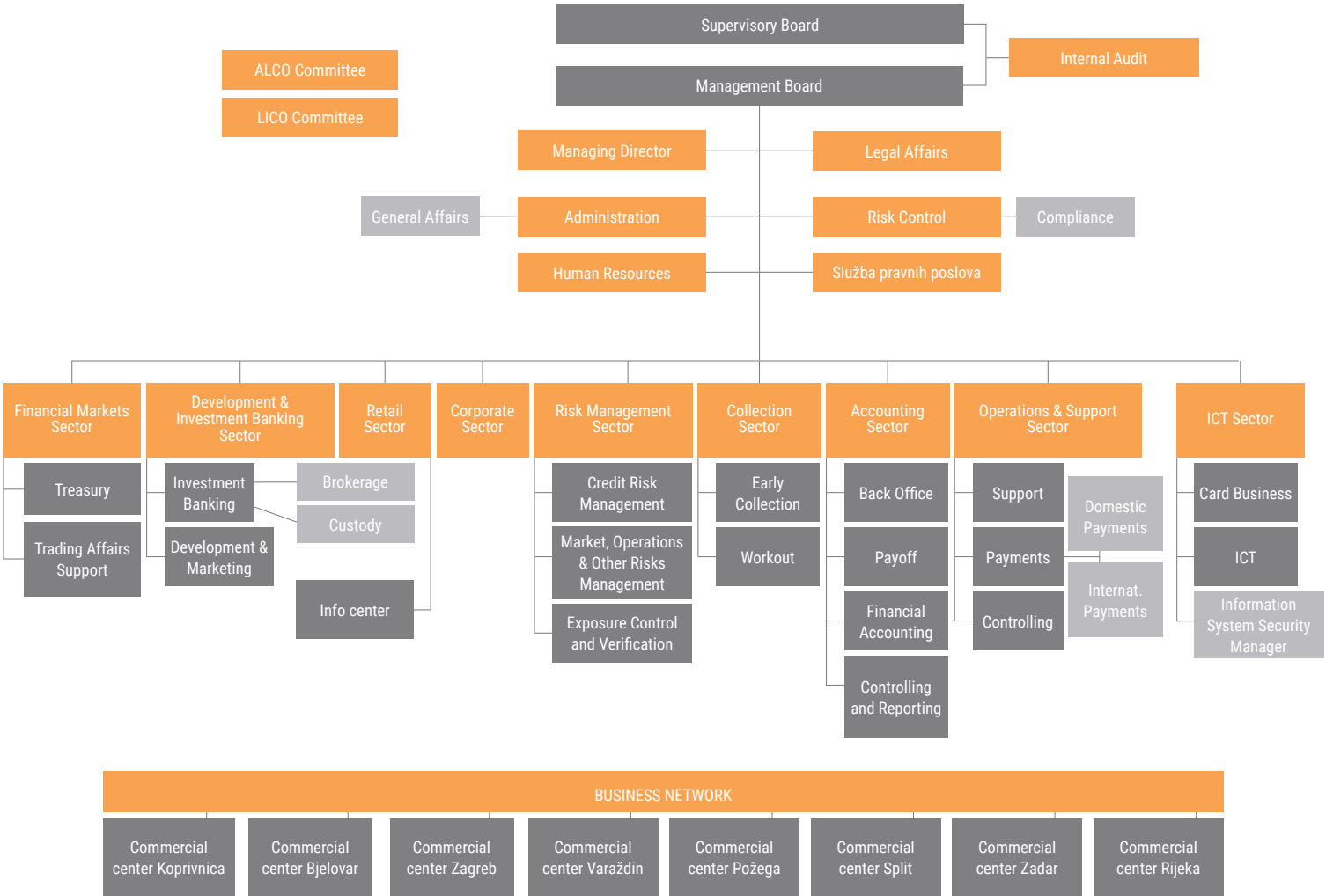
The diversity policy that is applied in relation to the members of the management and supervisory bodies has been established and is implemented in accordance with the adopted internal acts, the Policy on the target structure of the Bank's Management Board and the Policy on the target structure of the Supervisory Board.

The Rules on Amendments to the Bank's Articles of Association are contained in the Articles of Association. The decision on amendments shall be made by the General Assembly of the Bank in accordance with the law and the Articles of Association, by votes representing at least three quarters of the share capital represented at the General Assembly. Amendments to the Articles of Association are proposed by the Supervisory Board, the Management Board and the Bank's shareholders. In order to protect the interests of all

investors, shareholders, clients, employees and others who have an interest, the Bank has established high standards of corporate governance. In accordance with the provisions of the Companies Act, this Statement on the Application of the Corporate Governance Code is an integral part of the Annual Report on the Company's status for 2022.

The completed Questionnaire on the compliance of share issuers, which contains all answers and necessary clarifications, is publicly published and available on the websites of the Bank and the Zagreb Stock Exchange.

ORGANISATIONAL STRUCTURE OF PODRAVSKA BANKA





**FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER
2022 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 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 to conform with applicable accounting standards and then apply them consistently; making judgements and estimates that are reasonable and prudent; and preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Bank and the Group will continue in business.

The Management Board is responsible for the submission to the Supervisory Board of its of annual report for the Bank and the Group together with the annual financial statements for acceptance. If the Supervisory Board approves the annual financial statements, they are deemed confirmed by the Management Board and Supervisory Board.

The financial statements of the Bank on pages 41 to 113 were approved by the Management Board on 30 March 2023 for the purpose of their submission to the Supervisory Board, which is confirmed by the signature below.

The financial statements were approved by the Bank's Management Board on 30 March 2023 and signed by:

Daniel Unger	Goran Varat	Renata Vinković
Chairman of the Management Board	Member of the Management Board	Member of the Management Board
		
Koprivnica, 30 March 2023		



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INDEPENDENT AUDITOR'S REPORT

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

The report on the audit of the annual financial statements

Opinion

We have audited the financial statements of Podravska banka d.d., Opatička 3, Koprivnica ("the Bank"), which comprise the statement of financial position as at 31 December 2022, 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 (further referred to as "the annual financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the Bank's financial position as at 31 December 2022, and its financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Auditing Standards (IAS). Our responsibilities under these standards are further described in our independent auditor's report in 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 International Code of Ethics for Professional Accountants, including the International Standards of Independence issued by the International Ethics Standards Board for Accountants ("IESBA", "IESBA Code") and have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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 2022, gross loans to customers in the financial statements amount to HRK 2,595.3 million, related impairment allowance amounts to HRK 232.5 million and impairment loss recognised in the income statement amounts to HRK 41.0 million (31 December 2021: gross loans to customers: HRK 2,367.1 million, impairment allowance: HRK 204.9 million, impairment loss recognised in the income statement: HRK 8.3 million).

Key audit matter

We focused on this area due to the significance of the related amounts in the Bank's annual financial statements and also because of the nature of the judgements and assumptions that management are required to make.

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

IFRS requires Management to make judgments about the future and various items in the Bank's 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, expected proceeds from the realization of collateral and determination of the expected credit losses of loans to customers 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 individually significant clients, i.e. exposures to legal and natural persons which individually exceed the amount of HRK 300 thousand and for which default has occurred (non-performing exposures), 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 based on the present value of discounted future cash flows.

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

Historical experience, identification of exposures with a significant deterioration in credit quality, forward-looking

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 and the Group for recognizing impairment allowances for expected credit losses and comparing the reviewed methodology against the requirements of IFRS 9 Financial instruments within statutory reporting framework ("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,
- 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 in the areas of customer rating, 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,
- testing on the sample size basis the input information used in the provisioning process through, accuracy of

information and management judgment are incorporated into the model assumptions. The Bank is continuously recalibrating the model parameters which also requires our increased attention in the audit.

Related disclosures accompanying the annual financial statements

For additional information, see Note 2 to the Annual Financial Statements, which discloses accounting policies, Note 6 Impairment losses and provisions, and Note 14 Loans to customers.

the calculations by the IT applications and output information from the provisioning process for consistency and mathematical accuracy,

- in certain cases, we used our own judgment to determine the parameters for calculating impairment losses on loans and compared our calculations with the impairment of the value calculated by the Bank,
- evaluating the accuracy and completeness of the financial statement disclosures.
-

Valuation of investment property

As at 31 December 2022, the Bank's investment property amounted to HRK 21.4 million (31 December 2021: HRK 35.2 million). During 2022, the Bank conducted the assessment and valuation of the concerned assets. Based on the valuation carried out by independent qualified valuers (the "Valuers"), the Bank decreased the value of the concerned assets, 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 the Bank's investment property in the amount of HRK 1.4 million (31 December 2021: a decrease of HRK 0.6 million).

Key audit matter

The Bank has significant foreclosed assets obtained as part of collection of nonperforming loans.

The assets classified as investment properties partly refers to foreclosed assets obtained as part of collection of non-performing loans, while the other part refers to own real estate that is not used for the Bank's needs and is rented out with the aim of generating additional 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

- 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

Management is responsible for the other information. The other information comprises of the information included in the Annual Report but, does not include the separate and consolidated annual financial statements and our Independent auditor's report on them.

In connection with our audit of the separate and consolidated 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.

With respect to the Management 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 Bank's Management Board Report 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 contained in the Bank's Management Board Report and the relevant parts of the Statement on the Implementation of the Corporate Governance Code for the financial year for which the financial statements were prepared are harmonized, in all significant respects, with the Bank's annual financial statements presented on pages 41 to 113, to which we have stated opinion as set forth in the Opinion section above;
- the information given in the Bank's Management Board Report and the relevant sections of 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 Bank and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the 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.

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 responsibilities for auditing 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 6 June 2022, the General Assembly of the Bank appointed us to conduct an audit of the Bank's annual financial statements for 2022.

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 for 2019, 2021 and 2022, which amounts to a total of 3 years.

In the audit of the Bank's annual financial statements for 2022, we have determined the following materiality levels for the financial statements as a whole:

- for the annual financial statements: HRK 8.5 million
- which represents approximately 2% of the of the Bank's net assets for 2022.

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 Bank's audited annual financial statements for the year 2022 and the date of this Report, we did not provide the Bank with prohibited non-audit services, and in the business year prior to the aforementioned period, we did not provide services for the design and implementation of internal control or risk management procedures related to the preparation and/or control of financial information or the design and implementation of technological systems for financial information, and in performing the audit we preserved independence in relation to the Bank.

Based on the Decision of the Croatian National Bank on the structure and content of the annual financial statements of banks (OG 42/18 and 122/20), the Bank's Management Board prepared the forms shown on pages 122 to 145 ("Forms"). The financial information set out in the Forms is consistent with the information set out in the annual financial statements set out on pages 41 to 113 on which we have expressed an opinion as set out in the Opinion section above.

Based on the obligation arising from the Credit Institutions Act (OG 159/13, 19/15, 102/15, 15/18, 70/19, 47/20 and 146/20), the Bank presented the requested informa-

tion on page 109 which contains all the information required by Article 164 (1). The information presented is derived from the Bank's financial statements set out on pages 41 to 113 on which we have expressed an opinion as set out in the Opinion section above.

Report based on the requirements of the ESEF Regulation

Auditor's assurance report on the compliance of annual separate and consolidated financial statements (hereinafter: financial statements), prepared pursuant to the provision of Article 462, paragraph 5 of the Capital Market Act (Official Gazette, nos. 65/18, 17/20 and 83/21) by applying the Delegated Regulation (EU) 2018/815 establishing a single electronic reporting format for issuers (hereinafter: the ESEF Regulation).

We conducted the engagement with expressing reasonable assurance as to whether the financial statements prepared for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, which are contained in the electronic file Godišnji financijski izvještaj Podravske banke 2022, in all material aspects prepared in accordance with the requirements of the ESEF Regulation.

Responsibilities of Management and those charged with governance

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

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

The Bank's Management is also responsible for:

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

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

Responsibilities of the auditor

Our responsibility is to express a conclusion, based on the audit evidence gathered, about whether the financial statements are free of material non-compliance with the requirements of the ESEF Regulation. We conducted this reasonable assurance engagement in accordance with International Standard on Assurance Engagements (MSIU) 3000 (Amended) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

Procedures performed

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high level of assurance. However, it does not assure that the scope of testing will reveal all significant (material) non-compliance with the ESEF Regulation.

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

- we have read the requirements of the ESEF Regulation,
- we have gained an understanding of the Bank's internal controls relevant to the application of the requirements of the ESEF Regulation,

- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or errors; and
- based on that, we have planned and designed procedures for responding to assessed risks and for obtaining reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

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

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

Conclusion

In our opinion, based on the procedures performed and the evidence obtained, the financial statements presented in ESEF format, contained in the above-mentioned electronic file and based on the provision of Article 462, paragraph 5 of the Capital Market Act prepared for the purposes of public disclosure, in all material respects are in line with the requirements of the ESEF Regulation for the year ended 31 December 2022.

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

The partner engaged in the audit of the Bank's annual financial statements for the year 2022 resulting in this Independent auditor's report is Ivan Čajko, certified auditor.

In Zagreb, 30 March 2023

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

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

Ivan Čajko,
Member of the Management Board and certified auditor

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

IN HRK THOUSANDS	NOTE	2022	2021
INTEREST AND SIMILAR INCOME	3	108,133	100,441
INTEREST AND SIMILAR EXPENSE	3	(11,053)	(11,062)
NET INTEREST INCOME		97,080	89,379
FEE AND COMMISSION INCOME	4	48,906	44,264
FEE AND COMMISSION EXPENSE	4	(17,757)	(18,236)
NET FEE AND COMMISSION INCOME		31,149	26,028
OTHER OPERATING INCOME, NET	5	33,047	17,838
OPERATING INCOME		161,276	133,245
IMPAIRMENT LOSSES AND PROVISIONS	6	(42,528)	(19,830)
ADMINISTRATIVE EXPENSES	7	(90,318)	(82,739)
DEPRECIATION AND AMORTIZATION	8	(12,364)	(11,160)
PROFIT BEFORE TAXATION		16,066	19,516
INCOME TAX EXPENSE	9	(3,899)	(4,282)
NET PROFIT		12,167	15,234
OTHER COMPREHENSIVE INCOME			
NET DECREASE IN THE FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	15.2.	(79,319)	(5,661)
DEFERRED TAX RECOGNISED IN EQUITY	9	(153)	1,019
OTHER COMPREHENSIVE LOSS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS IN THE FUTURE		(79,472)	(4,642)
NET INCREASE / (DECREASE) IN THE FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	15.2.	(4,090)	5,182
DEFERRED TAX RECOGNISED IN EQUITY	9	1,054	(706)
OTHER COMPREHENSIVE INCOME/(LOSS) THAT IS NOT RECLASSIFIED TO PROFIT OR LOSS IN THE FUTURE		(3,036)	4,476
OTHER COMPREHENSIVE LOSS		(82,508)	(166)
TOTAL COMPREHENSIVE INCOME AFTER TAX		(70,341)	15,068
EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS	10	18,19 HRK	22,78 HRK

The accompanying accounting policies and notes on pages 45 to 113 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

IN HRK THOUSANDS	NOTE	31 DECEMBER 2022	31 DECEMBER 2021
ASSETS			
CASH AND AMOUNTS DUE FROM BANKS	11	1,131,871	744,114
BALANCES WITH THE CROATIAN NATIONAL BANK	12	-	177,874
PLACEMENTS WITH OTHER BANKS	13	5,203	6,012
LOANS TO CUSTOMERS	14	2,362,823	2,162,213
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS STATEMENT	15.1.	32,341	171,325
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	15.2.	671,449	769,738
HELD-TO-MATURITY FINANCIAL ASSETS	15.3.	173,877	-
INVESTMENT PROPERTY	16	21,364	35,178
INTANGIBLE ASSETS	17	58,404	49,017
PROPERTY AND EQUIPMENT	18	30,354	46,070
RIGHT-OF-USE ASSETS	18.1.	34,644	13,809
NON-CURRENT ASSETS HELD FOR SALE	19	262	262
DEFERRED TAX ASSETS	9	6,621	4,269
OTHER ASSETS	20	46,494	19,534
TOTAL ASSETS		4,575,707	4,199,415
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
AMOUNTS DUE TO OTHER BANKS	21	28,789	15,917
AMOUNTS DUE TO CUSTOMERS	22	3,477,185	3,121,361
OTHER BORROWED FUNDS	23	411,899	431,667
OTHER LIABILITIES	24	92,962	47,886
PROVISIONS FOR CONTINGENT LIABILITIES AND CHARGES	25	15,519	14,795
ISSUED HYBRID AND SUBORDINATED INSTRUMENTS	26	123,111	71,206
TOTAL LIABILITIES		4,149,465	3,702,832
SHARE CAPITAL			
SHARE CAPITAL	27	267,500	267,500
SHARE PREMIUM		3,015	3,015
TREASURY SHARES		(1,184)	(1,184)
RESERVES	28	135,617	204,657
PROFIT FOR THE YEAR		12,167	15,234
RETAINED EARNINGS		9,127	7,361
TOTAL SHAREHOLDERS' EQUITY		426,242	496,583
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,575,707	4,199,415

The accompanying accounting policies and notes on pages 45 to 113 form an integral part of these financial statements



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

IN HRK THOUSANDS	NOTE	2022	2021
PROFIT FOR THE YEAR BEFORE TAX	9	16,066	19,516
ADJUSTED BY:			
DEPRECIATION AND AMORTISATION	8	12,364	11,160
NET INCOME ON DISPOSAL OF NON-CURRENT TANGIBLE ASSETS	5	(20,696)	(38)
NET INCOME ON THE SALE OF REPOSSESSED ASSETS	5	(269)	(771)
INCREASE IN PROVISIONS FOR LOANS AND OTHER PROVISIONS	6	42,528	19,830
DIVIDEND INCOME	5	(1,252)	(957)
NET UNREALIZED (LOSS)/GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	5	4,486	1,345
NET FOREIGN EXCHANGE GAIN/(LOSS) FROM ISSUED HYBRID INSTRUMENTS	5	206	(275)
PROFIT FROM OPERATIONS BEFORE CHANGES IN OPERATING ASSETS		53,433	49,810
CHANGES IN OPERATING ASSETS			
NET (INCREASE)/DECREASE IN BALANCES WITH THE CROATIAN NATIONAL BANK		177,928	(17,648)
NET (INCREASE) IN LOANS TO CUSTOMERS		(241,404)	(240,074)
NET DECREASE/(INCREASE) IN PLACEMENTS WITH BANKS		812	(6,032)
NET DECREASE/(INCREASE) IN OTHER ASSETS		(1,997)	2,081
NET INCREASE/(DECREASE) IN OTHER LIABILITIES		23,412	(5,021)
NET INCREASE/(DECREASE) IN AMOUNTS DUE		12,872	(12,286)
INCREASE IN DEPOSITS FROM CUSTOMERS		355,824	354,292
INCOME TAXES PAID		(3,332)	(5,261)
NET CASH FROM OPERATIONS		377,548	119,861
CASH FLOWS FROM INVESTING ACTIVITIES			
PURCHASES OF PROPERTY AND EQUIPMENT	18	(1,876)	(1,660)
PURCHASE OF INTANGIBLE ASSETS	17	(13,142)	(9,350)
DISPOSAL OF PROPERTY AND EQUIPMENT		45,845	1,527
NET DECREASE / (INCREASE) OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		134,498	10,863
NET DECREASE / (INCREASE) OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		15,437	(56,843)
DIVIDENDS RECEIVED		1,252	957
INCREASE IN HELD-TO-MATURITY INVESTMENTS		(173,929)	-
NET (INCREASE) / DECREASE IN REPOSSESSED ASSETS		(29,593)	5,912
NET CASH FLOW FROM INVESTING ACTIVITIES		(21,508)	(48,594)
CASH FLOWS FROM FINANCING ACTIVITIES			
EXPENDITURE FROM BORROWED FUNDS		(19,768)	(70,931)
EXPENDITURE / RECEIPTS FROM ISSUED BONDS		51,699	(27,083)
NET CASH FLOW FROM FINANCING ACTIVITIES		31,931	(98,014)
NET CASH (PAID) / RECEIVED		387,971	(26,747)
CASH AT THE BEGINNING OF THE PERIOD	11	744,448	771,195
CASH AT THE END OF THE PERIOD	11	1,132,419	744,448

The accompanying accounting policies and notes on pages 45 to 113 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

IN HRK THOUSANDS	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	CAPITAL GAINS	RESERVES	RETAINED EARNINGS/ (LOSSES)	PROFIT FOR THE YEAR	TOTAL
BALANCE AT 31 DECEMBER 2020	267,500	3,015	(1,184)	(4,179)	198,442	6,102	11,819	481,515
PROFIT FOR THE YEAR	-	-	-	-	-	-	15,234	15,234
CHANGES IN THE FAIR VALUES RESERVES	-	-	-	-	(166)	-	-	(166)
SALE OF EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	-	(1,259)	1,259	-	-
ALLOCATION OF 2020 PROFIT	-	-	-	-	11,819	-	(11,819)	-
BALANCE AT 31 DECEMBER 2021	267,500	3,015	(1,184)	(4,179)	208,836	7,361	15,234	496,583
PROFIT FOR THE YEAR	-	-	-	-	-	-	12,167	12,167
CHANGES IN THE FAIR VALUES RESERVES	-	-	-	-	(82,508)	-	-	(82,508)
SALE OF EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	-	(1,766)	1,766	-	-
ALLOCATION OF 2021 PROFIT	-	-	-	-	15,234	-	(15,234)	-
BALANCE AT 31 DECEMBER 2022	267,500	3,015	(1,184)	(4,179)	139,796	9,127	12,167	426,242

The accompanying accounting policies and notes on pages 45 to 113 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, are stated at amortized or historical cost.

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

Functional and reporting currency

These financial reports are presented in Croatian kuna (HRK), which is the functional and reporting currency. Amounts are rounded to the nearest thousand (unless otherwise stated).

The exchange rate of kuna on 31 December 2022 was 7.534500 for 1 euro and 7,064035 kuna for 1 US dollar (on 31 December 2021 the exchange rate of kuna 7.517174 kuna for 1 euro and 6.643548 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 INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND INTERPRETATIONS

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

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

- Amendment of IFRS 1 "First-time application of International Financial Reporting Standards" - Annual revision of IFRS for the period 2018-2020. related to first-time application of IFRS subsidiaries (effective for annual periods beginning on or after 1 January 2022)
- Amendment to IFRS 3 "Business combinations" - Update of the conceptual framework for financial reporting, adopted by the European Union on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022)
- Amendment of IFRS 9 "Financial instruments" - Annual refinement of IFRS for the period from 2018-2020. related to fees for derecognition of financial liabilities through the "10%" test (effective for annual periods beginning on or after 1 January 2022)
- Amendment of IFRS 16 "Leases" - Annual revision of IFRS for the period from 2018-2020. year related exclusively for illustrative purposes
- Amendment of IAS 16 "Property, plant and equipment" - Prohibition of reducing the cost of acquisition for inflows realized before the asset is put into its intended use, adopted in the European Union on June 28, 2021 (effective for annual periods beginning on or after 1 January 2022)
- Amendment of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Interpretation of fulfillment costs related to adverse contracts, adopted in the European Union on June 28, 2021 (effective for annual periods beginning on or after 1 January 2022)
- Amendment of IAS 41 "Agriculture" - Annual revision of IFRS for the period from 2018-2020. related to the taxation of the fair value of biological assets or agricultural products

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

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

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

- Amendment to IFRS 17 "Insurance Contracts" - First-time application of IFRS 17 and IFRS 9 - Comparative data, adopted by the European Union on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023)
- Amendment of IAS 1 "Presentation of Financial Statements" and IFRS Management Report 2 - Comparative Information, adopted by the European Union on

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

- 8 September 2022 (effective for annual periods beginning on or after 1 January 2023)
- Amendment of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Accounting Estimates, adopted in the European Union on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023)
- Amendment to IAS 12 "Income Taxes" - Deferred tax assets and deferred tax liabilities arising from a single transaction, adopted in the European Union on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023)

The IFRS currently adopted in the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and changes to existing standards, on the adoption of which the European Union has not yet made a decision on 31 December 2022 (the effective dates listed below refer to IFRSs issued by IASB):

- Amendment to IFRS 16 "Leases" - Lease liability for sale with leaseback, effective for annual periods beginning on or after January 1, 2024.
- Amendment of IAS "Presentation of financial statements" - Classification of liabilities into short-term and long-term, classification of deferred liabilities into short-term and long-term and long-term liabilities related to covenants, effective for annual periods beginning on or after 1 January 2024.

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

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 standards (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 discount 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 recoverable 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 managing 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, foreign 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 property and equipment, dividends received and other income from operations.

Foreign currencies

Income and expenses on transactions denominated in foreign currencies are translated 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 period. 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. In case of a liability linked to this clause, the counterparty has this option. Due to the specifics of the market in the Republic of Croatia the fair value of this option cannot be calculated, as forward rates for the Croatian kuna for periods over 9 months are not available. Therefore, the Bank revalues such assets and liabilities either at the higher of the middle rate of the Croatian National Bank valid at the reporting date or the rate specified in the contractual foreign exchange option.

Personnel costs

The right on vacation days is recognized in the period of origination of the right. The Bank recognises accrued benefits based on annual vacation days outstanding at the reporting date.

Personnel social contributions

Under the national legislation, the Bank has the obligation to pay contributions into pension and health insurance plans (funds). This obligation applies to all the employees working under employment contracts and requires from the employer to pay the contributions in determined percentages based on gross salary:

	2022	2021
PENSION CONTRIBUTIONS	20%	20%
HEALTH INSURANCE CONTRIBUTIONS	16.5%	16.5%

The Bank is also obliged to withhold the contributions from the gross salaries on behalf of the employees.

Income tax

The contributions on behalf of the employees and the employer are charged to expenses in the period in which they arise.

In the normal course of operations the Bank makes payments, through salary deductions, to mandatory pension funds on behalf of its employees, as required by law. All contributions paid to the mandatory pension funds are included in the payroll costs when accrued. The Bank has no other pension scheme and consequently no further obligations in respect of employee pensions. In addition, the Bank has no obligation to provide any post-employment benefits to its employees.

Income tax expense includes current and deferred income tax. Income tax is calculated on taxable profit at the current rate. Income tax is recognized in the income statement, with the exception of income tax relating to items recognized directly in other comprehensive income or equity, in which case the tax is recognized through other comprehensive income or directly through equity. The Bank pays corporate income tax by applying a tax rate of 18% to taxable profits, in accordance with the Profit Tax Act.

Current income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of the tax liability or advance is the best estimate of the expected amount of tax to be paid or received, which reflects the uncertainties surrounding the income tax, if any.

Deferred income tax

Deferred taxes are determined using the balance-sheet liability method. Deferred income 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 recognized regardless of when the temporary differences are expected to reverse. Deferred tax assets are recognized when it is probable that sufficient taxable profit will be realized against which the deferred tax assets can be applied. On the reporting date, the Bank reassesses the undisclosed deferred tax asset and the adequacy of the book value of the tax asset.

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 accounts as well as loans and advances to other banks.

Financial instruments

The Bank's financial assets and financial liabilities reported on the statement of financial 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 accounting policies.

The Bank recognises financial assets and liabilities on its statement of financial position 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 condition that the asset has passed the SPPI test.
- the “hold and sell” business model - collecting the contracted cash flow and selling 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 FV TPL option and the FV OCI option are also permitted by IFRS 9 (the latter applies to equity securities).

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.

All regular transactions with financial instruments are accounted for in the statement of financial position at the settlement date. Under the settlement date accounting, 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 liability.

Derecognition of financial assets due to significant changes in contractual terms

The Bank derecognises financial assets, such as loans to customers, when the terms of the contract have changed significantly so that it is a new loan. The difference is recognized as a gain or loss on derecognition, to the extent that no impairment was previously recognized. Newly recognized loans are classified in risk group A1 for the purpose of measuring expected credit losses, unless a new loan is classified in the “POCI” category. In assessing whether to derecognise a loan, in addition to quantitative factors, the Bank considers the following: whether the loan currency has changed, the introduction of contractual provisions for equity investments, changes in the counterparty and whether the change is such that the instrument no longer meets SPPI criteria.

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

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

Derecognition of financial assets for reasons other than significant changes in contractual terms

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

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

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

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

Offset of financial instruments

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

Write-offs

Financial assets are written off in part or in full only when the Bank has ceased to collect. If the amount to be written off is greater than the cumulative amount of the allowance for impairment, the provision is first increased by the difference, and then the write-off is made by reducing the gross receivable against the provision. All subsequent collections are recognized as income in the income statement.

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
- 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 comprehensive 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 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, for the purpose of estimating the amount of impairment losses and provisions for expected credit losses based on the assessment of the level of expected credit losses, the Bank classifies them into the following categories on the reporting dates:

Risk category A1 – in accordance with the internal act, exposures where no significant increase in credit risk (from the moment of initial recognition) has been determined are allocated. Impairment losses and provisions for impairment losses are determined based on 12-month expected credit 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 are classified, 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.

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.

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 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.

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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.

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

Measurement of fair value

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

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

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

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

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

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

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

Hierarchy of fair values

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

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

Foreclosed assets

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

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

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are initially measured at cost, including transaction costs. 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 property which is calculated as the difference between the net disposal proceeds and the carrying amount of the assets is included in profit or loss in the period in which the property is 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 available 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 probable. Bank's Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Sale and repurchase agreements

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

	2022	2021
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 non-financial assets

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

Right-of-use assets

When concluding a contract, the Bank assesses whether it is a lease agreement, or whether an individual contract contains elements of the lease. Right-of-use assets consist of leased property for which, under the lease agreement, the right of direct use and control over its use 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 USD 5,000, for example, renting a laptop, printer, telephone, money counter, small office furniture, etc.). All payments related to such leases in the lessee's books of account are 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 assets in a similar economic environment.

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

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

The Bank reports right-of-use assets in the statement of financial position in the position Right-of-use assets (Note 18.1), and lease liabilities within the position Other liabilities (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 allocated to each cash-generating unit arisen on the acquisition (from which future benefits are expected). The organisational cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that such an organisational unit may be impaired.

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

Provisions for contingent liabilities

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

Managed funds

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

2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates

The Bank makes certain 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.

Estimation uncertainty

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

Provisions for impairment losses on loans and receivables

The Bank reviews its loans and receivables at least quarterly (Note 14) to assess whether there is objective evidence of impairment. Through its internal acts, the Bank has prescribed indicators for determining the increased credit risk of debtors that are used to transfer exposures from risk subgroup A1 to risk subgroup A2.

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

In determining whether an impairment loss should be 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 liabilities will arise. If the ultimate outcome of the tax issues differs from the initially determined 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 approval by the local tax authorities.

3 INTEREST AND SIMILAR INCOME AND EXPENSES

IN HRK THOUSANDS	2022	2021
INTEREST INCOME		
CORPORATE CUSTOMERS	36,879	35,307
INDIVIDUALS	55,661	53,070
SECURITIES	8,815	6,846
BANKS	403	105
PUBLIC AND OTHER SECTORS	6,375	5,113
	108,133	100,441
INTEREST EXPENSE		
CORPORATE CUSTOMERS	(711)	(991)
INDIVIDUALS	(4,916)	(5,468)
BANKS	(4,745)	(4,325)
PUBLIC AND OTHER SECTORS	(681)	(278)
	(11,053)	(11,062)
NET INTEREST INCOME	97,080	89,379

Interest income also includes deferred fees on loans in the total amount of HRK 5,168 thousand (2021: 4,904 thousand), which are recognised by applying the effective interest rate method.

IN HRK THOUSANDS	2022	2021
INTEREST INCOME ON:		
PARTIALLY RECOVERABLE LOANS	2,044	5,368
FULLY IRRECOVERABLE LOANS	557	579
	2,601	5,947

4 FEE AND COMMISSION INCOME AND EXPENSE

IN HRK THOUSANDS	2022	2021
FEE AND COMMISSION INCOME		
PAYMENT TRANSACTION RELATED FEES AND COMMISSIONS	17,359	15,593
CARD-RELATED FEES AND COMMISSIONS	21,846	19,293
FEES AND COMMISSIONS FROM LENDING OPERATIONS	3,367	3,794
FEES AND COMMISSIONS ON SECURITIES TRADING	1,188	1,163
OTHER FEE AND COMMISSION INCOME	5,146	4,421
	48,906	44,264
FEE AND COMMISSION EXPENSE		
CASH OPERATION FEES AND COMMISSIONS	(3,704)	(3,320)
PAYMENT OPERATION CHARGES	(2,723)	(2,800)
INTERBANK SERVICE FEES	(465)	(366)
CARD-RELATED FEES	(6,691)	(6,591)
OTHER FEE AND COMMISSION EXPENSES	(4,174)	(5,159)
	(17,757)	(18,236)
NET FEE AND COMMISSION INCOME	31,149	26,028

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 3,022 thousand (2021: HRK 2,638 thousand).

5 OTHER OPERATING INCOME, NET

IN HRK THOUSANDS	2022	2021
NET REALIZED GAIN ON SALE OF SECURITIES CLASSIFIED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	343	3,528
FOREIGN EXCHANGE TRADING GAINS	6,792	5,721
RENTAL INCOME	2,279	2,679
REVENUES FROM THE SALE OF SECURITIES CLASSIFIED AS AT FAIR VALUE THROUGH PROFIT AND LOSS STATEMENT	(5,285)	270
NET INCOME ON SALE OF PROPERTY AND EQUIPMENT	20,696	38
DIVIDEND INCOME	1,252	957
REFUND OF COURT COSTS	1,892	898
NET GAIN ON THE SALE OF FORECLOSED ASSETS	269	771
INCOME ON SUBSEQUENT COLLECTION OF RECEIVABLES PREVIOUSLY WRITTEN OFF	3	9
NET FX DIFFERENCES ON RETRANSLATION AT THE MIDDLE EXCHANGE RATE	3,146	921
OTHER INCOME	1,660	2,046
	33,047	17,838



6 IMPAIRMENT LOSSES AND PROVISIONS

IN HRK THOUSANDS	2022	2021
PROVISIONS FOR LOANS AND ADVANCES TO CUSTOMERS AND BANKS (NOTE 11,12,13,14D)	(40,954)	(8,274)
IMPAIRMENT OF DEBT SECURITIES IN THE PORTFOLIO AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (NOTE 15.2)	569	(761)
REVERSAL OF VALUE/ (IMPAIRMENT) OF EQUITY SECURITIES (NOTE 15.2)	(11)	13
IMPAIRMENT OF DEBT SECURITIES IN THE HOLD-TO-COLLECT PORTFOLIO (NOTE 15.3)	(52)	-
IMPAIRMENT OF OTHER ASSETS (NOTE 20)	125	(460)
IMPAIRMENT OF FORECLOSED ASSETS (NOTE 20)	(60)	(334)
IMPAIRMENT OF INVESTMENT PROPERTIES (NOTE 16)	(1,421)	(569)
RELEASE / (IMPAIRMENT) OF GUARANTEES AND CONTINGENT LIABILITIES (NOTE 25)	(724)	(1,691)
PROVISIONS FOR LEGAL CASES (NOTE 25)	-	(7,754)
	(42,528)	(19,830)

7 ADMINISTRATIVE EXPENSES

IN HRK THOUSANDS	2022	2021
PERSONNEL COSTS	48,343	46,262
COST OF MATERIAL AND SERVICES	31,549	29,224
RENTAL COSTS	4,916	4,795
DEPOSIT INSURANCE PREMIUMS	3,568	-
TAXES AND CONTRIBUTIONS	1,519	1,496
OTHER EXPENSES	423	962
	90,318	82,739

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

Staff costs

IN HRK THOUSANDS	2022	2021
NET SALARIES	28,067	26,756
PENSION INSURANCE COSTS	7,181	6,765
HEALTH INSURANCE COSTS	6,549	6,222
TAXES AND SURTAXES	4,443	4,187
PROVISIONS FOR EMPLOYEE BENEFITS	(327)	(33)
OTHER STAFF COSTS	2,430	2,365
	48,343	46,262

As at 31 December 2022 the Bank had 235 employees (2021: 228 employees).

8 DEPRECIATION AND AMORTISATION OF TANGIBLE AND INTANGIBLE ASSETS

IN HRK THOUSANDS	2022	2021
DEPRECIATION OF PROPERTY AND EQUIPMENT (NOTE 18)	4,448	4,558
DEPRECIATION OF LEASEHOLD IMPROVEMENTS (NOTE 18)	-	1
DEPRECIATION OF PROPERTY WITH RIGHT OF USE (NOTE 18.1)	4,160	3,645
AMORTISATION OF INTANGIBLE ASSETS (NOTE 17)	3,756	2,956
	12,364	11,160

9 INCOME TAX EXPENSE

Corporate income tax is determined by applying the rate of 18% (2021: 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:

IN HRK THOUSANDS	2022	2021
CURRENT TAX EXPENSE	5,737	3,363
DEFERRED TAX EXPENSE	(1,451)	1,195
INCOME TAX ON REALIZED EFFECTS ON EQUITY SECURITIES	(387)	(276)
TAX EXPENSE	3,899	4,282

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

IN HRK THOUSANDS	2022	2021
PROFIT BEFORE TAXATION	16,066	19,516
STATUTORY TAX RATE	18%	18%
EXPECTED TAX	2,892	3,513

TEMPORARY DIFFERENCES

UNREALIZED LOSS ON FINANCIAL ASSETS	5,894	-
DEFERRED LOAN ORIGATION FEES	420	33
PROVISIONS FOR COURT COSTS - INTEREST	-	2,257
PROVISIONS FOR PAYMENTS TO EMPLOYEES	(349)	(104)
REALISED LOSSES – SALE OF FORECLOSED ASSETS (INVESTMENTS)	(148)	(9,911)
IMPAIRMENT OF FORECLOSED ASSETS	2,241	1,086
LOSS ON FINANCIAL ASSETS	-	(1)
NET TEMPORARY DIFFERENCES	8,058	(6,640)



TAX EFFECT OF TAX-FREE INCOME		
TAX EFFECT OF TAX-FREE INCOME	(465)	(691)
DIVIDENDS RECEIVED	(465)	(691)
TAX EFFECT OF TAX NON-DEDUCTIBLE EXPENSES	8,213	6,500
ENTERTAINMENT AND TRANSPORT	387	307
DEPRECIATION ABOVE THE PRESCRIBED AMOUNTS	111	111
INTEREST FROM RELATED-PARTY RELATIONSHIPS	346	78
WRITTEN-OFF RECEIVABLES	5,205	4,457
RETAINED EARNINGS FROM THE SALE OF EQUITY SECURITIES	2,154	1,535
OTHER	10	12
NET PERMANENT DIFFERENCES	7,748	5,809
TAXABLE PROFIT	31,872	18,685
TAX BASE	31,872	18,685
TAX RATE	18%	18%
INCOME TAX PAYABLE	5,737	3,364
CURRENT TAX EXPENSE	5,737	3,364
DEFERRED TAX (INCOME) / EXPENSE	(1,451)	1,195
INCOME TAX ON REALIZED GAINS ON EQUITY SECURITIES	(387)	(276)
TOTAL TAX EXPENSE	3,899	4,283
EFFECTIVE TAX RATE	35.71%	17.24%

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

2022

IN HRK THOUSANDS	OPENING BALANCE	CHARGED TO PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	CLOSING BALANCE
LOSSES FROM FINANCIAL ASSETS	535	-	-	535
LOSSES ON OTHER INVESTMENTS	1,074	377	-	1,451
DEFERRED LOAN ORIGINATION FEES	1,146	76	-	1,222
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	505	-	901	1,406
IMPAIRMENT OF FINANCIAL ASSETS	363	1,061	-	1,424
PROVISIONS FOR LEGAL CASES – INTEREST	446	-	-	446
PROVISIONS FOR PAYMENTS TO EMPLOYEES	200	(63)	-	137
	4,269	1,451	901	6,621
				2021

IN HRK THOUSANDS	OPENING BALANCE	CHARGED TO PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	CLOSING BALANCE
LOSSES FROM FINANCIAL ASSETS	535	-	-	535
LOSSES ON OTHER INVESTMENTS	2,663	(1,588)	-	1,075
DEFERRED LOAN ORIGINATION FEES	1,140	6	-	1,146
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	192	-	313	505
IMPAIRMENT OF FINANCIAL ASSETS	363	-	-	363
PROVISIONS FOR LEGAL CASES – INTEREST	39	406	-	445
PROVISIONS FOR PAYMENTS TO EMPLOYEES	218	(19)	-	200
	5,150	(1,195)	313	4,269

The deferred tax assets and deferred tax liabilities are recognised by applying a rate of 18% (2021: 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.

	2022	2021
PROFIT FOR THE YEAR (IN HRK'000)	12,167	15,234
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR THE YEAR	668,749	668,749
EARNINGS PER SHARE (IN KUNAS) – BASIC AND DILUTED	18.19	22.78



11 CASH AND CASH EQUIVALENTS

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
GIRO ACCOUNT WITH THE CROATIAN NATIONAL BANK	966,895	642,534
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH FOREIGN BANKS	46,117	23,528
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH DOMESTIC BANKS	34,636	19,507
CASH IN HAND	84,770	48,853
OTHER ITEMS	1	10,025
	1,132,419	744,447
PROVISIONS FOR IMPAIRMENT	(548)	(333)
	1,131,871	744,114

Changes in provisions for losses

IN HRK THOUSANDS	2022	2021
BALANCE AT 1 JANUARY	333	599
INCREASE/ (DECREASE)	205	(244)
EXCHANGE DIFFERENCES	10	(22)
BALANCE AT 31 DECEMBER	548	333

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

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
GIRO ACCOUNT WITH THE CROATIAN NATIONAL BANK	966,895	642,535
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH FOREIGN BANKS (NOTE 13)	46,117	23,528
CURRENT ACCOUNTS AND DEMAND DEPOSITS WITH DOMESTIC BANKS	34,636	19,507
CASH IN HAND	84,770	48,853
OTHER ITEMS	1	10,025
	1,132,419	744,448

12 BALANCES WITH THE CROATIAN NATIONAL BANK

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
OBLIGATORY RESERVE	-	177,927
	-	177,927
IMPAIRMENT ALLOWANCES	-	(53)
	-	177,874

The obligatory reserve represents the amount of liquid assets that banks are required to partially place with the Croatian National Bank in previous years until the end of 2022, that is, until the start of the application of the regulation on minimum reserves from 2023. Mandatory reserves are calculated every second Wednesday of the month on a certain average balance of sources of funds from the previous month, especially for kuna and foreign currency sources of funds. During the whole 2021, the reserve requirement rate of 9% was applied. Of the total amount of the calculated mandatory foreign currency reserve, 75% is included in the calculated kuna part. The bank is obliged to set aside 70% of the total calculated kuna reserve requirement in a special required reserve account with the CNB.

During the year 2022, the decision to amend the decision on the mandatory reserve entered into force, which stipulated the cancellation of this decision as of December 31 2022, the gradual reduction of the rate down to 0%, and from December 14 2023, banks will no longer allocate funds from the mandatory reserve to a special account with the Croatian National Bank.

Changes in provision for losses

IN HRK THOUSANDS	2022	2021
BALANCE AT 1 JANUARY	53	48
INCREASE	(53)	5
BALANCE AT 31 DECEMBER	-	53



13 BALANCES WITH OTHER BANKS

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
TERM DEPOSITS	-	-
REVERSE REPURCHASE LOAN	5,220	6,031
	5,220	6,031
LESS: PROVISION FOR LOAN IMPAIRMENT	(17)	(19)
	5,203	6,012

Reverse repurchase loans in the amount of HRK 5,220,000 in 2022 refer to one contract concluded with a domestic customer, and corporate bonds of domestic issuers ISIN HRMRULO277E9 with a nominal value of EUR 700,000 and equity securities of a domestic issuer ISIN HRJDOSRA0001 with a nominal value of HRK 78,0000 were received as the basis of the repo transaction.

Reverse repurchase loans in the amount of HRK 6,031 thousand in 2021 relate to one contract concluded with a domestic customer, and corporate bonds of domestic issuers ISIN HRSMBKO268E1 with a nominal value of EUR 800,000 and equity securities of a domestic issuer ISIN HRAUHRRRA0009 with a nominal value of HRK 100,000 were received as the basis of the repo transaction.

Changes in provision for losses

IN HRK THOUSANDS	2022	2021
BALANCE AT 1 JANUARY	19	4
INCREASE/(DECREASE)	14	15
EXCHANGE DIFFERENCES	(16)	-
BALANCE AT 31 DECEMBER	17	19

Geographical analysis

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

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
AUSTRIA	15,088	827
BELGIUM	12,822	9,527
UNITED STATES OF AMERICA	8,107	7,581
CANADA	5,601	2,175
MONTENEGRO	2,935	1,963
SWEDEN	625	752
ITALY	515	570
SLOVENIA	424	133
	46,117	23,528

14 LOANS TO CUSTOMERS

a) Analysis by type of customer

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
RETAIL CUSTOMERS		
- HRK DENOMINATED, INCLUDING LOANS WITH A CURRENCY CLAUSE	1,240,605	1,218,440
- FOREIGN-CURRENCY DENOMINATED	35,723	37,191
	1,276,328	1,255,631
CORPORATE CUSTOMERS		
- HRK DENOMINATED, INCLUDING LOANS WITH A CURRENCY CLAUSE	1,202,264	995,226
- FOREIGN-CURRENCY DENOMINATED	116,716	116,210
	1,318,980	1,111,436
GROSS LOANS TO CUSTOMERS	2,595,308	2,367,067
PROVISION FOR LOAN IMPAIRMENT	(232,485)	(204,854)
NET LOANS TO CUSTOMERS	2,362,823	2,162,213

b) Analysis by sector

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
RETAIL CUSTOMERS	1,276,328	1,255,631
WHOLESALE AND RETAIL TRADE	282,384	243,579
PROCESSING AND MANUFACTURING	179,410	194,883
CONSTRUCTION	133,182	105,976
AGRICULTURE AND FORESTRY	101,455	120,456
HOTELS AND RESTAURANTS	94,526	68,205
REAL ESTATE OPERATIONS	89,238	86,869
ENERGY, GAS AND WATER SUPPLY	35,983	24,025
FOOD AND BEVERAGE PRODUCTION	35,673	47,289
TRANSPORT, STORAGE, COMMUNICATIONS	34,509	15,765
OTHER SECTORS	332,620	204,389
	2,595,308	2,367,067
LESS: PROVISION FOR LOAN IMPAIRMENT	(232,485)	(204,854)
	2,362,823	2,162,213



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

2022			
IN HRK THOUSANDS	STAGE 1	STAGE 2	STAGE 3
BALANCE AT 1 JANUARY	1,977,829	75,508	313,730
TRANSFER TO STAGE 1	(27,641)	17,058	10,583
TRANSFER TO STAGE 2	20,208	(27,006)	6,797
TRANSFER TO STAGE 3	833	54,639	(55,472)
COLLECTION	(170,419)	(13,137)	(17,340)
REPAYMENT + WRITE-OFFS	(541,112)	(9,078)	(47,003)
NEW ASSETS	931,648	8,009	86,675
BALANCE AT 31 DECEMBER	2,191,346	105,993	297,970
2021			
IN HRK THOUSANDS	STAGE 1	STAGE 2	STAGE 3
BALANCE AT 1 JANUARY	1,733,229	49,863	370,288
TRANSFER FROM STAGE 1	9,193	(7,216)	(1,977)
TRANSFER FROM STAGE 2	(44,309)	45,401	(1,093)
TRANSFER FROM STAGE 3	(16,009)	(5,791)	21,800
COLLECTION	(139,739)	(13,006)	(15,454)
REPAYMENT + WRITE-OFFS	(509,522)	(4,965)	(62,505)
NEW ASSETS	944,986	11,222	2,671
BALANCE AT 31 DECEMBER	1,977,829	75,508	313,730

During 2022, HRK 28,684 thousand of customer loans were rescheduled (in 2021: HRK 20,131 thousand). During 2021, the Bank purchased a portfolio of performing retail loans from another bank in the Republic of Croatia. This portfolio was recognized in the Bank's assets in December 2021 in the amount of HRK 17,419 thousand. The portfolio includes regular performing loans to households that meet the SPPI test criteria and are accordingly classified at held-to-collect model.

d) Provisions for losses

IN HRK THOUSANDS	2022	2021
BALANCE AT 1 JANUARY	204,854	224,117
INCREASE IN IMPAIRMENT ALLOWANCE	151,862	77,138
AMOUNTS COLLECTED	(111,411)	(68,602)
EXCHANGE RATE FLUCTUATIONS	343	(17)
AMOUNTS WRITTEN OFF	(13,163)	(27,782)
BALANCE AT 31 DECEMBER	232,485	204,854

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 in order to avoid concentration in a single industry. The Bank also obtains acceptable collateral to reduce the level of credit risk.

15.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
INVESTMENTS IN INVESTMENT FUNDS	32,341	171,325
	32,341	171,325

Movements in investment during the year:

a) shares in investment funds

IN HRK THOUSANDS	2022	2021
BALANCE AT 1 JANUARY	171,325	183,533
INCREASE	7,912	48,017
DECREASE	(141,611)	(60,491)
CHANGE IN FAIR VALUE / REALIZATION	(5,285)	266
BALANCE AT 31 DECEMBER	32,341	171,325

b) equity securities

IN HRK THOUSANDS	2022	2021
BALANCE AT 1 JANUARY	-	-
INCREASE	-	-
DECREASE	-	(4)
CHANGE IN FAIR VALUE / REALIZATION	-	4
BALANCE AT 31 DECEMBER	-	-

15.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
TREASURY BILLS OF THE REPUBLIC OF CROATIA	10,312	-
BONDS	628,764	730,971
EQUITY SECURITIES	42,405	48,788
	681,481	779,759
IMPAIRMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	(10,032)	(10,021)
	671,449	769,738



Investments in debt securities are presented as follows:

a) Treasury bills of the Republic of Croatia

IN HRK THOUSANDS	2022	2021
BALANCE 1 JANUARY		-
PURCHASE	11,841	-
COLLECTION	(1,469)	-
CHANGE IN FAIR VALUE	(63)	-
IMPAIRMENT ALLOWANCE	3	-
BALANCE 31 DECEMBER	10,312	-

b) Bonds

IN HRK THOUSANDS	2022	2021
BALANCE 1 JANUARY	730,971	677,343
PURCHASE	241,939	567,552
SALE	(265,229)	(511,790)
REALIZED GAIN	343	3,528
CHANGE IN FAIR VALUE	(78,688)	(5,696)
TRANSFER UPDATES TO OCI	-	(727)
IMPAIRMENT ALLOWANCE	(572)	761
BALANCE 31 DECEMBER	628,764	730,971

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

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
BONDS OF DOMESTIC ISSUERS		
- CROATIAN MINISTRY OF FINANCE	361,384	369,162
- LOCAL GOVERNMENT	2,036	2,500
- FINANCIAL INSTITUTIONS	19,578	23,705
- NON-FINANCIAL INSTITUTIONS	91,374	94,600
	474,372	489,967
BONDS OF FOREIGN ISSUERS		
- FOREIGN GOVERNMENT BONDS	110,754	119,372
- FINANCIAL INSTITUTIONS	19,906	80,413
- NON-FINANCIAL INSTITUTIONS	23,732	41,219
	154,392	241,004
	628,764	730,971

Investments in equity securities are shown as follows:

c) Equity securities

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
LISTED SECURITIES	39,097	40,798
UNLISTED SECURITIES	3,308	7,990
	42,405	48,788
IMPAIRMENT OF EQUITY SECURITIES	(10,032)	(10,021)
TOTAL	32,373	38,767

Movements in equity securities during the year:

IN HRK THOUSANDS	2022	2021
BALANCE AT 1 JANUARY	38,767	36,779
PURCHASES	29,213	40,170
DISPOSALS	(31,506)	(43,378)
CHANGE IN THE FAIR VALUE	(5,856)	3,924
REALIZATION	1,766	1,259
IMPAIRMENT OF EQUITY SECURITIES	(11)	13
BALANCE AT 31 DECEMBER	32,373	38,767

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

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
EQUITY SECURITIES OF DOMESTIC ISSUERS		
- FINANCIAL INSTITUTIONS	1,610	1,630
- NON-FINANCIAL INSTITUTIONS	21,504	25,366
	23,114	26,996
EQUITY SECURITIES OF FOREIGN ISSUERS		
- FINANCIAL INSTITUTIONS	6,480	6,787
- NON-FINANCIAL INSTITUTIONS	12,811	15,005
	19,291	21,792
	42,405	48,788
IMPAIRMENT OF EQUITY SECURITIES	(10,032)	(10,021)
	32,373	38,767



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

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
TYPE OF SECURITIES		
DEBT SECURITIES	(80,168)	(848)
EQUITY SECURITIES	(7,816)	(1,960)
DEFERRED TAX (NOTE 9)	1,407	505
TOTAL FAIR VALUE RESERVE	(86,577)	(2,303)

Movements in the fair value reserve

IN HRK THOUSANDS	2022	2021
BALANCE AT 1 JANUARY	(2,303)	(878)
CHANGE IN THE FAIR VALUE OF DEBT SECURITIES	(78,751)	(5,696)
CHANGE IN THE FAIR VALUE OF EQUITY SECURITIES	(5,856)	3,924
CHANGES IN PROVISIONS FOR EXPECTED CREDIT LOSSES ON FVOCI FINANCIAL ASSETS	(569)	761
TRANSFER UPDATES TO OCI	-	(727)
DEFERRED TAX RECOGNISED IN EQUITY (NOTE 9)	901	313
BALANCE AT 31 DECEMBER	(86,578)	(2,303)

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

IN HRK THOUSANDS	2022	2021
BALANCE AT 1 JANUARY	10,021	10,034
ADDITIONS	105	104
DECREASE	(94)	(117)
BALANCE AT 31 DECEMBER	10,032	10,021

15.3 HELD-TO-MATURITY FINANCIAL ASSETS

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
TREASURY BILLS OF FOREIGN COUNTRIES	7,047	-
BONDS OF THE REPUBLIC OF CROATIA	61,561	-
BONDS OF FOREIGN COUNTRIES	47,633	-
BONDS OF DOMESTIC BANKS	18,911	-
BONDS OF FOREIGN BANKS	38,777	-
GROSS PROPERTY VALUE	173,929	-
IMPAIRMENT ALLOWANCES	(52)	-
TOTAL NET ASSET VALUE	173,877	-

Changes in held-to-maturity assets

a) Treasury Bills

IN HRK THOUSANDS	2022	2021
BALANCE AT 1 JANUARY	-	-
PURCHASE	10,743	-
COLLECTION	(3,696)	-
VALUE CHANGE	(2)	-
BALANCE AT 31 DECEMBER	7,045	-

b) Bonds

IN HRK THOUSANDS	2022	2021
BALANCE AT 1 JANUARY	-	-
PURCHASE	174,961	-
COLLECTION	(8,079)	-
VALUE CHANGE	(50)	-
BALANCE AT 31 DECEMBER	166,832	-

16 INVESTMENT PROPERTY

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
INVESTMENTS IN PROPERTIES	12,160	22,155
INVESTMENTS IN PROPERTIES-REPOSSESSED ASSETS	15,647	16,033
	27,807	38,188
FAIR VALUE CHANGE	(6,443)	(3,010)
	21,364	35,178

Movement of impairment of investment property

IN HRK THOUSANDS	2022	2021
BALANCE AT 1 JANUARY	3,010	11,139
IMPAIRMENT	1,421	569
DISPOSALS	1,366	(8,698)
RECLASSIFICATION INTO TANGIBLE ASSETS	646	-
BALANCE AT 31 DECEMBER	6,443	3,010

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 2022 shows a decrease in the value of assets in the total amount of HRK 1,421 thousand (in 2021: decrease of 569 thousand HRK).



Investments property measured at fair value less costs to sell. The fair value of such assets is estimated annually, and the stated valuations are considered level 3 of the fair value hierarchy.

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.

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 ON 1 JANUARY 2021	50,608	16,867	119	67,594
ADDITIONS	5,749	-	3,615	9,364
TRANSFER FROM ASSETS UNDER DEVELOPMENT	115	-	(115)	-
DISPOSALS AND WRITE-OFFS	(25)	-	-	(25)
BALANCE ON 31 DECEMBER 2021	56,447	16,867	3,619	76,933
ADDITIONS	7,891	-	5,251	13,142
TRANSFER FROM ASSETS UNDER DEVELOPMENT	8,458	-	(8,458)	-
DISPOSALS AND WRITE-OFFS	-	-	-	-
BALANCE ON 31 DECEMBER 2022	72,796	16,867	412	90,075
AMORTISATION				
BALANCE ON 1 JANUARY 2021	24,971	-	-	24,971
ANNUAL EXPENDITURE	2,956	-	-	2,956
DISPOSALS AND RETIREMENTS	(12)	-	-	(12)
BALANCE ON 31 DECEMBER 2021	27,915	-	-	27,915
ANNUAL EXPENDITURE	3,756	-	-	3,756
DISPOSALS AND WRITE-OFFS	-	-	-	-
BALANCE ON 31 DECEMBER 2022	31,671	-	-	31,671
NET BOOK VALUE				
BALANCE ON 31 DECEMBER 2021	28,531	16,867	3,619	49,017
BALANCE ON 31 DECEMBER 2022	41,125	16,867	412	58,404

Goodwill is allocated to the cash generating unit acquired through the merger of Požeška banka d.d. The recoverable number of cash-generating units is determined based on profitability calculations. Cash flow forecasts based on financial projections for five years were used for the aforementioned calculations. The discount rate for determining the value in use is 10.8% (2021: 5.8%) and the long-term growth rate used is 0.0% (2021: 0.0%).

The planned gross margin is determined based on past experience and expected business results in the future period. The discount rate used reflects the specific risks related to the relevant business segment.

The bank conducts stress resistance testing of individual input data used in determining the value in use, whereby there are three scenarios. A specific scenario in which the discount rate is equal to the one used, while the expected profitability is lower by 30% due to a decrease in income from interest and fees and a simultaneous increase in costs on the same basis at a rate of 30%, a systemic scenario in which, due to the deterioration of the credit rating of the Republic of Croatia, the discount rate increased to the level of 4.3% and a combined scenario that simultaneously includes assumptions of a 30% decrease in profitability and deterioration of macroeconomic indicators as well as lowering of the government credit rating, whereby the discount rate increases to the level of 4.3%.

The test results are provided below:

	31 DECEMBER 2022	SPECIFIC SCENARIO	SYSTEMIC SCENARIO	COMBINED SCENARIO
INVESTMENT COST	43,465	43,465	43,465	43,465
TOTAL PRESENT VALUE	97,617	67,383,	87,391	39,107
IMPAIRMENT				(4,358)

	31 DECEMBER 2021	SPECIFIC SCENARIO	SYSTEMIC SCENARIO	COMBINED SCENARIO
INVESTMENT COST	43,465	43,465	43,465	43,465
TOTAL PRESENT VALUE	131,539	94,025	108,874	43,424
IMPAIRMENT				(41)

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

Goodwill shown in the Bank's financial records was generated through acquisition of Požeška banka, which was merged to 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 CONSTRUC- TION	TOTAL
BALANCE AT 1 JANUARY 2021	89,478	39,769	1,807	26,751	7,972	11	165,788
ADDITIONS	367	430	-	864	-	-	1,661
DISPOSALS AND WRITE- OFFS	-	(1,181)	(853)	(4,507)	(1,128)	-	(7,669)
BALANCE AT 31 DECEMBER 2021	89,845	39,018	954	23,108	6,844	11	159,780
ADDITIONS	547	1,048	-	268	-	12	1,875
TRANSFER FROM ASSETS UNDER CONSTRUCTION	-	16	-	-	-	(16)	-
RECLASSIFICATION OF ASSETS	2,903	-	-	-	-	-	2,903
DISPOSALS AND WRITE- OFFS	(58,369)	(4,056)	-	(1,346)	-	-	(63,771)
BALANCE AT 31 DECEMBER 2021	34,926	36,026	954	22,030	6,844	7	100,787
DEPRECIATION							
BALANCE AT 1 JANUARY 2021	50,442	37,469	1,203	19,723	7,969	-	116,806
CHARGE FOR THE YEAR	1,544	636	191	2,187	1	-	4,559
DISPOSALS AND RETIREMENTS	-	(1,171)	(854)	(4,504)	(1,126)	-	(7,655)
BALANCE AT 31 DECEMBER 2021	51,986	36,934	540	17,406	6,844	-	113,710
CHARGE FOR THE YEAR	1,213	702	191	2,342	-	-	4,448
DISPOSALS AND WRITE- OFFS	(42,323)	(4,056)	-	(1,346)	-	-	(47,725)
BALANCE AT 31 DECEMBER 2022	10,876	33,580	731	18,402	6,844	-	70,433
NET BOOK VALUE							
AT 31 DECEMBER 2021	37,859	2,084	414	5,702	-	11	46,070
AT 31 DECEMBER 2022	24,050	2,446	223	3,628	-	7	30,354

The Bank has no tangible assets pledged as collateral for deposits or other assets in 2022 and 2021.

18.1 RIGHT-OF-USE ASSETS

IN HRK THOUSANDS	LAND AND BUILDINGS	MOTOR VEHICLES	COMPUTER EQUIPMENT	TOTAL
COST OR ESTIMATED VALUE				
BALANCE AT 1 JANUARY 2021	14,659	2,111	4,079	20,849
ADDITIONS	3,628	407	-	4,035
DISPOSALS AND WRITE-OFFS	(1,477)	(70)	-	(1,547)
BALANCE AT 31 DECEMBER 2021	16,810	2,448	4,079	23,337
ADDITIONS	47,561	775	-	48,336
DISPOSALS AND WRITE-OFFS	(23,108)	(611)	-	(23,719)
BALANCE AT 31 DECEMBER 2022	41,263	2,612	4,079	47,954
DEPRECIATION				
BALANCE AT 1 JANUARY 2021	4,984	722	248	5,954
CHARGE FOR THE YEAR	2,580	556	510	3,646
DISPOSALS AND WRITE-OFFS	(49)	(23)	-	(72)
BALANCE AT 31 DECEMBER 2021	7,515	1,255	758	9,528
CHARGE FOR THE YEAR	3,015	635	510	4,160
DISPOSALS AND WRITE-OFFS	(334)	(44)	-	(378)
BALANCE AT 31 DECEMBER 2022	10,196	1,846	1,268	13,310
NET BOOK VALUE				
BALANCE AT 31 DECEMBER 2020	9,295	1,193	3,321	13,809
BALANCE AT 31 DECEMBER 2021	31,067	766	2,811	34,644

The IFRS 16 standard requires the lessee to recognize the right-of-use asset and lease liability in its business books.

Property with the right of use consists of leased property, for which, according to the lease agreement, the right of direct use and control over its use during a certain period of time has been assigned in exchange for compensation. Exceptions are short-term rental contracts where the rental period is shorter than 12 months or the rental of property of low value.

In the business books, assets with the right of use are recorded as leased assets depending on the subject of the lease (e.g. construction facilities, equipment, cars, etc.).



19 ASSETS HELD FOR SALE

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
ASSETS HELD FOR SALE	262	262
	262	262
IMPAIRMENT OF ASSETS HELD FOR SALE	-	-
	262	262

Impairment changes in assets held for sale

IN HRK THOUSANDS	2022	2021
BALANCE AT 1 JANUARY	-	-
IMPAIRMENT	-	-
DISPOSALS	-	-
BALANCE AT 31 DECEMBER	-	-

The portfolio of assets held for sale refers to assets taken over in exchange for non-performing loans.

During 2022, the Bank did not acquire new or sell assets intended for sale, and during 2022 and 2021 there was no change in the value of the portfolio of assets intended for sale.

The property is offered for sale through external real estate agencies, with which the Bank has concluded mediation agreements. The expected length of the sale process is one year. In 2021, the Bank realized HRK 998 thousand in assets intended for sale.

20 OTHER ASSETS

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
FORECLOSED ASSETS	41,097	13,734
ACCRUED FEES AND COMMISSIONS	4,756	4,324
PREPAID EXPENSES	1,959	1,767
OTHER PREPAYMENTS	1,106	625
INCOME TAX RECEIVABLES	-	2,209
OTHER ASSETS	3,066	2,663
	51,984	25,322
IMPAIRMENT	(5,490)	(5,788)
	46,494	19,534

Property and equipment taken over in exchange for uncollected receivables are not used for the Bank's operations. In the Bank's business books, they are recognized in accordance with IFRS 5 - Non-current assets held for sale and cessation of operations. As of December 31, 2021, the net value of the assets taken over is HRK 39,268 thousand (in 2021: HRK 11,818 thousand). During 2022, the Bank took over a significant amount of property in exchange for unpaid claims from a trading company.

Assets taken over in exchange for uncollectible receivables are valued at acquisition cost or net recoverable value, whichever is lower. Impairment of value for assets taken over is tested annually. For the assessment of the fair value of the property, the Bank engages independent and authorized appraisers who have experience in the assessment of similar property, and who do not have any interest in the subject property or interests related to the amount of the estimated value of the real estate. Appraisers prepare an appraisal report in accordance with the Law on Valuation of Real Estate, and the related Ordinance on Valuation Methods of Real Estate, using legally prescribed and appropriate methods. Subsequent measurement of the property taken over in exchange for uncollectible claims recorded a decrease in the value of the property taken over in the total amount of HRK 60 thousand in 2022 (in 2021: decrease in value of HRK 334 thousand).

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

IN HRK THOUSANDS	2022	2021
BALANCE AT 1 JANUARY	5,788	6,392
IMPAIRMENT OF OTHER ASSETS	1,712	1,582
AMOUNTS COLLECTED	(1,848)	(1,106)
EXCHANGE DIFFERENCES	11	(16)
AMOUNTS WRITTEN-OFF	(86)	(185)
IMPAIRMENT OF FORECLOSED ASSETS	60	334
SALE OF FORECLOSED PROPERTY	(148)	(995)
DISPOSALS OF FORECLOSED ASSETS	-	(218)
BALANCE AT 31 DECEMBER	5,489	5,788

21 LIABILITIES TO OTHER BANKS

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
DEMAND DEPOSITS, IN FOREIGN CURRENCIES	28,784	15,912
DEMAND DEPOSITS, IN HRK	5	5
	28,789	15,917

Liabilities to banks in 2022 and 2021 relate to demand deposits received from foreign banks.



22 LIABILITIES TO CUSTOMERS

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
RETAIL CUSTOMERS		
DEMAND DEPOSITS		
- HRK DENOMINATED	1,091,051	833,819
- FOREIGN-CURRENCY DENOMINATED	811,011	708,750
TERM DEPOSITS		
- HRK DENOMINATED	134,567	170,432
- FOREIGN-CURRENCY DENOMINATED	431,242	434,978
TOTAL RETAIL DEPOSITS	2,467,871	2,147,979
CORPORATE		
DEMAND DEPOSITS		
- HRK DENOMINATED	704,612	621,842
- FOREIGN-CURRENCY DENOMINATED	207,135	223,339
TERM DEPOSITS		
- HRK DENOMINATED	82,242	65,949
- FOREIGN-CURRENCY DENOMINATED	15,325	62,252
TOTAL LOANS TO CORPORATES	1,009,314	973,382
TOTAL DEPOSITS FROM CUSTOMERS	3,477,185	3,121,361

23 OTHER LOAN LIABILITIES

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
HBOR LOANS	105,190	117,988
REPO LOANS FROM THE CNB, HRK DENOMINATED	283,163	313,679
OTHER LOANS FROM BANKS	23,546	-
	411,899	431,667

Loans from HBOR are intended for granting loans to legal and natural persons in accordance with HBOR's programs for the promotion of small and medium-sized enterprises, tourism, and agriculture.

Repo loans refer to received loans for which the Bank has pledged securities with the obligation to repurchase them at a certain future date. In 2022, the Bank has three long-term repo loans with the Croatian National Bank at interest rates of 1.20% and 0.25% per year. In 2021, the Bank has four long-term repo loans with the Croatian National Bank at interest rates of 1.20% and 0.25% per annum. For all repo contracts in 2022 and 2021, the Bank pledged the bonds of the Ministry of Finance of the Republic of Croatia and the bond of Erste&Steiermarkische bank d.d.

As of 31 December 2022, the Bank has contracted one loan with a foreign bank at an annual interest rate of 1.10% (in 2021, there are no other loan contracts from banks).

24 OTHER LIABILITIES

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
LEASE LIABILITIES	35,522	14,366
ITEMS IN COURSE OF PAYMENT UNDER GIVEN LOANS	30,962	20,241
ACCOUNTS PAYABLE	7,155	3,317
LIABILITIES TO EMPLOYEES	3,905	3,492
BANK PAYMENT OBLIGATIONS	3,649	1,423
ACCRUED LIABILITIES FROM FUNDS RECEIVED	2,903	353
CURRENT TAX LIABILITY	2,678	272
DEPOSIT INSURANCE PREMIUMS	1,873	-
PROVISIONS FOR RETIREMENT AND OTHER BENEFITS TO EMPLOYEES	1,108	1,435
ACCRUED FEES AND COMMISSIONS	505	683
OTHER FOREIGN-CURRENCY DENOMINATED LIABILITIES	253	252
DIVIDENDS PAYABLE	102	104
OTHER LIABILITIES	2,347	1,948
	92,962	47,886

25 PROVISIONS FOR CONTINGENT LIABILITIES AND CHARGES

a) Analysis

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
PROVISIONS FOR FRAME LOANS	4,631	4,899
PROVISIONS FOR GUARANTEES	2,475	1,493
PROVISIONS FOR LEGAL CASES	8,376	8,376
PROVISIONS FOR UNCOVERED LETTERS OF CREDIT	4	-
PROVISIONS FOR OTHER CONTINGENT LIABILITIES	33	27
	15,519	14,795

b) Movements in provisions

IN HRK THOUSANDS	2022	2021
BALANCE AT 1 JANUARY	14,796	5,350
INCREASE IN CREDIT RISK PROVISIONS	15,882	13,885
DECREASE IN CREDIT RISK PROVISIONS	(15,159)	(12,205)
FOREIGN EXCHANGE GAINS/LOSSES	1	12
INCREASE IN PROVISIONS FOR LEGAL CASES	-	7,754
BALANCE AT 31 DECEMBER	15,520	14,796



26 SUBORDINATED INSTRUMENTS ISSUED

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
ISSUED SUBORDINATED BONDS	123,111	71,206
	123,111	71,206

On 29 May 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 semi-annual payment, and bullet payment of the principal upon maturity on 29 May 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 PDBA-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 redeemed and annulled.

On 26 October 2021, a new series of PDBA-O-29AE subordinated bonds, ISIN: HRPDBAO29AE2 were issued: in book-entry form in the total amount of EUR 8,501 thousand in the denomination of EUR 1, with a fixed interest rate of 4.0% per annum with semi-annual payment, and bullet payment of the principal upon maturity on 26 October 2029. The new issue was carried out with the simultaneous early redemption and replacement of existing PDBA-O-255E bonds in the amount of the subscribed amount of newly issued PDBA-O-29AE bonds (EUR 8,501 thousand).

On 15 February 2022, the Bank registered a new series of subordinated registered bonds with the designation PDBA-O-312E, ISIN: HRPDBAO312E3, which were issued in dematerialized form, in the total issue amount of 6,765,005.00 euros in the denomination of 1 euro, with a fixed interest rate of 4.0% per annum and semi-annual payment and bullet payment of the principal upon maturity on 15 February 2031. Subordinated bonds were issued through a public offer, without publication of a prospectus.

Status of issued subordinated bonds as of 31 December 2022 includes ISIN HRPDBAO255E4 with a nominal value of 909 thousand euros, ISIN HRPDBAO29AE2 with a nominal value of 8,563 thousand euros and ISIN HRPDBAO312E3 with a nominal value of 6,867 thousand euros.

Status of issued subordinated bonds as of 31 December 2021 includes ISIN HRPDBAO255E4 with a nominal value of 909 thousand euros and ISIN HRPDBAO29AE2 with a nominal value of 8,563 thousand euros.

Bank's additional capital includes the unamortized amount of subordinated bonds issued.

27 SHARE CAPITAL

Share capital consists of ordinary shares. The total number of issued shares at the end of 2022 is 668,749 ordinary shares (668,749 shares in 2021) with a nominal value of HRK 400.00 per share.

The bank has 3,324 treasury shares as of 31 December 2022 (3,324 in 2021), valued at purchase cost.

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

IN HRK THOUSANDS	2022		2021	
	NUMBER OF SHARES	ORDINARY SHARES, IN%	NUMBER OF SHARES	ORDINARY SHARES, IN%
ANTONIA GORGONI	66,278	9,91	66,278	9,91
MARIO GORGONI	65,870	9,85	31,873	4,77
ASSICURAZIONI GENERALI S.P.A.	63,791	9,54	63,791	9,54
CERERE S.P.A.	63,735	9,53	63,735	9,53
MILJAN TODORVIĆ	55,731	8,33	55,731	8,33
PAOLO GORGONI	52,104	7,79	-	-
SIGILFREDO MONTINARI	38,529	5,76	38,529	5,76
DARIO MONTINARI	38,526	5,76	38,526	5,76
ANDREA MONTINARI	38,515	5,76	38,515	5,76
PIERO MONTINARI	38,515	5,76	38,515	5,76
GINEVRA SEMERARO	27,494	4,11	-	-
LORENZO GORGONI	-	-	66,002	9,87
GIOVANNI SEMERARO	-	-	27,494	4,11
OTHER SHAREHOLDERS (INDIVIDUALLY LESS THAN 3%)	119,661	17,90	139,760	20,90
	668,749	100,00	668,749	100,00

28 RESERVES

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
LEGAL RESERVES	204,439	189,205
RESERVES FOR OWN SHARES	16,830	16,830
GENERAL BANKING RISK RESERVE	5,104	5,104
NON-DISTRIBUTABLE RESERVES	226,373	211,139
CAPITAL LOSS ON TRADING IN TREASURY SHARES	(4,179)	(4,179)
FAIR VALUE RESERVE	(86,577)	(2,303)
DISTRIBUTABLE RESERVES	(90,756)	(6,482)
	135,617	204,657



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

The Bank manages funds in the name 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 in the name and on behalf of third parties can be presented as follows:

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
ASSETS		
RETAIL LOANS	8,981	9,062
CORPORATE LOANS	712	706
CASH	520	524
TOTAL ASSETS	10,213	10,292
LIABILITIES		
FINANCIAL INSTITUTIONS	7,565	7,547
PUBLIC SECTOR	854	950
CORPORATE	1,794	1,795
TOTAL LIABILITIES	10,213	10,292

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

	31 DECEMBER 2022	31 DECEMBER 2021
VALUE OF FINANCIAL INSTRUMENTS	847,072	911,291

30 CONTINGENT LIABILITIES AND COMMITMENTS

a) Legal cases

There were several legal cases outstanding against the Bank on 31 December 2022. According to the Management Board's assessment, provisions in the amount of HRK 8,376 thousand have been provisioned for the costs that could arise from legal cases against the Bank (2021: HRK 8,376 thousand).

b) Guarantees, letters of credit and undrawn loans commitments

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

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
COMMITMENTS – UNDRAWN LOANS	257,705	250,206
COMMITMENTS – UNDRAWN FRAME LOANS ON TRANSACTION ACCOUNTS	162,207	167,653
GUARANTEES	92,080	77,713
FX LETTERS OF CREDIT	178	-
	512,170	495,572

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 if customers cannot meet their obligations to third parties, carry the same credit risk as loans.

c) Operating lease

Future minimum payments under operating leases are as follows:

IN HRK THOUSANDS	31 DECEMBER 2022	31 DECEMBER 2021
UP TO 1 YEAR	77	66
TOTAL	77	66

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 USD 5,000 are recorded in the books of account as assets with a right of use and lease liabilities (Note 18.1).

Liabilities stated under operating leases on 31 December 2022 and 31 December 2021 refer to the lease of business premises for ATMs, and contracts for this type of lease are classified as leases of low-value 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.



31 RELATED PARTY TRANSACTIONS

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 PERSONNEL AND THEIR RELATED PERSONS		SUPERVISORY BOARD	
	2022	2021	2022	2021
LOANS				
BALANCE AT BEGINNING OF THE YEAR	1,011	1,023	43,534	22,797
INCREASE / (DECREASE) DURING YEAR	503	(12)	(23,031)	20,737
BALANCE AT THE END OF THE YEAR	1,514	1,011	20,503	43,534
REALISED INTEREST INCOME	44	29	1,444	1,220
DEPOSITS RECEIVED				
BALANCE AT BEGINNING OF THE YEAR	6,025	5,063	18,498	1,664
INCREASE / (DECREASE) DURING THE YEAR	699	962	(15,261)	16,834
BALANCE AT THE END OF THE YEAR	6,724	6,025	3,237	18,498
REALISED INTEREST EXPENSE	4	4	27	13

Management remuneration

IN HRK THOUSANDS	2022	2021
GROSS SALARIES AND OTHER SHORT-TERM BENEFITS	14,641	15,814

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 2022 and 2021, there are no projected costs for management bonuses. Remuneration to the members of the Supervisory Board in 2022 amount to HRK 4,997 thousand (in 2021: HRK 5,444 thousand).

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

	31 DECEMBER 2022	31 DECEMBER 2021
MANAGEMENT BOARD	10,727	10,727
SUPERVISORY BOARD	132,786	132,786
TOTAL	143,513	143,513

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

IN HRK THOUSANDS	2022	2021
DUE FROM BANKS		
OPENING BALANCE	1,963	3,256
INCREASE / (DECREASE) DURING YEAR	972	(1,293)
CLOSING BALANCE	2,935	1,963
DUE TO BANKS AND LIABILITIES ATTRIBUTED TO ISSUED SUBORDINATED INSTRUMENTS		
OPENING BALANCE	16,035	15,239
INCREASE / (DECREASE) DURING YEAR	12,197	796
CLOSING BALANCE	28,232	16,035

IN HRK THOUSANDS	2022	2021
INTEREST INCOME	-	-
FEE AND COMMISSION INCOME	127	149
TOTAL INCOME	127	149
INTEREST EXPENSE	1,242	602
FEE AND COMMISSION EXPENSE	58	10
TOTAL EXPENSE	1,300	612

32 FINANCIAL RISK MANAGEMENT POLICY

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

The Bank's operations are exposed to various types of financial risks and some of these operations include analyzing, 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 minimizing potential negative effects on its financial performance.

Risk management policies have been designed to identify and analyze 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

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

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

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 Risk Management Department, and risk control is the responsibility of the Risk Control Service.

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 authorized 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.

To improve credit risk management, the Bank estimates the creditworthiness of its clients and, 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 rat-

ings 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 scoring for retail clients and financial scoring for corporate clients

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

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

Depending on the assessment of the above criteria, the Bank allocates all 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 considers the following as an indicator for determining a significant increase in debtor's credit risk: 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, inflationary trends and the rise in market interest rates affected the assessments of recoverability of credit exposure and the calculation of related provisions for credit losses. The amount of provisions for credit



losses is determined by the parameters of probability of default (PD) and loss due to the occurrence of default (LGD) with the expected development of macroeconomic scenarios.

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

The default status is examined based on:

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

The Bank also considers restructured exposures as exposures with default status 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, considering the minimum levels of impairment prescribed by the Decision. Exposures in risk group B, depending on the percentage of placement value adjustments, are classified in the risk subgroup B-1 (placements for which the stated loss does not exceed 30% of the amount of receivables), B-2 (placements for which the stated loss amounts to more than 30% to 70% receivables) and B-3 (placements for which the stated loss amounts to more than 70% and less than 100% of the amount of receivables).

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

„Forborne“ and restructured loans

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

Liquidity risk

discharge or deferral of principal and/or interest payments that were allocated to risk group A prior to restructuring are allocated at least to risk subgroup B1 if the NPV difference after restructuring is greater than 1%.

Liquidity risk 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.

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

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

The Bank identifies three basic forms of liquidity risk:

- the risk of liquidity mismatch (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: total loans to total deposits received ratio; total loans to total assets ratio; liquid assets to total deposits received ratio; total loans to total liabilities ratio.

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 Service and the Asset and Liability Management Committee.

Market risk

Most of the 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 recognized 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 Management Board and the Risk Management Sector, 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 daily basis, with a focus on the most significant fluctuations in interest and foreign exchange rates. The Department for the market, operating and other risks management 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 Service 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 based on certain assumptions regarding various changes in market conditions. The methodology defines the maximum loss that the Bank may suffer with a confidence level of 99 percent based on 260 days. However, this approach does not preclude the occurrence of losses beyond the defined limits in 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 balance sheet level in terms of foreign exchange open positions, as specified by applicable legislation, as well as by internal limits on 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 ana-

Interest rate risk

lyzing the currency risk exposure, the Risk Management Department prepares regular management reports. The overall exposure by a foreign currency position is reflected in the prescribed percentages. The Risk Management Department monitors the exposure to currency risk and reports to the Management Board on quarterly basis.

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 optimizing 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 organizational 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 Management Board, the Risk Management Sector, the Financial Market Sector and the Asset and Liability Management Committee, with the participation of all organizational units undertaking the interest rate risk and control of interest rate risk performed by the Risk Control Service..

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 engages in derivative financial assets and liabilities business 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, human or system errors, or from external events. This definition includes 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)
- Standardized 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, organizing 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 engaging 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.

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

Operational risk exposure in 2022 is also affected by the project of Euro introducing, which aims timely harmonization of the Bank with the National Plan of the exchange of the Croatian Kuna with the Euro, by the Act on the Introduction of the Euro as the Official Currency and adjustments to other legislation.

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

Credit institutions in the Republic of Croatia perform 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. On 31 December 2022, the total capital adequacy rate is at 19.31%, and the basic and regular capital rate is at 14.85%.

Capital management

Based on the capital adequacy levels, the Bank meets all 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 Common Equity Tier 1 capital ratio of 4.5%.
- a Tier 1 capital ratio of 6%.
- a total capital ratio of 8%.

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

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. Deductible items include intangible assets, value adjustments due to credit rating requirements, accumulated other comprehensive income and repurchased own shares.

Supplementary capital items include debt securities issued by the Bank, specifically, subordinated bonds in the amount of HRK 118,309 thousand (in 2021: HRK 68,545 thousand).

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

IN HRK THOUSANDS	2022	2021
REGULATORY CAPITAL – TEMPORARY TREATMENT		
CORE TIER 1 CAPITAL	394,075	-
COMMON EQUITY TIER 1 CAPITAL	394,075	-
TIER 2 CAPITAL	118,309	-
TOTAL REGULATORY CAPITAL	512,385	-
CAPITAL ADEQUACY RATIO IN %	19.31%	-
MINIMUM CAPITAL ADEQUACY RATIO IN %	8.00%	-
IN HRK THOUSANDS	2022	2021
REGULATORY CAPITAL – REGULAR CALCULATION		
CORE TIER 1 CAPITAL	364,811	435,976
COMMON EQUITY TIER 1 CAPITAL	364,811	435,976
TIER 2 CAPITAL	118,309	68,545
TOTAL REGULATORY CAPITAL	483,120	504,521
CAPITAL ADEQUACY RATIO IN %	18.21%	19.15%
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 consider when pricing the asset or liability on the valuation 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 analyze 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:

2022 IN HRK THOUSANDS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS STATEMENT				
EQUITY SECURITIES	32,341	-	-	32,341
TOTAL	32,341	-	-	32,341
2022 IN HRK THOUSANDS				
ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
EQUITY SECURITIES	29,064	-	3,309	32,373
DEBT SECURITIES	632,214	-	6,862	639,076
TOTAL	661,278	-	10,171	671,449
2021 IN HRK THOUSANDS				
ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS STATEMENT				
EQUITY SECURITIES	171,325	-	-	171,325
TOTAL	171,325	-	-	171,325

2021 IN HRK THOUSANDS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
EQUITY SECURITIES	32,185	-	6,583	38,768
DEBT SECURITIES	692,343	-	38,627	730,970
TOTAL	724,528	-	45,210	769,738

At level 3 there are equity stakes in HROK d.d., Central Clearing Depository Company, SWIFT Belgium, Franck d.d., VISA Inc.- class C, Atlas banka a.d. Podgorica, and Proficio d.d. which are valued according to the model or the cost of procurement. When valuing equity securities Bank uses fair value assessment techniques using the peer group method and the book value method, which are the primary valuation methods.

Level 3 includes the debt securities of ICF Progres and Rakušina d.d. Zagreb.

Long-term debt securities listed on an inactive market are valued using the effective interest rate method.

During the year there were no changes in equity securities levels.

Fair value measurement

a) Assets at fair value through profit and loss statement

FINANCIAL ASSETS AND FINANCIAL LIABILITIES	FAIR VALUE AT (IN HRK'000)		FAIR VALUE HIERARCHY	VALUATION TECHNIQUE(S) AND KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUT(S)
	31 DECEMBER 2022	31 DECEMBER 2021			
EQUITY SECURITIES	32,341	171,325	RAZINA 1	VALUATION ACCORDING TO MARKET PRICES	N/A
TOTAL EQUITY SECURITIES:	32,341	171,325			



b) Assets at fair value through other comprehensive income

FINANCIAL ASSETS AND FINANCIAL LIABILITIES	FAIR VALUE AT (IN HRK'000)		FAIR VALUE HIERARCHY	VALUATION TECHNIQUE(S) AND KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUT(S)
	31 DECEMBER 2022	31 DECEMBER 2021			
EQUITY SECURITIES	29,064	32,185	LEVEL 1	VALUATION ACCORDING TO MARKET PRICES	N/A
EQUITY SECURITIES	3,309	6,583	LEVEL 3	VALUATION IN ACCORDANCE WITH VALUATION TECHNIQUES OR VALUATION AT COST DUE TO IMMATERIALITY OF THE INVESTMENT	N/A
TOTAL EQUITY SECURITIES:	32,373	38,768			
DEBT SECURITIES	632,214	692,343	LEVEL 1	VALUATION ACCORDING TO MARKET PRICES	N/A
DEBT SECURITIES	-	-	LEVEL 2	VALUATION ACCORDING TO THE SIMILAR ASSETS (TREASURY BILLS AND COMMERCIAL BILLS ARE ADJUSTED TO PRICES FROM THE MOST RECENT AUCTION OF TREASURY BILLS)	N/A
DEBT SECURITIES	6,862	38,627	LEVEL 3	VALUATION BY THE DISCOUNTED CASH FLOW (DCF) METHOD	N/A
TOTAL DEBT SECURITIES:	639,076	730,970			
TOTAL SECURITIES:	671,449	769,738			

c) Changes in Level 3 financial assets

2022 IN HRK THOUSANDS	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
OPENING BALANCE	45,210
TOTAL GAINS AND LOSSES	288
PURCHASED ASSETS	5,841
SOLD AND MATURED ASSETS	(41,168)
CLOSING BALANCE	10,171
2021 IN HRK THOUSANDS	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
OPENING BALANCE	25,730
TOTAL GAINS AND LOSSES	524
PURCHASED ASSETS	38,627
RECLASSIFIED FROM LEVEL 3	(19,671)
CLOSING BALANCE	45,210

34 INTEREST RATE RISK

The tables below provide the Bank's interest rate sensitivity position as at 31 December 2022 and 2021 based upon the known repricing dates of fixed and floating rate assets and liabilities and the assumed repricing dates of other items.

AT DECEMBER 2022 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	80,496	-	-	-	1,051,375	1,131,871
BALANCES WITH THE CROATIAN NATIONAL BANK	-	-	-	-	-	-
BALANCES WITH OTHER BANKS	-	-	5,203	-	-	5,203
LOANS TO CUSTOMERS	1,544,579	70,226	265,665	422,589	59,764	2,362,823
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-	32,341	32,341
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	2,056	7,655	67,398	561,967	32,373	671,449
HELD-TO-MATURITY FINANCIAL ASSETS	7,344	179	4,776	161,578	-	173,877
TOTAL ASSETS	1,634,475	78,060	343,042	1,146,134	1,175,853	4,377,564
LIABILITIES						
AMOUNTS DUE TO OTHER BANKS	15,489	-	-	-	13,300	28,789
AMOUNTS DUE TO CUSTOMERS	2,888,787	99,587	325,326	156,759	6,727	3,477,185
OTHER BORROWINGS	805	3,441	68,962	338,692	-	411,899
HYBRID INSTRUMENTS ISSUED	-	770	496	121,845	-	123,111
TOTAL LIABILITIES	2,905,081	103,798	394,784	617,296	20,027	4,040,984
NET INTEREST EXPOSURE	(1,270,606)	(25,738)	(51,742)	528,838	1,155,826	336,580

AT 31 DECEMBER 2021 IN HRK THOUSANDS	UP TO 1 MONTH	1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	OVER 1 YEAR	NON- INTEREST BEARING	TOTAL
ASSETS	42,897	-	-	-	701,217	744,114
CASH AND AMOUNTS DUE FROM BANKS	-	-	-	-	177,874	177,874
BALANCES WITH THE CROATIAN NATIONAL BANK	-	-	6,012	-	-	6,012
BALANCES WITH OTHER BANKS	1,451,625	120,771	232,075	355,301	2,441	2,162,213
LOANS TO CUSTOMERS	-	-	-	-	171,325	171,325
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	2,427	7,673	37,020	683,851	38,767	769,738
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	42,897	-	-	-	701,217	744,114
TOTAL ASSETS	1,496,949	128,444	275,107	1,039,152	1,091,624	4,031,276
LIABILITIES						
AMOUNTS DUE TO OTHER BANKS	1,004	-	-	-	14,913	15,917
AMOUNTS DUE TO CUSTOMERS	2,460,930	91,817	342,553	218,085	7,976	3,121,361
OTHER BORROWINGS	1,032	5,936	48,809	375,890	-	431,667
HYBRID INSTRUMENTS ISSUED	-	-	495	70,711	-	71,206
TOTAL LIABILITIES	2,462,966	97,753	391,857	664,686	22,889	3,640,151
NET INTEREST EXPOSURE	(966,017)	30,691	(116,750)	374,466	1,068,735	391,125

Weighted effective interest rates on loans issued to clients in 2022 were 4.27% (4.40% in 2021).

Weighted effective interest rates on deposits received from clients during 2022 were 0.11% (0.12% in 2021).

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 2022 and 2021. 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 2022 PROFIT OR LOSS	IMPACT ON 2021 PROFIT OR LOSS
ASSETS	5% RELATIVE	3,119	2,852
LIABILITIES	5% RELATIVE	(137)	(127)
IMPACT ON THE NET INTEREST INCOME		2,982	2,725

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.

AT 31 DECEMBER 2022 (IN HRK THOUSANDS)	EUR	USD	OTHER CURRENCIES	TOTAL FOREIGN CURRENCIES	HRK	TOTAL
ASSETS						
CASH AND AMOUNTS DUE FROM BANKS	154,099	15,811	39,282	209,192	922,679	1,131,871
BALANCES WITH THE CNB	-	-	-	-	-	-
BALANCES WITH OTHER BANKS	-	-	-	-	5,203	5,203
LOANS TO CUSTOMERS	990,995	801	-	991,796	1,371,027	2,362,823
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	23,040	-	-	23,040	9,301	32,341
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	174,017	105,617	6,906	286,540	384,909	671,449
HELD-TO-MATURITY FINANCIAL ASSETS	129,057	7,045	9,361	145,463	28,414	173,877
INVESTMENT PROPERTY	-	-	-	-	21,364	21,364
INTANGIBLE ASSETS	-	-	-	-	58,404	58,404
PROPERTY AND EQUIPMENT	-	-	-	-	30,354	30,354
RIGHT-OF-USE ASSETS	-	-	-	-	34,644	34,644
NON-CURRENT ASSETS HELD FOR SALE	-	-	-	-	262	262
DEFERRED TAX ASSETS	-	-	-	-	6,621	6,621
OTHER ASSETS	83	-	3	86	46,408	46,494
TOTAL ASSETS	1,471,291	129,274	55,552	1,656,117	2,919,590	4,575,707
LIABILITIES AND SHAREHOLDERS' EQUITY						
LIABILITIES						
AMOUNTS DUE TO OTHER BANKS	26,127	-	2,657	28,784	5	28,789
AMOUNTS DUE TO CUSTOMERS	1,284,914	130,015	52,165	1,467,094	2,010,091	3,477,185
OTHER BORROWINGS	47,451	-	-	47,451	364,448	411,899
OTHER LIABILITIES	-	43	18	61	92,901	92,962
PROVISIONS FOR CONTINGENT LIABILITIES AND CHARGES	1,182	35	-	1,217	14,302	15,519
ISSUED HYBRID AND SUBORDINATED INSTRUMENTS	123,111	-	-	123,111	-	123,111
TOTAL LIABILITIES	1,482,785	130,093	54,840	1,667,718	2,481,747	4,149,465
EQUITY						
SHARE CAPITAL	-	-	-	-	267,500	267,500
SHARE PREMIUM	-	-	-	-	3,015	3,015
TREASURY SHARES	-	-	-	-	(1,184)	(1,184)
OTHER RESERVES	118	38	11	167	135,450	135,617
PROFIT FOR THE YEAR	-	-	-	-	12,167	12,167
RETAINED EARNINGS / (ACCUMULATED LOSSES)	-	-	-	-	9,127	9,127
TOTAL SHAREHOLDERS' EQUITY	118	38	11	167	426,075	426,242
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,482,903	130,131	54,851	1,667,885	2,907,822	4,575,707
NET FX EXPOSURE	(11,612)	(857)	701	(11,768)	11,768	-

AT 31 DECEMBER 2021 (IN HRK THOUSANDS)	EUR	USD	OTHER CURRENCIES	TOTAL FOREIGN CURRENCIES	HRK	TOTAL
ASSETS						
CASH AND AMOUNTS DUE FROM BANKS	113,365	18,429	19,018	150,812	593,302	744,114
BALANCES WITH THE CROATIAN	-	-	-	-	177,874	177,874
BALANCES WITH OTHER BANKS	-	-	-	-	6,012	6,012
LOANS TO CUSTOMERS	927,975	1,514	-	929,489	1,232,724	2,162,213
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	71,517	-	-	71,517	99,808	171,325
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	248,581	103,420	23,380	375,381	394,357	769,738
INVESTMENT PROPERTY	-	-	-	-	35,178	35,178
INTANGIBLE ASSETS	-	-	-	-	49,017	49,017
PROPERTY AND EQUIPMENT	-	-	-	-	46,070	46,070
RIGHT-OF-USE ASSETS	-	-	-	-	13,809	13,809
NON-CURRENT ASSETS HELD FOR SALE	-	-	-	-	262	262
DEFERRED TAX ASSETS	-	-	-	-	4,269	4,269
OTHER ASSETS	-	-	-	-	19,518	19,534
TOTAL ASSETS	1,361,451	123,363	42,401	1,527,215	2,672,200	4,199,415
LIABILITIES AND SHAREHOLDERS' EQUITY						
LIABILITIES						
AMOUNTS DUE TO OTHER BANKS	13,255	-	2,657	15,912	5	15,917
AMOUNTS DUE TO CUSTOMERS	1,269,105	123,276	39,441	1,431,822	1,689,539	3,121,361
OTHER BORROWINGS	17,983	-	-	17,983	413,684	431,667
OTHER LIABILITIES	-	70	-	70	47,816	47,886
PROVISIONS FOR CONTINGENT LIABILITIES AND CHARGES	541	24	-	565	14,230	14,795
ISSUED HYBRID AND SUBORDINATED INSTRUMENTS	71,206	-	-	71,206	-	71,206
TOTAL LIABILITIES	1,372,090	123,370	42,098	1,537,558	2,165,274	3,702,832
EQUITY						
SHARE CAPITAL	-	-	-	-	267,500	267,500
SHARE PREMIUM	-	-	-	-	3,015	3,015
TREASURY SHARES	-	-	-	-	(1,184)	(1,184)
OTHER RESERVES	141	68	39	248	204,409	204,657
PROFIT FOR THE YEAR	-	-	-	-	15,234	15,234
RETAINED EARNINGS / (ACCUMULATED LOSSES)	-	-	-	-	7,361	7,361
TOTAL SHAREHOLDERS' EQUITY	141	68	39	248	496,335	496,583
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,372,231	123,438	42,137	1,537,806	2,661,609	4,199,415
NET FX EXPOSURE	(10,780)	(75)	264	(10,591)	10,591	-

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 2022 and an income for 2022. The change in the interest rates would be reflected through the income statement as foreign exchange gains or losses.

CURRENCY AT 31 DECEMBER 2022	ASSUMED INCREASE OF THE CNB'S MIDDLE EXCHANGE RATE	IMPACT ON PROFIT OR LOSS	IMPACT ON PROFIT OR LOSS	IMPACT ON PROFIT OR LOSS
IN HRK THOUSANDS		ASSETS	LIABILITIES	NET
ASSETS	2,00%	33,122	-	33,122
LIABILITIES	2,00%	-	(33,358)	(33,358)
NET ASSETS / (LIABILITIES)		33,122	(33,358)	(236)

CURRENCY AT 31 DECEMBER 2021	ASSUMED INCREASE OF THE CNB'S MIDDLE EXCHANGE RATE	IMPACT ON PROFIT OR LOSS	IMPACT ON PROFIT OR LOSS	IMPACT ON PROFIT OR LOSS
IN HRK THOUSANDS		ASSETS	LIABILITIES	NET
ASSETS	2,00%	30,544	-	30,544
LIABILITIES	2,00%	-	(30,756)	(30,756)
NET ASSETS / (LIABILITIES)		30,544	(30,756)	(212)

36 LIQUIDITY RISK

AT 31 DECEMBER 2021 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	1,131,871	-	-	-	-	1,131,871
BALANCES WITH THE CROATIAN NATIONAL BANK	-	-	-	-	-	-
BALANCES WITH OTHER BANKS	-	-	5,203	-	-	5,203
LOANS TO CUSTOMERS	210,341	100,616	405,569	599,223	1,047,074	2,362,823
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	32,341	-	-	-	-	32,341
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	34,429	7,655	67,398	189,472	372,495	671,449
HELD-TO-MATURITY FINANCIAL ASSETS	7,344	179	4,776	44,147	117,431	173,877
FINANCIAL ASSETS	1,416,326	108,450	482,946	832,842	1,537,000	4,377,564
LIABILITIES						
AMOUNTS DUE TO OTHER BANKS	28,789	-	-	-	-	28,789
AMOUNTS DUE TO CUSTOMERS	2,893,293	99,587	325,326	138,294	20,684	3,477,185
OTHER BORROWED FUNDS	805	3,441	68,962	281,355	57,336	411,899
ISSUED HYBRID AND SUBORDINATED INSTRUMENTS	-	770	496	6,824	115,021	123,111
FINANCIAL ASSETS	2,922,887	103,798	394,784	426,473	193,041	4,040,984
CUMULATIVE GAP	(1,506,561)	4,652	88,162	406,369	1,343,959	336,580
ASSETS						
CASH AND AMOUNTS DUE FROM BANKS	744,114	-	-	-	-	744,114
BALANCES WITH THE CROATIAN NATIONAL BANK	177,874	-	-	-	-	177,874
BALANCES WITH OTHER BANKS	-	-	6,012	-	-	6,012
LOANS TO CUSTOMERS	220,194	148,157	371,400	491,211	931,251	2,162,213
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	171,325	-	-	-	-	171,325
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	41,194	7,673	37,020	204,185	479,666	769,738
FINANCIAL ASSETS	1,354,701	155,830	414,432	695,396	1,410,917	4,031,276
LIABILITIES						
AMOUNTS DUE TO OTHER BANKS	15,917	-	-	-	-	15,917
AMOUNTS DUE TO CUSTOMERS	2,467,542	91,817	342,696	198,968	20,338	3,121,361
OTHER BORROWED FUNDS	1,032	5,936	48,809	61,470	314,420	431,667
ISSUED HYBRID AND SUBORDINATED INSTRUMENTS	-	-	495	-	70,711	71,206
FINANCIAL LIABILITIES	2,484,491	97,753	392,000	260,438	405,469	3,640,151
CUMULATIVE GAP	(1,129,790)	58,077	22,432	434,958	1,005,448	391,125

37 CREDIT RISK

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

IN HRK THOUSANDS AT 31 DECEMBER 2022	GROSS EXPOSURE	IMPAIRMENT ALLOWANCES	NET EXPOSURE
A. BALANCE-SHEET EXPOSURE			
BALANCES WITH THE CROATIAN NATIONAL BANK	-	-	-
BALANCES WITH OTHER BANKS	5,220	(17)	5,203
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	32,341	0	32,341
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	681,481	(10,032)	671,449
HELD-TO-MATURITY FINANCIAL ASSETS	173,929	(52)	173,877
LOANS TO CUSTOMERS			
- LEVEL 1	2,191,345	(21,239)	2,170,106
- LEVEL 2	105,993	(7,223)	98,770
- LEVEL 3	297,970	(204,023)	93,947
TOTAL BALANCE SHEET EXPOSURE	3,488,279	(242,586)	3,245,693
B. OFF-BALANCE SHEET EXPOSURE			
CLIENTS			
- LEVEL 1	500,613	(6,117)	494,496
- LEVEL 2	3,044	(118)	2,926
- LEVEL 3	8,512	(907)	7,605
TOTAL OFF-BALANCE SHEET EXPOSURE	512,169	(7,142)	505,027
TOTAL EXPOSURE (A+B)	4,000,448	(249,728)	3,750,720
IN HRK THOUSANDS AT 31 DECEMBER 2021			
A. BALANCE-SHEET EXPOSURE			
BALANCES WITH THE CROATIAN NATIONAL BANK	177,927	(53)	177,874
BALANCES WITH OTHER BANKS	6,031	(19)	6,012
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	171,325	-	171,325
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	779,759	(10,021)	769,738
LOANS TO CUSTOMERS			
- LEVEL 1	1,977,827	(19,199)	1,958,628
- LEVEL 2	75,509	(3,256)	72,253
- LEVEL 3	313,731	(182,399)	131,332
TOTAL BALANCE SHEET EXPOSURE	3,502,109	(214,947)	3,287,162
B. OFF-BALANCE SHEET EXPOSURE			
CLIENTS			
- LEVEL 1	493,664	(6,205)	487,459
- LEVEL 2	1,345	(20)	1,325
- LEVEL 3	564	(194)	370
TOTAL OFF-BALANCE SHEET EXPOSURE	495,573	(6,419)	489,154
TOTAL EXPOSURE (A+B)	3,997,682	(221,366)	3,776,316



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 2022	PAST DUE UP TO 30 DAYS	PAST DUE FROM 31 TO 90 DAYS	PAST DUE FROM 91 TO 180 DAYS	PAST DUE FROM 181 TO 365 DAYS	PAST DUE BETWEEN 1 AND 2 YEARS	PAST DUE BETWEEN 2 AND 3 YEARS	PAST DUE BEYOND 3 YEARS
LOANS TO CUSTOMERS							
RETAIL CUSTOMERS	4,514	963	1,040	2,126	5,961	4,086	25,771
CORPORATE CUSTOMERS	6,273	4,010	1,143	26,001	4,332	8,425	56,844
PUBLIC AND OTHER SECTORS	165	22,127	-	14	-	1	7
OTHER RECEIVABLES PAST DUE	2,147	715	146	254	329	749	2,168
TOTAL PAST DUE BUT UNPAID RECEIVABLES	13,099	27,815	2,329	28,395	10,622	13,261	84,790
IN HRK THOUSANDS AT 31 DECEMBER 2021	PAST DUE UP TO 30 DAYS	PAST DUE FROM 31 TO 90 DAYS	PAST DUE FROM 91 TO 180 DAYS	PAST DUE FROM 181 TO 365 DAYS	PAST DUE BETWEEN 1 AND 2 YEARS	PAST DUE BETWEEN 2 AND 3 YEARS	PAST DUE BEYOND 3 YEARS
LOANS TO CUSTOMERS							
RETAIL CUSTOMERS	4,974	2,282	1,248	3,929	2,864	3,865	27,069
CORPORATE CUSTOMERS	2,465	1,466	1,338	927	7,573	8,836	91,341
PUBLIC AND OTHER SECTORS	8,825	1	-	-	1	-	7
OTHER RECEIVABLES PAST DUE	1,859	941	237	168	317	221	2,592
TOTAL PAST DUE BUT UNPAID RECEIVABLES	18,123	4,690	2,823	5,024	10,755	12,922	121,009

c) Coverage by collateral

IN HRK THOUSANDS AT 31 DECEMBER 2022	DEPOSIT	RESIDENTIAL MORTGAGE	BUSINESS MORTGAGE	OTHER INSTRUMENTS	WITHOUT INSTRUMENTS
A. BALANCE-SHEET EXPOSURE					
BALANCES WITH CROATIAN NATIONAL BANK	-	-	-	-	-
BALANCES WITH OTHER BANKS	-	-	-	5,203	-
FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-	-	32,341
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	-	671,449
HELD-TO-MATURITY FINANCIAL ASSETS	-	-	-	-	173,877
LOANS TO CUSTOMERS	25,104	476,640	399,384	144,017	1,317,678
TOTAL BALANCE SHEET EXPOSURE	25,104	476,640	399,384	149,220	2,195,345
B. OFF-BALANCE SHEET EXPOSURE					
CLIENTS	4,291	13,875	67,425	11,866	414,712
TOTAL OFF-BALANCE SHEET EXPOSURE	4,291	13,875	67,425	11,866	414,712
TOTAL EXPOSURE (A+B)	29,395	490,515	466,809	161,086	2,610,057
IN HRK THOUSANDS AT 31 DECEMBER 2021	DEPOSIT	RESIDENTIAL MORTGAGE	BUSINESS MORTGAGE	OTHER INSTRUMENTS	WITHOUT INSTRUMENTS
A. BALANCE-SHEET EXPOSURE					
BALANCES WITH CROATIAN NATIONAL BANK	-	-	-	-	177,874
BALANCES WITH OTHER BANKS	-	-	-	5,844	168
FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT AND LOSS	-	-	-	-	171,325
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	-	769,738
LOANS TO CUSTOMERS	36,234	433,387	329,965	153,059	1,209,568
TOTAL BALANCE SHEET EXPOSURE	36,234	433,387	329,965	158,903	2,328,673
B. OFF-BALANCE SHEET EXPOSURE					
CLIENTS	8,687	14,646	38,495	14,058	419,686
TOTAL OFF-BALANCE SHEET EXPOSURE	8,687	14,646	38,495	14,058	419,686
TOTAL EXPOSURE (A+B)	44,921	448,033	368,460	172,961	2,748,359

d) Provision ratio in loans to customers

2022		
IN HRK THOUSANDS	LOANS TO CUSTOMERS (%)	PROVISION RATIO IN LOANS (%)
- STAGE 1	84.43	0.97
- STAGE 2	4.08	6.81
- STAGE 3	11.48	68.47
TOTAL	100.00	
2021		
IN HRK THOUSANDS	LOANS TO CUSTOMERS (%)	PROVISION RATIO IN LOANS (%)
- STAGE 1	83.56	0.97
- STAGE 2	3.19	4.31
- STAGE 3	13.25	58.14
TOTAL	100.00	

38 REPRICING RISK

Equity and debt financial instrument repricing 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.

IN HRK THOUSANDS	ASSUMED PRICE CHANGE	IMPACT OF PRICE INCREASE ON PROFIT AND LOSS STATEMENT	IMPACT OF PRICE INCREASE ON REVALUATION RESERVES
ON 31 DECEMBER 2022	3%	6,188	20,444
ON 31 DECEMBER 2022	3%	5,140	23,393

39 CONCENTRATION OF ASSETS AND LIABILITIES

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

IN HRK THOUSANDS	2022	2021
GIRO ACCOUNT AT CNB	966,605	642,339
BONDS OF THE REPUBLIC OF CROATIA	422,927	369,162
ALLOCATED FUNDS AT THE CROATIAN NATIONAL BANK FOR PRE-SUPPLY OF EUR	57,370	-
DEFERRED TAX ASSETS/LIABILITIES	6,621	4,269
OTHER ASSETS	870	9,408
OBLIGATORY RESERVES AND TREASURY NOTES WITH THE CROATIAN NATIONAL BANK	-	177,874
OTHER CASH RESERVE FUNDS	-	10,000
DEPOSITS RECEIVED	(40)	(40)
OTHER LIABILITIES	(2,173)	(62)
CURRENT TAX ASSETS/LIABILITIES	(2,589)	1,936
REPO LOANS FROM THE CNB	(283,163)	(313,679)
	1,166,428	901,207

The Bank's indirect exposure to the Republic of Croatia as at 31 December 2022 in respect of loans and other exposures is as follows:

IN HRK THOUSANDS	2022	2021
CUSTOMER LOANS GUARANTEED BY THE STATE	26,079	56,310
OTHER LOANS	11,465	50,941
LOCAL GOVERNMENT BONDS	4,245	1,932
RIGHT-OF-USE ASSETS	2,036	2,500
CROATIAN DEPOSIT INSURANCE AGENCY	(1,873)	-
OTHER LIABILITIES	(7,793)	(2,154)
LOANS FROM CBRD	(105,190)	(117,988)
DEPOSITS RECEIVED	(149,667)	(121,604)
	(220,698)	(130,063)

40 EVENTS AFTER THE BALANCE SHEET DATE

Changes to the business model for debt securities from 1 January 2023

The Bank decided to change the business model for debt securities held for the purpose of collecting cash flows and selling to the business model of holding for the purpose of collecting contractual cash flows. The decision also includes reclassification of the debt securities portfolio that was allocated to the business model of holding for the purpose of collecting cash flows and selling in the business model of holding for the purpose of collecting cash flows, in accordance with point 4.4.1 as part of the International Financial Reporting Standard 9 (IFRS 9): Financial instruments. The date was set on 1 January 2023 for the financial instruments accounting reclassification, considering that the concerned date is the first day upon the reporting period in which there was a change in the business model.

The consequences of the change in the business model, i.e. the aforementioned reclassification of the portfolio, are reflected in the reduction of debt securities at fair value through other comprehensive income by EUR 84.2 million (HRK 634.5 million), the increase of debt securities at amortized cost by 93.0 million EUR (HRK 700.7 million), and an increase in accumulated other comprehensive income, net of deferred tax assets, within the equity and reserves by EUR 8.8 million (HRK 66.2 million), which will be visible in the next reporting period with the balance as at 31 March 2023.

Euro project - post euro production

In May 2021, Podravska banka d.d. launched the Project for the introduction of the euro, by appointing the project manager and holders of essential activities for the implementation of the national plan. In cooperation with the suppliers, a gap analysis of the necessary improvements and delivery deadlines of solutions was carried out, in accordance with the requirements of the regulator. The Bank's Management has accepted the Proposal for the creation of a solution for the exchange of HRK with Euros, delivery deadlines and the method of managing the project (formed project teams and managers, monitoring the status of the project in relation to the planned deadlines at the monthly level, up to the daily level during December 2022, informing the Bank's Management and the supplier's management). The Bank fulfilled the obligation of dual currency presentation in August 2022 ahead of schedule, successfully supplied the Bank and pre-supplied clients with euro cash. For the transition days of 30, 31 December up to 3 January 2023, we had immediate support from the supplier Asseco.

On 1 January 2023, just after midnight, the Bank put into operation ATMs with euros, payment cards, the Bank's counters were open in the morning and the digital channels in the afternoon. Bank employees performed the necessary calculations for the month of December and controlled the implementation of the conversion. Since the first day of the introduction of the euro, 2 January 2023, the Bank operates normally, provides all services and products, regularly ends the working day.

The Bank had no customer complaints related to the euro project and controls carried out by Euro supervision did not result in any findings. The Bank's internal audit conducted a regular audit of the euro conversion results according to CNB guidelines and forwarded the report to the Bank's Management.

In the stabilization phase of the project, the Bank is primarily engaged in the adjustment of kuna/euro cash balances, the exchange and withdrawal of kuna from circulation and the checking of the accounting reconciliation of analytics and the general ledger. IT adjustment of the reporting system is carried out further, quarterly reports

are the focus of the check. No significant problems were identified that could affect the timely execution of regulatory obligations.

The migration to the Target 2 consolidated platform is planned for the weekend of 18 and 19 March 2023, because the first working day is 20 March 2023. All necessary adjustments of the IT system made for use of the new TARGET platform were tested. The bank has successfully completed the pre-migration activity of data validation and is ready to work on the T2K platform.

41 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Management Board on 30 March 2023 and were signed on its behalf by:

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



ABOUT THE BANK



BANK'S MANAGEMENT AND ORGANISATIONAL STRUCTURE

	The Bank's operations are supervised by the Supervisory Board and managed by the Management Board.
Supervisory Board	Miljan Todorovic, Chairman Sigilfredo Montinari, Deputy Chairman Michele Calcaterra Borri, Member Maurizio Dallochio, Member Filippo Disertori, Member Antonio Moniaci, Member Dario Montinari, Member Dolly Predović, Member Ezio Simonell, Member
Management Board	Daniel Unger, Chairman of the Board Goran Varat, Member of the Board Renata Vinković, Member of the Board
General Executive Director	Moreno Marson
Units / Executive Director	Internal Audit Unit, Krunoslav Vnućec Risk Control Unit, Hrvoje Miloš Compliance Unit, Krunoslav Grošić Legal Affairs, Vlatka Đipalo-Dergez Administration Unit, Božana Kovačević
Divisions / Executive Director	Financial Markets Sector, Daniel Varga Development and Investment Banking Sector, Maja Bešević Vlajo Corporate Customers Sector, Ivan Jelčić Retail Customers Sector, Dijana Vladislavić Risk Management Sector, Vedrana Cicvarić Collection Sector, Smilja Briški Accounting Sector, Snježana Pobi Operations & Support Sector, Snježana Pobi ICT Sector, Saša Lončarić



- Legend
-  Commercial Centre
 -  Branches

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**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 2022

UNCONSOLIDATED (IN HRK THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
ASSETS			
FUNDS. CENTRAL BANK MONETARY CLAIMS AND OTHER DEMAND DEPOSITS (AOP 002 TO 004)	001	744,089	1,131,870
CASH IN HAND	002	48,853	84,770
MONETARY CLAIMS ON CENTRAL BANKS	003	652,339	966,605
OTHER DEMAND DEPOSITS	004	42,897	80,495
FINANCIAL ASSETS HELD FOR TRADING (AOP 006 TO 009)	005	0	0
DERIVATIVES	006	0	0
EQUITY INSTRUMENTS	007	0	0
DEBT SECURITIES	008	0	0
LOANS AND ADVANCES	009	0	0
NON-TRADABLE FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (AOP 011 TO 013)	010	171,325	32,341
EQUITY INSTRUMENTS	011	171,325	32,341
DEBT SECURITIES	012	0	0
LOANS AND ADVANCES	013	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (AOP 015 + 016)	014	0	0
DEBT SECURITIES	015	0	0
LOANS AND ADVANCES	016	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (AOP 018 TO 020)	017	769,738	671,449
EQUITY INSTRUMENTS	018	38,767	32,373
DEBT SECURITIES	019	730,971	639,076
LOANS AND ADVANCES	020	0	0
FINANCIAL ASSETS AT AMORTIZED COST (AOP 022+023)	021	2,349,630	2,546,022
DEBT SECURITIES	022	23,936	202,781
LOANS AND ADVANCES	023	2,325,694	2,343,241
DERIVATIVES - HEDGE ACCOUNTING	024	0	0
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN THE PORTFOLIO HEDGING AGAINST INTEREST RATE RISK	025	0	0
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	026	0	0
TANGIBLE ASSETS	027	95,057	86,362
INTANGIBLE ASSETS	028	49,017	58,404
TAX ASSETS	029	6,525	6,757
OTHER ASSETS	030	1,955	2,973
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	031	12,079	39,529
TOTAL ASSETS (AOP 001 + 005 + 010 + 014 + 017 + 021+ 024 TO 031)	032	4,199,415	4,575,707

UNCONSOLIDATED (IN HRK THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
LIABILITIES			
FINANCIAL LIABILITIES HELD FOR TRADING (AOP 034 TO 038)	033	0	0
DERIVATIVES	034	0	0
SHORT POSITIONS	035	0	0
DEPOSITS	036	0	0
DEBT SECURITIES ISSUED	037	0	0
OTHER FINANCIAL LIABILITIES	038	0	0
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (AOP 040 TO 042)	039	0	0
DEPOSITS	040	0	0
DEBT SECURITIES ISSUED	041	0	0
OTHER FINANCIAL LIABILITIES	042	0	0
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST (AOP 044 TO 046)	043	3,656,709	4,078,192
DEPOSITS	044	3,568,945	3,917,873
DEBT SECURITIES ISSUED	045	71,206	123,111
OTHER FINANCIAL LIABILITIES	046	16,558	37,208
DERIVATIVES - HEDGE ACCOUNTING	047	0	0
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS WHEN HEDGING A PORTFOLIO AGAINST INTEREST RATE RISK	048	0	0
RESERVATIONS	049	14,795	15,519
TAX LIABILITIES	050	506	3,026
SHARE CAPITAL RETURNED ON DEMAND	051	0	0
OTHER LIABILITIES	052	30,822	52,728
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	053	0	0
TOTAL LIABILITIES (AOP 033 + 039 + 043 + 047 TO 053)	054	3,702,832	4,149,465
CAPITAL			
SHARE CAPITAL	055	267,500	267,500
STOCK PREMIUM	056	3,015	3,015
EQUITY INSTRUMENTS ISSUED OTHER THAN EQUITY	057	0	0
OTHER EQUITY INSTRUMENTS	058	0	0
ACCUMULATED OTHER COMPREHENSIVE INCOME	059	-2,303	(86,577)
RETAINED PROFIT	060	7,361	9,127
REVALUATION RESERVES	061	0	0
OTHER RESERVES	062	206,960	222,194
TREASURY STOCKS	063	-1,184	(1,184)
PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	064	15,234	12,167
DIVIDENDS DURING THE BUSINESS YEAR	065	0	0
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	066	0	0
TOTAL CAPITAL(AOP 055 TO 066)	067	496,583	426,242
TOTAL LIABILITIES AND CAPITAL (AOP 054+067)	068	4,199,415	4,575,707

PROFIT AND LOSS STATEMENT FOR THE PERIOD FROM 1 JANUARY 2022 TO 31 DECEMBER 2022

UNCONSOLIDATED (IN HRK THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
INTEREST INCOME	001	100,441	108,133
(INTEREST EXPENSES)	002	11,062	11,053
(EXPENDITURE ON SHARE CAPITAL RETURNED ON REQUEST)	003	0	0
DIVIDEND INCOME	004	957	1,252
FEE AND COMMISSION INCOME	005	44,264	48,906
(FEE AND COMMISSION EXPENSES)	006	18,236	17,757
GAINS OR LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	007	3,561	669
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING, NET	008	5,721	6,792
GAINS OR LOSSES ON NON-TRADABLE FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	009	270	(5,285)
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	010	0	0
GAINS OR LOSSES ON HEDGE ACCOUNTING, NET	011	0	0
FOREIGN EXCHANGE DIFFERENCES (PROFIT OR LOSS), NET	012	917	2,782
GAINS OR (-) LOSSES ON DERECOGNITION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES, NET	013	0	0
GAINS OR LOSSES ON DERECOGNITION OF NON-FINANCIAL ASSETS, NET	014	(569)	(1,421)
OTHER OPERATING INCOME	015	6,055	27,041
(OTHER OPERATING EXPENSES)	016	6,546	5,662
TOTAL INCOME FROM OPERATIONS, NET (AOP 001 – 002 – 003 + 004 + 005 – 006 + FROM 007 TO 014 – 015)	017	125,773	154,397
(ADMINISTRATIVE EXPENDITURE)	018	76,368	81,776
(CASH CONTRIBUTIONS TO RESOLUTION COMMITTEES AND DEPOSIT INSURANCE SCHEMES)	019	113	3,681
AMORTIZATION	020	11,160	12,364
GAINS OR LOSSES ON CHANGES, NET	021	0	0
RESERVATIONS OR CANCELLATIONS	022	9,433	723
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	023	9,480	39,957
IMPAIRMENT OR ELIMINATION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	024	0	0
IMPAIRMENT OR ELIMINATION OF IMPAIRMENT OF NON-FINANCIAL ASSETS	025	0	0
NEGATIVE GOODWILL RECOGNIZED IN PROFIT OR LOSS	026	0	0
SHARE OF PROFIT OR LOSS FROM INVESTING IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES CALCULATED USING THE EQUITY METHOD	027	0	0
PROFIT OR LOSS ON NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE THAT DOES NOT QUALIFY AS A GOING CONCERN	028	(334)	(60)
PROFIT OR LOSS BEFORE TAX FROM OPERATING ACTIVITIES (AOP 017 - FROM 018 TO 020 + 021 - FROM 022 TO 025 + FROM 026 TO 028)	029	18,885	15,836
TAX EXPENSE OR INCOME RELATED TO THE PROFIT OR LOSS FROM CONTINUING OPERATIONS	030	4,282	3,899
PROFIT OR LOSS AFTER TAX FROM OPERATING ACTIVITIES THAT WILL CONTINUE(AOP 029 - 030)	031	14,603	11,937
PROFIT OR LOSS AFTER TAX FROM OPERATIONS THAT WILL NOT CONTINUE (AOP 033 - 034)	032	631	230
PRE-TAX PROFIT OR LOSS FROM OPERATIONS THAT WILL NOT CONTINUE	033	631	230
TAX OR BUSINESS-RELATED EXPENSES THAT WILL NOT CONTINUE	034	0	0
PROFIT OR LOSS FOR THE CURRENT YEAR (AOP 031 + 032; 036 +037)	035	15,234	12,167
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	036	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	037	15,234	12,167

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2022 TO 31 DECEMBER 2022

UNCONSOLIDATED (IN HRK THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
OTHER COMPREHENSIVE INCOME REPORT			
PROFIT OR LOSS FOR THE CURRENT YEAR	038	15,234	12,167
OTHER COMPREHENSIVE INCOME (AOP 040 + 052)	039	(166)	(82,508)
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS (AOP FROM 041 TO 047 + 050 +051)	040	4,476	(3,036)
TANGIBLE ASSETS	041	0	0
INTANGIBLE ASSETS	042	0	0
ACTUARIAL GAINS OR LOSSES ON EMPLOYER-SPONSORED RETIREMENT PLANS	043	0	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	044	0	0
SHARES OF OTHER RECOGNIZED INCOME AND EXPENSE FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	045	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	046	5,182	(4,090)
GAINS OR LOSSES ON ACCOUNTING FOR THE PROTECTION OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER	047	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGED ITEM)	048	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGING INSTRUMENT)	049	0	0
CHANGES IN THE FAIR VALUE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS ATTRIBUTABLE TO CHANGES IN CREDIT RISK	050	0	0
INCOME TAX RELATING TO ITEMS THAT WILL NOT BE RECLASSIFIED	051	(706)	1,054
ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS (AOP FROM 053 TO 060)	052	(4,642)	(79,472)
PROTECTION OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE SHARE)	053	0	0
FOREIGN CURRENCY TRANSLATION	054	0	0
CASH FLOW HEDGES (EFFECTIVE SHARE)	055	0	0
RISK PROTECTION INSTRUMENTS (ELEMENTS NOT SPECIFIED)	056	0	0
DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	057	(5,661)	(79,319)
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	058	0	0
SHARE OF OTHER RECOGNIZED INCOME AND EXPENSE FROM INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	059	0	0
INCOME TAX RELATING TO ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS	060	1,019	(153)
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR (AOP 038 +039;062+063)	061	15,068	(70,341)
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	062	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	063	15,068	(70,341)

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2022 TO 31 DECEMBER 2022

UNCONSOLIDATED (IN HRK THOUSANDS) POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
BUSINESS ACTIVITIES ACCORDING TO THE DIRECT METHOD			
CHARGED INTEREST AND SIMILAR RECEIPTS	001	0	0
CHARGED FEES AND COMMISSIONS	002	0	0
(PAID INTEREST AND SIMILAR EXPENSES)	003	0	0
(PAID FEES AND COMMISSIONS)	004	0	0
(PAID OPERATING EXPENSES)	005	0	0
NET GAINS / LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	006	0	0
OTHER RECEIPTS	007	0	0
(OTHER EXPENSES)	008	0	0
BUSINESS ACTIVITIES ACCORDING TO THE INDIRECT METHOD			
PROFIT / LOSS BEFORE TAX	009	19,516	16,066
RECONCILIATION:		0	0
IMPAIRMENT AND PROVISIONS	010	19,817	42,162
AMORTIZATION	011	11,160	12,364
NET UNREALIZED GAINS / LOSSES ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH RDG	012	1,345	4,486
PROFIT / LOSS FROM SALE OF TANGIBLE ASSETS	013	(38)	(20,763)
OTHER NON-MONETARY ITEMS	014	(771)	(201)
CHANGES IN ASSETS AND LIABILITIES FROM OPERATING ACTIVITIES			
CNB FUNDS	015	(17,648)	177,928
DEPOSITS WITH FINANCIAL INSTITUTIONS AND LOANS TO FINANCIAL INSTITUTIONS	016	3,546	73
LOANS AND ADVANCES TO OTHER CUSTOMERS	017	(338,830)	(330,515)
SECURITIES AND OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	018	(64,398)	6,449
SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	019	0	0
SECURITIES AND OTHER FINANCIAL INSTRUMENTS THAT ARE NOT ACTIVELY TRADED AND ARE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	020	0	0
SECURITIES AND OTHER FINANCIAL INSTRUMENTS THAT ARE CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS	021	10,863	134,498
SECURITIES AND OTHER FINANCIAL INSTRUMENTS CARRIED AT AMORTIZED COST	022	(1,221)	(179,636)
OTHER ASSETS FROM BUSINESS ACTIVITIES	023	739	(372)
DEPOSITS FROM FINANCIAL INSTITUTIONS	024	(12,282)	12,875
OTHER CLIENTS TRANSACTION ACCOUNTS	025	453,598	415,863
SAVINGS DEPOSITS OF OTHER CLIENTS	026	32,141	10,495
TIME DEPOSITS OF OTHER CUSTOMERS	027	(126,940)	(67,395)
DERIVATIVE FINANCIAL LIABILITIES AND OTHER TRADING LIABILITIES	028	0	0
OTHER LIABILITIES	029	(7,748)	(3,281)
UNPAID INTEREST FROM BUSINESS ACTIVITIES	030	101,513	103,195
DIVIDENDS RECEIVED FROM OPERATING ACTIVITIES	031	957	1,252
INTEREST PAID FROM BUSINESS ACTIVITIES	032	(4,858)	(3,689)
(PAID INCOME TAXES)	033	(5,261)	(3,332)
NET CASH FLOWS FROM OPERATING ACTIVITIES (AOP 001 TO 033)	034	75,200	328,522

POSITION TITLE	AOP TAG	PREVIOUS YEAR	CURRENT YEAR
INVESTMENT ACTIVITIES			
RECEIPTS FROM SALE / PAYMENT FOR PURCHASE OF TANGIBLE AND INTANGIBLE ASSETS	035	(3,983)	54,621
RECEIPTS FROM THE SALE / PAYMENT FOR THE PURCHASE OF INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	036	0	0
RECEIPTS FROM COLLECTION / PAYMENT FOR THE PURCHASE OF SECURITIES AND OTHER HELD-TO-MATURITY FINANCIAL INSTRUMENTS	037	0	0
DIVIDENDS RECEIVED FROM INVESTING ACTIVITIES	038	0	0
OTHER RECEIPTS / PAYMENTS FROM INVESTING ACTIVITIES	039	325	(27,309)
NET CASH FLOWS FROM INVESTMENT ACTIVITIES (FROM 035 TO 039)	040	(3,658)	27,312
FINANCIAL ACTIVITIES			
NET INCREASE / (DECREASE) IN LOANS RECEIVED FROM FINANCIAL ACTIVITIES	041	(70,931)	(19,768)
NET INCREASE / (DECREASE) IN DEBT SECURITIES ISSUED	042	(27,358)	51,905
NET INCREASE / (DECREASE) IN SUPPLEMENTARY CAPITAL INSTRUMENTS	043	0	0
INCREASE IN SHARE CAPITAL	044	0	0
(DIVIDEND PAID)	045	0	0
OTHER RECEIPTS / (PAYMENTS) FROM FINANCIAL ACTIVITIES	046	0	0
NET CASH FLOWS FROM FINANCING ACTIVITIES (FROM 041 TO 046)	047	(98,289)	32,137
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (034 + 040 + 047)	048	(26,747)	387,971
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	049	771,195	744,448
THE EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	050	0	0
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (048 + 049 + 050)	051	744,448	1,132,419

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

UNCONSOLIDATED (IN HRK THOUSANDS) POSITION DESCRIPTION	AOP TAG	DISTRIBUTABLE TO HOLDERS OF PARENT CAPITAL										MINORITY SHARE		TOTAL	
		CAPITAL	STOCK PRE-ISSUED MIUM THAN EQUITY	EQUITY INSTRUMENTS OTHER EQUITY SHARES	ACCUMULATED OTHER COMPRE- HENSIVE INCOME	RETAINED INCOME	REVALUATION RESERVES	OTHER RE- SERVES	TREASURY STOCKS	PROFIT / LOSS ATTRIBUT- ABLE TO OWNERS OF THE PARENT COMPANY	DIVIDENDS DURING THE BUSINESS YEAR	ACCUMU- LATED OTHER COMPREHEN- SIVE INCOME			
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
INITIAL STATE (BEFORE REMODELLING)	001	267,500	3,015	0	0	(2,303)	7,361	0	206,960	(1,184)	15,234	0	0	0	496,583
THE EFFECT OF BUG FIXES	002	0	0	0	0	0	0	0	0	0	0	0	0	0	0
THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES	003	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INITIAL STATUS (CURRENT PERIOD) (AOP 01 TO 03)	004	267,500	3,015	0	0	(2,303)	7,361	0	206,960	(1,184)	15,234	0	0	0	496,583
ISSUANCE OF ORDINARY SHARES	005	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ISSUANCE OF PREFERRED SHARES	006	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ISSUANCE OF OTHER EQUITY INSTRUMENTS	007	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EXECUTION OR EXPIRATION OF OTHER IS- SUED EQUITY INSTRUMENTS	008	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CONVERTING DEBT INTO EQUITY INSTRU- MENTS	009	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REDUCTION OF CAPITAL	010	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DIVIDENDS	011	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PURCHASE OF TREASURY SHARES	012	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SALE OR CANCELLATION OF TREASURY SHARES	013	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RECLASSIFICATION OF FINANCIAL INSTRU- MENTS FROM EQUITY INSTRUMENTS INTO LIABILITIES	014	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RECLASSIFICATION OF FINANCIAL INSTRU- MENTS FROM LIABILITIES INTO EQUITY INSTRUMENTS	015	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TRANSFERS BETWEEN COMPONENTS OF EQUITIES	016	0	0	0	0	0	0	0	15,234	0	(15,234)	0	0	0	0
INCREASE OR DECREASE IN EQUITY INSTRUMENTS AS A RESULT OF BUSINESS COMBINATIONS	017	0	0	0	0	0	0	0	0	0	0	0	0	0	0
STOCK BASED PAYMENTS	018	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER INCREASE OR DECREASE IN EQUITY INSTRUMENTS	019	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR	020	0	0	0	0	(84,274)	1,766	0	0	0	12,167	0	0	0	(70,341)
FINAL (CURRENT PERIOD) (AOP 04-20)	021	267,500	3,015	0	0	(86,577)	9,127	0	222,194	(1,184)	12,167	0	0	0	426,242

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

UNAUDITED (IN HRK THOUSANDS) POSITION DESCRIPTION	AOP TAG	DISTRIBUTABLE TO HOLDERS OF PARENT CAPITAL										MINORITY SHARE		TOTAL	
		CAPITAL	STOCK PRE-ISSUED MIUM THAN EQUITY	EQUITY INSTRUMENTS OTHER THAN EQUITY	OTHER EQ- UITY SHARES	ACCUMULATED OTHER COMPRE- HENSIVE INCOME	RETAINED INCOME	REVALUATION RESERVES	OTHER RE- SERVES	TREASURY STOCKS	PROFIT / LOSS	DIVIDENDS DURING THE BUSINESS YEAR	ACCUMU- LATED OTHER COMPREHEN- SIVE INCOME		OTHER ITEMS
											ATTRIBUT-				
											ABLE TO OWNERS OF THE PARENT COMPANY				
2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
INITIAL STATE (BEFORE REMODELLING)	001	267,500	3,015	0	0	(878)	6,102	0	195,141	(1,184)	11,819	0	0	0	481,515
THE EFFECT OF BUG FIXES	002	0	0	0	0	0	0	0	0	0	0	0	0	0	0
THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES	003	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INITIAL STATUS (CURRENT PERIOD) (AOP 01 TO 03)	004	267,500	3,015	0	0	(878)	6,102	0	195,141	(1,184)	11,819	0	0	0	481,515
ISSUANCE OF ORDINARY SHARES	005	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ISSUANCE OF PREFERRED SHARES	006	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ISSUANCE OF OTHER EQUITY INSTRUMENTS	007	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EXECUTION OR EXPIRATION OF OTHER ISSUED EQUITY INSTRUMENTS	008	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CONVERTING DEBT INTO EQUITY INSTRUMENTS	009	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REDUCTION OF CAPITAL	010	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DIVIDENDS	011	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PURCHASE OF TREASURY SHARES	012	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SALE OR CANCELLATION OF TREASURY SHARES	013	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RECLASSIFICATION OF FINANCIAL INSTRUMENTS FROM EQUITY INSTRUMENTS INTO LIABILITIES	014	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RECLASSIFICATION OF FINANCIAL INSTRUMENTS FROM LIABILITIES INTO EQUITY INSTRUMENTS	015	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TRANSFERS BETWEEN COMPONENTS OF EQUITIES	016	0	0	0	0	0	0	0	11,819	0	(11,819)	0	0	0	0
INCREASE OR DECREASE IN EQUITY INSTRUMENTS AS A RESULT OF BUSINESS COMBINATIONS	017	0	0	0	0	0	0	0	0	0	0	0	0	0	0
STOCK BASED PAYMENTS	018	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER INCREASE OR DECREASE IN EQUITY INSTRUMENTS	019	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR	020	0	0	0	0	(1,425)	1,259	0	0	0	15,234	0	0	0	15,068
FINAL (CURRENT PERIOD) (AOP 04-20)	021	267,500	3,015	0	0	(2,303)	7,361	0	206,960	(1,184)	15,234	0	0	0	496,580

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 31 DECEMBER 2022

POSITION TITLE	AOP	CNB DECISION	ANNUAL REPORT	DIFFERENCE
ASSETS				
FUNDS. CENTRAL BANK MONETARY CLAIMS AND OTHER DEMAND DEPOSITS (AOP 002 TO 004)	001	744,089	1,131,871	(1)
CASH IN HAND	002	48,853	84,771	(1)
MONETARY CLAIMS ON CENTRAL BANKS	003	652,339	966,605	0
OTHER DEMAND DEPOSITS	004	42,897	80,495	0
FINANCIAL ASSETS HELD FOR TRADING (AOP 006 TO 009)	005	0	0	0
DERIVATIVES	006	0	0	0
EQUITY INSTRUMENTS	007	0	0	0
DEBT SECURITIES	008	0	0	0
LOANS AND ADVANCES	009	0	0	0
NON-TRADABLE FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (AOP 011 TO 013)	010	171,325	32,341	0
EQUITY INSTRUMENTS	011	171,325	32,341	0
DEBT SECURITIES	012	0	0	0
LOANS AND ADVANCES	013	0	0	0
4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (AOP 015 + 016)	014	0	0	0
DEBT SECURITIES	015	0	0	0
LOANS AND ADVANCES	016	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (AOP 018 TO 020)	017	769,738	671,449	0
EQUITY INSTRUMENTS	018	38,767	32,373	0
DEBT SECURITIES	019	730,971	639,076	0
LOANS AND ADVANCES	020	0	0	0
FINANCIAL ASSETS AT AMORTIZED COST (AOP 022+023)	021	2,349,630	2,541,903	4,119
DEBT SECURITIES	022	23,936	202,781	0
LOANS AND ADVANCES	023	2,325,694	2,339,122	4,119
DERIVATIVES - HEDGE ACCOUNTING	024	0	0	0
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN THE PORTFOLIO HEDGING AGAINST INTEREST RATE RISK	025	0	0	0
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	026	0	0	0
TANGIBLE ASSETS	027	95,057	86,362	0
INTANGIBLE ASSETS	028	49,017	58,404	0
TAX ASSETS	029	6,525	6,621	136
OTHER ASSETS	030	1,955	46,494	(43,521)
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	031	12,079	262	39,267
TOTAL ASSETS (AOP 001 + 005 + 010 + 014 + 017 + 021 + 024 TO 031)	032	4,199,415	4,575,707	0

POSITION TITLE		CNB DECISION	ANNUAL REPORT	DIFFERENCE
LIABILITIES				
FINANCIAL LIABILITIES HELD FOR TRADING (AOP 034 TO 038)	033	0	0	0
DERIVATIVES	034	0	0	0
SHORT POSITIONS	035	0	0	0
DEPOSITS	036	0	0	0
DEBT SECURITIES ISSUED	037	0	0	0
OTHER FINANCIAL LIABILITIES	038	0	0	0
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (AOP 040 TO 042)	039	0	0	0
DEPOSITS	040	0	0	0
DEBT SECURITIES ISSUED	041	0	0	0
OTHER FINANCIAL LIABILITIES	042	0	0	0
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST (AOP 044 TO 046)	043	3,656,709	4,040,984	37,208
DEPOSITS	044	3,568,945	3,917,873	0
DEBT SECURITIES ISSUED	045	71,206	123,111	0
OTHER FINANCIAL LIABILITIES	046	16,558	0	37,208
DERIVATIVES - HEDGE ACCOUNTING	047	0	0	0
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS WHEN HEDGING A PORTFOLIO AGAINST INTEREST RATE RISK	048	0	0	0
RESERVATIONS	049	14,795	15,519	0
TAX LIABILITIES	050	506	0	3,026
SHARE CAPITAL RETURNED ON DEMAND	051	0	0	0
OTHER LIABILITIES	052	30,822	92,962	(40,234)
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	053	0		0
TOTAL LIABILITIES (AOP 033 + 039 + 043 + 047 TO 053)	054	3,702,832	4,149,465	0
CAPITAL				
SHARE CAPITAL	055	267,500	267,500	0
STOCK PREMIUM	056	3,015	3,015	0
EQUITY INSTRUMENTS ISSUED OTHER THAN EQUITY	057	0	0	0
OTHER EQUITY INSTRUMENTS	058	0	0	0
ACCUMULATED OTHER COMPREHENSIVE INCOME	059	(2,303)	0	(86,577)
RETAINED EARNINGS	060	7,361	9,127	0
REVALUATION RESERVES	061	0	0	0
OTHER RESERVES	062	206,960	135,617	86,577
TREASURY STOCKS	063	(1,184)	(1,184)	0
PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	064	15,234	12,167	0
DIVIDENDS DURING THE BUSINESS YEAR	065	0	0	0
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	066	0	0	0
TOTAL CAPITAL (AOP 055 TO 066)	067	496,583	426,242	0
TOTAL LIABILITIES AND CAPITAL (AOP 054+067)	068	4,199,415	4,575,707	0

COMPARATIVE BALANCE SHEET AS AT 31 DECEMBER 2021

POSITION TITLE		CNB DECISION	ANNUAL REPORT	DIFFERENCE
ASSETS				
FUNDS. CENTRAL BANK MONETARY CLAIMS AND OTHER DEMAND DEPOSITS (AOP 002 TO 004)	001	744,089	921,988	(177,899)
CASH IN HAND	002	48,853	48,878	(25)
MONETARY CLAIMS ON CENTRAL BANKS	003	652,339	830,213	(177,874)
OTHER DEMAND DEPOSITS	004	42,897	42,897	0
FINANCIAL ASSETS HELD FOR TRADING (AOP 006 TO 009)	005	0	0	0
DERIVATIVES	006	0	0	0
EQUITY INSTRUMENTS	007	0	0	0
DEBT SECURITIES	008	0	0	0
LOANS AND ADVANCES	009	0	0	0
NON-TRADABLE FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (AOP 011 TO 013)	010	171,325	171,325	0
EQUITY INSTRUMENTS	011	171,325	171,325	0
DEBT SECURITIES	012	0	0	0
LOANS AND ADVANCES	013	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (AOP 015 + 016)	014	0	0	0
DEBT SECURITIES	015	0	0	0
LOANS AND ADVANCES	016	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (AOP 018 TO 020)	017	769,738	769,738	0
EQUITY INSTRUMENTS	018	38,767	38,767	0
DEBT SECURITIES	019	730,971	730,971	0
LOANS AND ADVANCES	020	0	0	0
FINANCIAL ASSETS AT AMORTIZED COST (AOP 022+023)	021	2,349,630	2,168,225	181,405
DEBT SECURITIES	022	23,936	23,936	0
LOANS AND ADVANCES	023	2,325,694	2,144,289	181,405
DERIVATIVES - HEDGE ACCOUNTING	024	0	0	0
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN THE PORTFOLIO HEDGING AGAINST INTEREST RATE RISK	025	0	0	0
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	026	0	0	0
TANGIBLE ASSETS	027	95,057	95,057	0
INTANGIBLE ASSETS	028	49,017	49,017	0
TAX ASSETS	029	6,525	4,269	2,256
OTHER ASSETS	030	1,955	19,534	(17,579)
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	031	12,079	262	11,817
TOTAL ASSETS (AOP 001 + 005 + 010 + 014 + 017 + 021 + 024 TO 031)	032	4,199,415	4,199,415	0

POSITION TITLE		CNB DECISION	ANNUAL REPORT	DIFFERENCE
LIABILITIES				
FINANCIAL LIABILITIES HELD FOR TRADING (AOP 034 TO 038)	033	0	0	0
DERIVATIVES	034	0	0	0
SHORT POSITIONS	035	0	0	0
DEPOSITS	036	0	0	0
DEBT SECURITIES ISSUED	037	0	0	0
OTHER FINANCIAL LIABILITIES	038	0	0	0
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (AOP 040 TO 042)	039	0	0	0
DEPOSITS	040	0	0	0
DEBT SECURITIES ISSUED	041	0	0	0
OTHER FINANCIAL LIABILITIES	042	0	0	0
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST (AOP 044 TO 046)	043	3,656,709	3,640,151	16,558
DEPOSITS	044	3,568,945	3,568,945	0
DEBT SECURITIES ISSUED	045	71,206	71,206	0
OTHER FINANCIAL LIABILITIES	046	16,558	0	16,558
DERIVATIVES - HEDGE ACCOUNTING	047	0	0	0
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS WHEN HEDGING A PORTFOLIO AGAINST INTEREST RATE RISK	048	0	0	0
RESERVATIONS	049	14,795	14,795	0
TAX LIABILITIES	050	506	0	506
SHARE CAPITAL RETURNED ON DEMAND	051	0	0	0
OTHER LIABILITIES	052	30,822	47,886	(17,064)
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	053	0		0
TOTAL LIABILITIES (AOP 033 + 039 + 043 + 047 TO 053)	054	3,702,832	3,702,832	0
CAPITAL				
SHARE CAPITAL	055	267,500	267,500	0
STOCK PREMIUM	056	3,015	3,015	0
EQUITY INSTRUMENTS ISSUED OTHER THAN EQUITY	057	0	0	0
OTHER EQUITY INSTRUMENTS	058	0	0	0
ACCUMULATED OTHER COMPREHENSIVE INCOME	059	(2,303)	0	(2,303)
RETAINED EARNINGS	060	7,361	7,361	0
REVALUATION RESERVES	061	0	0	0
OTHER RESERVES	062	206,960	204,657	2,303
TREASURY STOCKS	063	(1,184)	(1,184)	0
PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	064	15,234	15,234	0
DIVIDENDS DURING THE BUSINESS YEAR	065	0	0	0
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	066	0	0	0
TOTAL CAPITAL (AOP 055 TO 066)	067	496,583	496,583	0
TOTAL LIABILITIES AND CAPITAL (AOP 054+067)	068	4,199,415	4,199,415	0

Assets

The differences in the positions of the Bank's balance sheet as of 31 December 2022 and 31 December 2021, published in the annual financial report compared to the balance sheet drawn up in accordance with the structure and content prescribed by the decision of the CNB refer to the following positions and reclassifications:

The difference in the position Cash in hand refers to claims for checks sent for collection abroad in the amount of HRK 1 thousand (2021: HRK 25 thousand) which, according to the CNB Decision, are included in the position Other assets.

There is no difference in the position of Cash receivables from central banks in 2022 compared to the annual report for 2022, while the difference in the amount of HRK 177,874 thousand in 2021 refers to the allocated funds of the mandatory reserve, which are in the annual report in a separate position Assets with the Croatian National Bank, and according to the Decision of the CNB, these receivables are included in the position Loans and advances at amortized cost.

The difference in the position Loans and advances at amortized cost in the amount of HRK 5,203 thousand refers to reverse repo loans with financial companies (2021: HRK 6,021 thousand) which, according to the CNB Decision, are included in the position Loans and advances, and in the annual report in the position Placements with other banks. The difference in the amount of HRK 4,119 thousand (2021: HRK 9,542 thousand) refers to claims for fees and claims for other assets, which are reported in the position Other assets in the audited reports, and according to the Decision of the CNB are reported in the position Loans and advances by amortized cost.

According to the Decision of the CNB, the position Tangible assets includes investments in real estate, plants and equipment (IAS 16) in the amount of HRK 30,355 thousand (2021: HRK 46,070 thousand), tangible assets with the right to use (IFRS 16) in the amount of HRK 34,644 thousand (2021: HRK 13,809 thousand) and investments in real estate managed according to IAS 40 in the amount of HRK 31,364 thousand (2021: HRK 35,178 thousand), while in the annual report these investments are in separate asset items: Tangible assets (for investments according to IAS 16), Right-of-use assets (for assets according to IFRS 16) and Investments in real estate (for investments according to IAS 40).

The difference in the position Tax assets refers to current tax receivables in the amount of HRK 136 thousand (2021: HRK 2,256 thousand), which are shown in the annual report in the position Other assets.

The difference in assets refers to the reclassification of acquired assets in exchange for unpaid receivables (which are not managed according to IFRS 5 or IAS 40) in the amount of HRK 39,267 thousand (2021: HRK 11,818 thousand), which is included in the annual report under the position Other assets, while according to the Decision of the CNB, included in the position Non-current assets and disposal groups classified as intended for sale.

Liabilities and capital

According to the decision of the CNB, all deposits and loans received from clients in the amount of HRK 3,917,873 thousand (2021: HRK 3,568,945 thousand) are included in the position Deposits at amortized cost, while in the annual report these items are shown in separate positions: deposits in the position Liabilities to banks in the amount of HRK 28,789 thousand (2021: HRK 15,917 thousand) and in the position Liabilities to clients in the amount of HRK 3,477,185 thousand (2021: HRK 3,121,361 thou-

sand) and received loans in the position Other borrowed funds in the amount of HRK 411,899 thousand (2021: 431,667 thousands of kuna).

The difference in the position Other financial liabilities at amortized cost in the total amount of HRK 37,208 thousand (2021: HRK 16,558 thousand) refers to liabilities for assets with the right of use in the amount of HRK 35,522 thousand (2021: HRK 14,366 thousand), to compensation liabilities in the amount of HRK 505 thousand (2021: HRK 683 thousand), liabilities for unpaid dividends in the amount of HRK 72 thousand (2021: HRK 74 thousand) and other liabilities in the amount of HRK 1,109 thousand (2021: HRK 1,435 thousand), These liabilities are included in the annual report in the position Other liabilities.

The difference in the position Tax liabilities in the amount of HRK 3,026 thousand (2021: HRK 506 thousand) refers to the reclassification in the annual report in which these liabilities are included in the position Other liabilities.

According to the Decision of the CNB, the position Accumulated other comprehensive profit in the amount of HRK -86,577 thousand (2021: HRK -2,303 thousand) is shown in a separate item of capital, while in the annual report this amount is included in the position of Other reserves.

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

POSITION TITLE	AOP TAG	CNB DESCISION	ANNUAL REPORT	DIFFERENCE
INTEREST INCOME	001	108,133	108,133	0
(INTEREST EXPENSES)	002	11,053	11,053	0
(EXPENDITURE ON SHARE CAPITAL RETURNED ON REQUEST)	003	0	0	0
DIVIDEND INCOME	004	1,252	0	1,252
FEE AND COMMISSION INCOME	005	48,906	48,906	0
(FEE AND COMMISSION EXPENSES)	006	17,757	17,757	0
GAINS OR LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	007	669	0	669
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING, NET	008	6,792	0	6,792
GAINS OR LOSSES ON NON-TRADABLE FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	009	(5,285)	0	(5,285)
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	010	0	0	0
GAINS OR LOSSES ON HEDGE ACCOUNTING, NET	011	0	0	0
FOREIGN EXCHANGE DIFFERENCES (PROFIT OR LOSS), NET	012	2,782	0	2,782
GAINS OR (-) LOSSES ON DERECOGNITION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES, NET	013	0		
GAINS OR LOSSES ON DERECOGNITION OF NON-FINANCIAL ASSETS, NET	014	(1,421)	0	(1,421)
OTHER OPERATING INCOME	015	27,041	33,047	(6,006)
(OTHER OPERATING EXPENSES)	016	5,662	0	5,662
TOTAL INCOME FROM OPERATIONS, NET (AOP 001 – 002 – 003 + 004 + 005 – 006 + FROM 007 TO 014 – 015)	017	154,397	161,276	(6,879)
(ADMINISTRATIVE EXPENDITURE)	018	81,776	90,318	(8,542)
(CASH CONTRIBUTIONS TO RESOLUTION COMMITTEES AND DEPOSIT INSURANCE SCHEMES)	019	3,681	0	3,681
AMORTIZATION	020	12,364	12,364	0
GAINS OR LOSSES ON CHANGES, NET	021	0	0	0
RESERVATIONS OR CANCELLATIONS	022	723	0	723
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	023	39,957	42,528	(2,571)
IMPAIRMENT OR ELIMINATION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	024	0	0	0
IMPAIRMENT OR ELIMINATION OF IMPAIRMENT OF NON-FINANCIAL ASSETS	025	0	0	0
NEGATIVE GOODWILL RECOGNIZED IN PROFIT OR LOSS	026	0	0	0

POSITION TITLE	AOP TAG	CNB DESCISION	ANNUAL REPORT	DIFFERENCE
SHARE OF PROFIT OR LOSS FROM INVESTING IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES CALCULATED USING THE EQUITY METHOD	027	0	0	0
PROFIT OR LOSS ON NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE THAT DOES NOT QUALIFY AS A GOING CONCERN	028	(60)	0	(60)
PROFIT OR LOSS BEFORE TAX FROM OPERATING ACTIVITIES (AOP 017 - FROM 018 TO 020 + 021 - FROM 022 TO 025 + FROM 026 TO 028)	029	15,836	16,066	(230)
TAX EXPENSE OR INCOME RELATED TO THE PROFIT OR LOSS FROM CONTINUING OPERATIONS	030	3,899	3,899	0
PROFIT OR LOSS AFTER TAX FROM OPERATING ACTIVITIES THAT WILL CONTINUE(AOP 029 - 030)	031	11,937	12,167	(230)
PROFIT OR LOSS AFTER TAX FROM OPERATIONS THAT WILL NOT CONTINUE (AOP 033 - 034)	032	230	0	230
PRE-TAX PROFIT OR LOSS FROM OPERATIONS THAT WILL NOT CONTINUE	033	230	0	230
TAX OR BUSINESS-RELATED EXPENSES THAT WILL NOT CONTINUE	034	0	0	0
PROFIT OR LOSS FOR THE CURRENT YEAR (AOP 031 + 032; 036 +037)	035	12,167	12,167	0
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	036	0	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	037	12,167	12,167	0
OTHER COMPREHENSIVE INCOME REPORT				
PROFIT OR LOSS FOR THE CURRENT YEAR	038	12,167	12,167	0
OTHER COMPREHENSIVE INCOME (AOP 040 + 052)	039	(82,508)	(82,508)	0
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS (AOP FROM 041 TO 047 + 050 +051)	040	(3,036)	(3,036)	0
TANGIBLE ASSETS	041	0	0	0
INTANGIBLE ASSETS	042	0	0	0
ACTUARIAL GAINS OR LOSSES ON EMPLOYER-SPONSORED RETIREMENT PLANS	043	0	0	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	044	0	0	0
SHARES OF OTHER RECOGNIZED INCOME AND EXPENSE FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	045	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	046	(4,090)	(4,090)	0
GAINS OR LOSSES ON ACCOUNTING FOR THE PROTECTION OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER	047	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGED ITEM)	048	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGING INSTRUMENT)	049	0	0	0

POSITION TITLE	AOP TAG	CNB DESCISION	ANNUAL REPORT	DIFFERENCE
CHANGES IN THE FAIR VALUE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS ATTRIBUTABLE TO CHANGES IN CREDIT RISK	050	0	0	0
INCOME TAX RELATING TO ITEMS THAT WILL NOT BE RECLASSIFIED	051	1,054	1,054	0
ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS (AOP FROM 053 TO 060)	052	(79,472)	(79,472)	0
PROTECTION OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE SHARE)	053	0	0	0
FOREIGN CURRENCY TRANSLATION	054	0	0	0
CASH FLOW HEDGES (EFFECTIVE SHARE)	055	0	0	0
RISK PROTECTION INSTRUMENTS (ELEMENTS NOT SPECIFIED)	056	0	0	0
DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	057	(79,319)	(79,319)	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	058	0	0	0
SHARE OF OTHER RECOGNIZED INCOME AND EXPENSE FROM INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	059	0	0	0
INCOME TAX RELATING TO ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS	060	(153)	(153)	0
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR (AOP 038 +039;062+063)	061	(70,341)	(70,341)	0
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	062	0	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	063	(70,341)	(70,341)	0



COMPARATIVE PROFIT AND LOSS STATEMENT AND THE STATEMENT OF OTHER COMPREHENSIVE INCOME AS AT 31 DECEMBER 2021

POSITION TITLE	AOP TAG	CNB DESCISION	ANNUAL REPORT	DIFFERENCE
INTEREST INCOME	001	100,441	100,441	0
(INTEREST EXPENSES)	002	11,062	11,062	0
(EXPENDITURE ON SHARE CAPITAL RETURNED ON REQUEST)	003	0	0	0
DIVIDEND INCOME	004	957	0	957
FEE AND COMMISSION INCOME	005	44,264	44,264	0
(FEE AND COMMISSION EXPENSES)	006	18,236	18,236	0
GAINS OR LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	007	3,561	0	3,561
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING, NET	008	5,721	0	5,721
GAINS OR LOSSES ON NON-TRADABLE FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	009	270	0	270
GAINS OR LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	010	0	0	0
GAINS OR LOSSES ON HEDGE ACCOUNTING, NET	011	0	0	0
FOREIGN EXCHANGE DIFFERENCES (PROFIT OR LOSS), NET	012	917	0	917
GAINS OR (-) LOSSES ON DERECOGNITION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES, NET	013	0		
GAINS OR LOSSES ON DERECOGNITION OF NON-FINANCIAL ASSETS, NET	014	(569)	0	(569)
OTHER OPERATING INCOME	015	6,055	17,838	(11,783)
(OTHER OPERATING EXPENSES)	016	6,546	0	6,546
TOTAL INCOME FROM OPERATIONS, NET (AOP 001 – 002 – 003 + 004 + 005 – 006 + FROM 007 TO 014 – 015)	017	125,773	133,245	(7,472)
(ADMINISTRATIVE EXPENDITURE)	018	76,368	82,739	(6,371)
(CASH CONTRIBUTIONS TO RESOLUTION COMMITTEES AND DEPOSIT INSURANCE SCHEMES)	019	113	0	113
AMORTIZATION	020	11,160	11,160	0
GAINS OR LOSSES ON CHANGES, NET	021	0	0	0
RESERVATIONS OR CANCELLATIONS	022	9,433	0	9,433
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	023	9,480	19,830	(10,350)
IMPAIRMENT OR ELIMINATION OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	024	0	0	0
IMPAIRMENT OR ELIMINATION OF IMPAIRMENT OF NON- FINANCIAL ASSETS	025	0	0	0
NEGATIVE GOODWILL RECOGNIZED IN PROFIT OR LOSS	026	0	0	0
SHARE OF PROFIT OR LOSS FROM INVESTING IN SUBSIDIARIES. JOINT VENTURES AND ASSOCIATES CALCULATED USING THE EQUITY METHOD	027	0	0	0

POSITION TITLE	AOP TAG	CNB DESCISION	ANNUAL REPORT	DIFFERENCE
PROFIT OR LOSS ON NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE THAT DOES NOT QUALIFY AS A GOING CONCERN	028	(334)	0	(334)
PROFIT OR LOSS BEFORE TAX FROM OPERATING ACTIVITIES (AOP 017 - FROM 018 TO 020 + 021 - FROM 022 TO 025 + FROM 026 TO 028)	029	18,885	19,516	(631)
TAX EXPENSE OR INCOME RELATED TO THE PROFIT OR LOSS FROM CONTINUING OPERATIONS	030	4,282	4,282	0
PROFIT OR LOSS AFTER TAX FROM OPERATING ACTIVITIES THAT WILL CONTINUE(AOP 029 - 030)	031	14,603	15,234	(631)
PROFIT OR LOSS AFTER TAX FROM OPERATIONS THAT WILL NOT CONTINUE (AOP 033 - 034)	032	631	0	631
PRE-TAX PROFIT OR LOSS FROM OPERATIONS THAT WILL NOT CONTINUE	033	631	0	631
TAX OR BUSINESS-RELATED EXPENSES THAT WILL NOT CONTINUE	034	0	0	0
PROFIT OR LOSS FOR THE CURRENT YEAR (AOP 031 + 032; 036 +037)	035	15,234	15,234	0
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	036	0	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	037	15,234	15,234	0
OTHER COMPREHENSIVE INCOME REPORT				
PROFIT OR LOSS FOR THE CURRENT YEAR	038	15,234	15,234	0
OTHER COMPREHENSIVE INCOME (AOP 040 + 052)	039	(166)	(166)	0
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS (AOP FROM 041 TO 047 + 050 +051)	040	4,476	4,476	0
TANGIBLE ASSETS	041	0	0	0
INTANGIBLE ASSETS	042	0	0	0
ACTUARIAL GAINS OR LOSSES ON EMPLOYER-SPONSORED RETIREMENT PLANS	043	0	0	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	044	0	0	0
SHARES OF OTHER RECOGNIZED INCOME AND EXPENSE FROM ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	045	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	046	5,182	5,182	0
GAINS OR LOSSES ON ACCOUNTING FOR THE PROTECTION OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER	047	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGED ITEM)	048	0	0	0
CHANGES IN THE FAIR VALUE OF EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (HEDGING INSTRUMENT)	049	0	0	0
CHANGES IN THE FAIR VALUE OF FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS ATTRIBUTABLE TO CHANGES IN CREDIT RISK	050	0	0	0

POSITION TITLE	AOP TAG	CNB DESCISION	ANNUAL REPORT	DIFFERENCE
INCOME TAX RELATING TO ITEMS THAT WILL NOT BE RECLASSIFIED	051	(706)	(706)	0
ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS (AOP FROM 053 TO 060)	052	(4,642)	(4,642)	0
PROTECTION OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE SHARE)	053	0	0	0
FOREIGN CURRENCY TRANSLATION	054	0	0	0
CASH FLOW HEDGES (EFFECTIVE SHARE)	055	0	0	0
RISK PROTECTION INSTRUMENTS (ELEMENTS NOT SPECIFIED)	056	0	0	0
DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	057	(5,661)	(5,661)	0
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	058	0	0	0
SHARE OF OTHER RECOGNIZED INCOME AND EXPENSE FROM INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	059	0	0	0
INCOME TAX RELATING TO ITEMS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS	060	1,019	1,019	0
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR (AOP 038 +039;062+063)	061	15,068	15,068	0
BELONGS TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	062	0	0	0
IT BELONGS TO THE OWNERS OF THE PARENT COMPANY	063	15,068	15,068	0

The differences in the positions of the profit and loss account and the statement of other comprehensive income for 2022 and 2021, published in the annual financial report, in relation to the statement of profit and loss and the statement of other comprehensive income in accordance with the structure and content prescribed by the decision of the CNB refer to to the following positions and reclassifications:

According to the Decision of the CNB, dividend income is shown in a separate item, while in the annual report these incomes are included in the item Other net operating income.

Gains or losses upon derecognition of financial assets and financial liabilities that are not measured at fair value through profit or loss, net include net realized gains on securities valued at fair value through OSD in the amount of HRK 343 thousand (2021: HRK 3,528 thousand) which are included in the position Other net income from operations in the annual report and expenses for other liabilities in the amount of HRK 327 thousand (2021: HRK 33 thousand) which are included in employee expenses within the administrative costs of operations in the annual report.

The total amount of income from the purchase and sale of foreign currencies in the amount of HRK 6,792 thousand (2021: HRK 5,721 thousand) is included in the annual report under the position Other net operating income.

The total amount of HRK 5,285 thousand of net expenses (2021: HRK 270 thousand of net income) from the adjustment and purchase and sale of securities from the portfolio at fair value through the profit and loss account is included in the position Other net operating income in the annual report.

Pursuant to the Decision of the CNB, exchange rate differences in the amount of HRK 2,782 thousand (2021: HRK 917 thousand) are shown in a separate item, of which HRK 364 thousand (2021: HRK 4 thousand) refer to negative net exchange rate differences by value adjustments that are included in the position Impairment costs and provisions in the annual report and other positive net exchange rate differences in the amount of HRK 3,146 thousand (2021: HRK 921 thousand) which are included in the annual report in the position Other net income from operations.

Net losses upon derecognition of non-financial assets in the amount of HRK 1,421 thousand (2021: HRK 569 thousand) refer to the impairment costs of real estate investments and are included in the position Impairment costs and provisions in the annual report.

The position Other expenses from operations includes other non-interest expenses such as the costs of severance pay, supervisory board and contributions and similar expenses in the amount of HRK 5,138 thousand (2021: HRK 6,204 thousand) which are included in the annual report in the position Administrative expenses and an expense of HRK 524 thousand HRK (2021: HRK 342 thousand) which refers to the loss from the sale of assets taken over and the unwritten value of expended tangible assets, which are included in the annual report in the position Other net income from operations.

The position Cash contributions to rehabilitation committees and deposit insurance systems in the total amount of HRK 3,681 thousand includes costs of contributions to the rehabilitation fund in the amount of HRK 113 thousand (2021: HRK 113 thousand) and premium costs for insurance of savings deposits in the amount of HRK 3,568 thousand, which are included in the annual report in the position Administrative costs of operations. In 2021, the Bank has no costs of premiums for the insurance of savings deposits.

According to the Decision of the CNB, the costs of provisions for potential liabilities are reported in a separate item, while in the annual report they are shown in the item Costs of impairment and provisions.

Revenues from the collection of written-off receivables from previous years in the amount of HRK 3 thousand (2021: HRK 9 thousand) are included, according to the CNB's Decision, in the position (Impairment or (-) cancellation of impairment on financial assets that are not measured at fair value value through profit or loss, and in the annual report these revenues are included in Other net revenues from operations.

Pursuant to the Decision of the CNB, the reduction in the value of acquired assets intended for sale in the amount of HRK 60 thousand (2021: HRK 334 thousand) is reported in a separate position, and in the annual report this reduction is included in the position Costs of impairment and provisions,

According to the Decision of the CNB, the position Profit or loss before taxation from operations that will not be continued includes extraordinary income in the amount of HRK 279 thousand (2021: HRK 719 thousand), which in the annual report is included in the position Other net income from operations and other non-standard costs in the amount of HRK 49 thousand (2021: HRK 88 thousand) which are included in the annual report under the item Administrative costs of business.

Reconciliation of the Statement of Cash Flows and the Statement of changes in equity
Deviations of positions in the statement of cash flows in the annual financial statement in relation to the statement of cash flows in accordance with the decision of the CNB are conditioned by a different methodology, and arise from a different structure and content, i.e. differences in the classification of individual positions of assets, liabilities and capital. This also refers to the Statement of changes in equity.

APPENDIX II - OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

1. Receiving deposits or other refundable funds from the public and granting loans from these funds, for one's own account
2. Receiving deposits or other refunds
3. Approval of credits and loans, including consumer credits and loans and mortgage credits and loans if this is permitted by a special law, and financing of commercial operations, including export financing based on the purchase with a discount and without recourse of long-term overdue receivables secured by financial instruments (forfeiting)
4. Redemption of receivables with or without recourse (factoring)
5. Financial lease (leasing),
6. Issuance of guarantees or other guarantees
7. Trading for your own account or for a client's account:
 - money market instruments,
 - transferable securities,
 - foreign means of payment, including exchange transactions,
 - financial terms and options,
 - currency and interest instruments,
8. Payment services, namely:
 - 1) services that enable the deposit of cash into a payment account, as well as all the procedures required for maintaining a payment account;
 - 2) services that enable the withdrawal of cash from a payment account, as well as all the procedures required for maintaining a payment account;
 - 3) payment transaction services, including the transfer of funds to a payment account with the user's payment service provider or another payment service provider:
 - execution of direct debits, including one-time direct debits,
 - execution of payment transactions via payment cards or similar means,
 - execution of credit transfers, including standing orders;
 - 4) payment transaction execution services in which funds are covered by a credit line for the user of payment services:
 - execution of direct debits, including one-time direct debits,
 - execution of payment transactions via payment cards or similar means,
 - execution of credit transfers, including standing orders;
 - 5) services of issuing and/or accepting payment instruments;
 - 6) remittance services,

9. Services related to crediting activities, such as collecting daa, 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 instrzments 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
16. 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.

Performing activities related to the sale of insurance policies in accordance with the regulations governing insurance

	2022	2021
TOTAL INCOME	161,276	133,244
PROFIT BEFORE TAX	16,066	19,516
INCOME TAX	(3,899)	(4,282)
NUMBER OF WORKERS BASED ON FULL-TIME EQUIVALENT (PAID WORKING HOURS) PER YEAR	189	185

In 2022 and 2021, the Bank did not receive any public subsidies.



