CROATIA BANKA

ANNUAL REPORT

2023

Contents

This version of the Annual Report is a translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version takes precedence over translation.

The Annual Report includes the Management Report on the Bank's position, financial overview and overview of operations, audited financial statements with the independent auditor's report and other statutory and regulatory reports for the Croatian National Bank. Unless otherwise stated, all amounts in the Annual Report are presented in thousands of euro (EUR).

Legal form

The Annual Report has been prepared in line with the Accounting Act and the Companies Act which require reporting to the shareholders by the Management at the Assembly. Pursuant to the Accounting Act, the basic financial statements include the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and notes to the financial statements, and the Article 250a of the Companies Act stipulates an obligation to submit an annual report on the Bank's position.

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Abbreviations

In this Annual Report, Croatia banka d.d. is referred to as the "Bank", the Croatian National Bank as the "CNB", the Croatian Bank for Reconstruction and Development as the "CBRD", the Croatian Deposit Insurance Agency as the "CDIA", the Financial Agency as "FINA", the European Union as the "EU", International Financial Reporting Standards as "IFRS", Other comprehensive income as "OCI", Statement of profit or loss as P&L, entity identification number as "OIB", Republic of Croatia as „RH, gross domestic product as the "GDP" and European Central Bank as "ECB".

Exchange rates

For the purpose of translating the amounts in foreign currencies into EUR amounts, the following mid exchange rates of the ECB were used:

31 December 2023EUR 1 = USD 1.1050

31 December 2022EUR 1 = USD 1.0666

The exchange rate on the balance sheet date of the comparative year was the conversion rate of 7.5345. For practical reasons, the amounts of income and expenses have been translated according to the average exchange rate for the year 2022. The average exchange rate was 7.531624. As a result of this recalculation, total revenues and total expenses are each higher by EUR 3 thousand, and the net exchange rate difference as a result of this recalculation amounts to EUR 0 thousand.

Operational summary and key financial indicators

in mil. EUR

Indicator/Year	2023	2022	2021.	2020.	2019.
Key indicators					
Net profit/(loss)	2,5	2,1	1,2	0,7	-3,3
Operating profit	3,9	2,3	2,6	1,8	1,6
Total assets	237,4	242,7	247,0	255,0	261,3
Loans and advances to customers	144,7	133,6	142,9	147,9	149,4
Total deposits received	194,8	201,8	202,4	208,6	217,4
Capital and reserves	20,4	16,6	15,7	14,7	14,2
Other indicators					
Ratio of operating expenses in operating income	67.1%	76.3%	71.5%	81.4%	82.3%
Return on equity	13.4%	12.8%	8.1%	4.4%	(19.1%)
Return on assets	1.1%	0.9%	0.4%	0.3%	(1.2%)
Regulatory capital	20.0	16.7	15.2	14.5	13.7
Capital adequacy ratio	20.65%	19.36%	15.90%	15.01%	13.20%

Historical development of the Bank

Croatia banka d.d., Zagreb was founded on 22 December 1989, under the name Banka male privrede, d.d., Zagreb. On that day, 50 shareholders paid in socially owned capital contributions to form the initial (share) capital of 22,340,435,000 former Yugoslav dinars, equivalent to DEM 319,149 (which was then the condition for establishing a bank), which was subsequently divided into 4,565 founders' shares. On 25 January 1990 the Bank received from the Yugoslav National Bank the Decision granting full banking licence and had it registered at the court on 18 July 1990. On 4 May 1990, the Bank changed its name from Banka male privrede d.d. Zagreb into Croatia banka male privrede d.d. Zagreb, (abbreviated: “Croatia banka d.d. Zagreb”), and on 21 June 1995 it changed its name into Croatia banka d.d. Zagreb

As a result of difficulties faced by the Bank, a procedure to rehabilitate the Bank was initiated in 1999 and, pursuant to Article 15(1), Article 16(1) and Article 17(1) of the Bank Rehabilitation and Restructuring Act (Croatian Official Gazette no 44/94) and Section VII of the Decision of the Government of the Republic of Croatia on the rehabilitation and restructuring of Croatia banka d.d. Zagreb of 27 September 1999 and the Decision of the Government of the Republic of Croatia on amendments to the Decision on rehabilitation and restructuring of Croatia banka d.d. Zagreb of 24 May 2000, the General Assembly of Croatia banka d.d. adopted on 13 September 2000 a Decision on issuing new replacement shares in the amount of HRK 204.6 million (EUR 27.16 million) and a Decision on amendments to the Statute of Croatia banka d.d., which formally ended the process of the Bank’s rehabilitation. The CDIA contributed capital to the Bank in the amount of the replacement shares, and the Bank continued to operate as a state-owned joint stock company (Croatian: 'dioničko društvo') wholly owned by the State.

Letter from the Management Board

Danijel Luković
President of the Management Board

Katarina Stanić
Member of the Management Board

Dear shareholders, clients and partners, dear colleagues,

we are pleased to present to you the best financial results of the Bank's operations over the past twenty-six years.

The Bank continued with positive business trends in the last few years and ended 2023 with a record net profit of **EUR 2.5 million**, with a **13.4%** return on capital.

The total net income from operations amounted to **EUR 11.6 million** and recorded an increase of **22.4%** compared to the previous year.

This was mainly contributed by the increase in interest income by **51.9%**, which is largely the result of the increase in the reference interest rate Euribor and the increase in the loan portfolio.

After the introduction of the euro as the official currency in the Republic of Croatia from 1 January 2023, the Bank focused on increasing the loan portfolio and continued to improve and introduce new products in order to increase total revenues.

Net loans and receivables increased by **7.5%,** which influenced their increase in the structure of assets from **55%** in 2022 to **61%** at the end of 2023.

In addition, last year was marked by the replacement of the existing Maestro debit card with a Visa card. Income from fees and commissions increased by **6.4%** compared to the previous year and their increase after the expansion of the range of products and services in late 2023 and early 2024 will affect a larger relative increase in 2024.

Operating costs increased by **6.7%,** which was mostly influenced by the unplanned one-time cost of settling a long-term, complex and high-value court dispute, which also resolved potentially future large costs for the Bank.

After successfully completing the project of introducing the euro as the official currency in the Republic of Croatia on 1 January 2023, the Bank worked intensively on the project of introducing an application to support the function of preventing money laundering, improving mobile banking and introducing new products.

In addition, the Bank is in the final phase of the project of transition to the use of the Office 365 service in the cloud and the project of refreshing the Bank's visual identity, and has carried out the relocation of the commercial centre Vinkovci to a new location.

Activities related to credit risk management were extremely successfully aimed at managing the regular collection process, effecting insurance instruments, as well as suitable settlements with clients from such a domain of relationships, and consequently at further reducing the share of non-revenue exposures.

In addition, the Bank continued to improve the overall risk management system and began the process of establishing a framework for identifying, managing and monitoring environmental and climate risks in accordance with regulatory expectations.

As of 31 December 2023, the Bank meets all regulatory requirements.

The record realized net profit additionally influenced the increase of the total capital rate, which as of 31 December 2023 is **20.65%** and the reduction of the indicator of the limitation of investment in tangible assets in relation to regulatory capital to **32.36%.**

The Bank continuously maintained a high level of liquidity during, achieving its primary goal.

In the coming period, the Bank will continue to focus its business activities on doing business with small and medium-sized entrepreneurs and citizens in particular, with an economic branch orientation on dominant agriculture while supporting all other forms of crafts and professional occupations of micro and small/medium entrepreneurs, expanding the existing range of products and services with the aim of retaining existing and attracting new clients, especially younger age groups, with the appropriate possible upgrades of automation and computerization of processes, products and services, with the aim of continuing a greater increase in non-interest income from the market as well as increasing their share in total income.

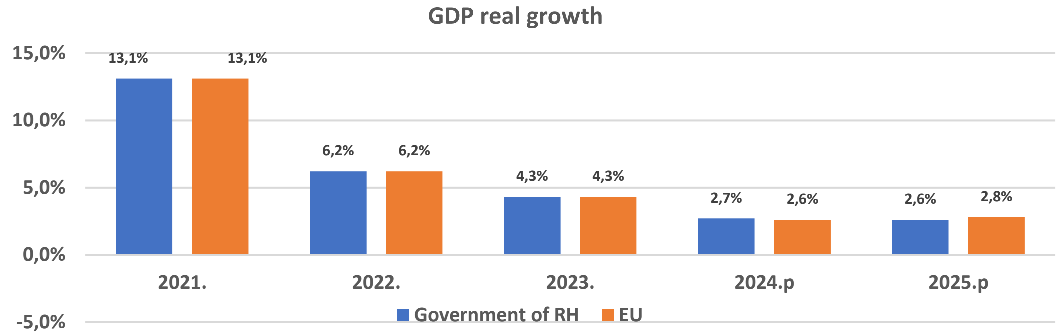
We would like to thank all our clients and business partners for their trust and hope that we will continue to cooperate successfully.

With faith in the continuation of the planned realization of goals in 2024 as well as in future years, with an even more affirmative institutional culture of all of us, we thank all employees of the Bank for their dedication in achieving business results in 2023.

Information on economic trends[1]

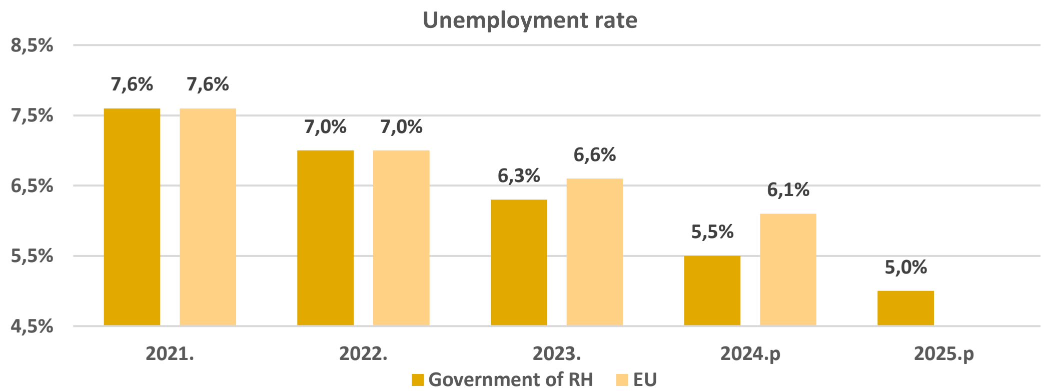
Gross domestic product

After the economic activity continued to grow in the first half of 2023, supported by tourism and the growth of personal consumption and, to a lesser extent, investments,; this growth data for the fourth quarter of 2023 points to a strengthening of economic activity, and according to the first estimate, it is realistically higher by 4.3 % compared to the same quarter of 2022. In 2024, real growth could increase slightly according to the CNB's estimate (3.0%), while the estimate of the Government of the Republic of Croatia is 2.7%. Merchandise exports could strengthen, and personal consumption could continue to grow at stable rates, supported by moderate growth in real incomes in conditions of labour shortages and continued reduction in inflation. Negative risks to economic growth arise from the extended duration of the war in Ukraine and the present geopolitical tensions, which could affect the slowdown of the world economy. Also, the accumulated effects of monetary policy tightening could somewhat slow down economic activity.



Labour market

Strong employment growth in the first half of 2023 is the result of dynamic economic activity in service industries (mostly in tourism). A gradual weakening of momentum is expected until the end of this year and beyond. A relatively slight additional decrease in the unemployment rate is expected, partly under the influence of the increasingly pronounced employment of foreign workers. After the acceleration of wage growth in the current year, a slowdown in the growth of nominal and real wages is expected in the coming years, which will also depend on the trend of inflation and the pressures of workers related to compensating for the possible relative lag behind wages in relation to price changes.

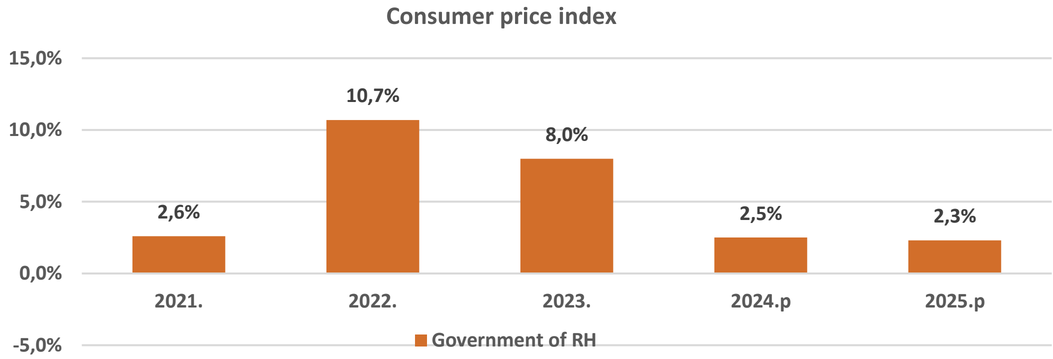


[1] Sources:Government of the Republic of Croatia, European Commission
Macroeconomic trends and forecast, CNB

Inflation

Inflation continued to slow down during 2023, and it amounted to 8.0% on an annual basis. According to the Government of the Republic of Croatia, it will continue to decrease further, to 2.5% in 2024 and 2.3% in 2025. In the slowdown of inflation in 2023, the reduction of energy price inflation contributes the most, which should also slow down the growth of prices of industrial products under the conditions of normalization of global supply chains. The risks to the realization of the projected inflation are still very pronounced and it could be higher in the case of more pronounced wage growth, especially if profit margins do not decrease and thereby absorb part of the wage cost pressures.

The Governing Council of the ECB decided at the meeting held on 25 January 2024 that the three key interest rates will remain unchanged. Accordingly, the interest rate on cash deposits of credit institutions with the central bank (currently a relevant indicator of the ECB's monetary policy) remains at the level of 4.0%.



Placements and interest rates

The strong growth of credit to households continued (9.5%), while the growth of loans to companies was still slower.

As a result of a strong reduction in state deposits, driven by strong growth in state expenditures and a seasonal decrease in fiscal revenues, total domestic deposits increased by EUR 1.9 billion in December, with household and company deposits contributing equally. At the same time, time deposits grew by EUR 1.2 billion, driven by the growth of interest rates on time deposits.

The interest rate on non-purpose cash loans in December 2023 was contracted with an average interest rate of 6.1% or 11 basis points more than in November, while the interest rate on housing loans contracted for the first time amounted to 3.7%. The average interest rate on contracted loans of non-financial companies reached the level of 5.4% in December 2023, which is an increase of 16 basis points compared to November.

In December 2023, the interest rate on household deposits contracted for the first time was 2. %, while the interest rate on corporate time deposits was reduced by 19 basis points to the level of 3.2%.

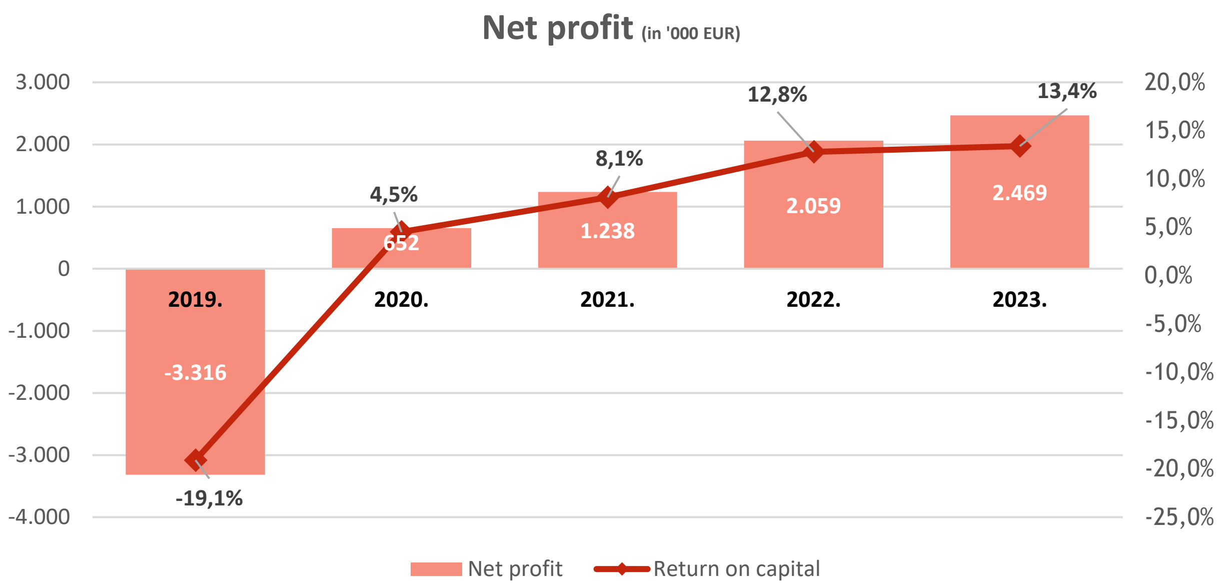
Description of operations

The Bank's activities include all types of deposit and loan operations for legal entities and natural persons, domestic and foreign payments, issuing guarantees, avals and other forms of guarantees, purchase and sale of securities and other banking activities.

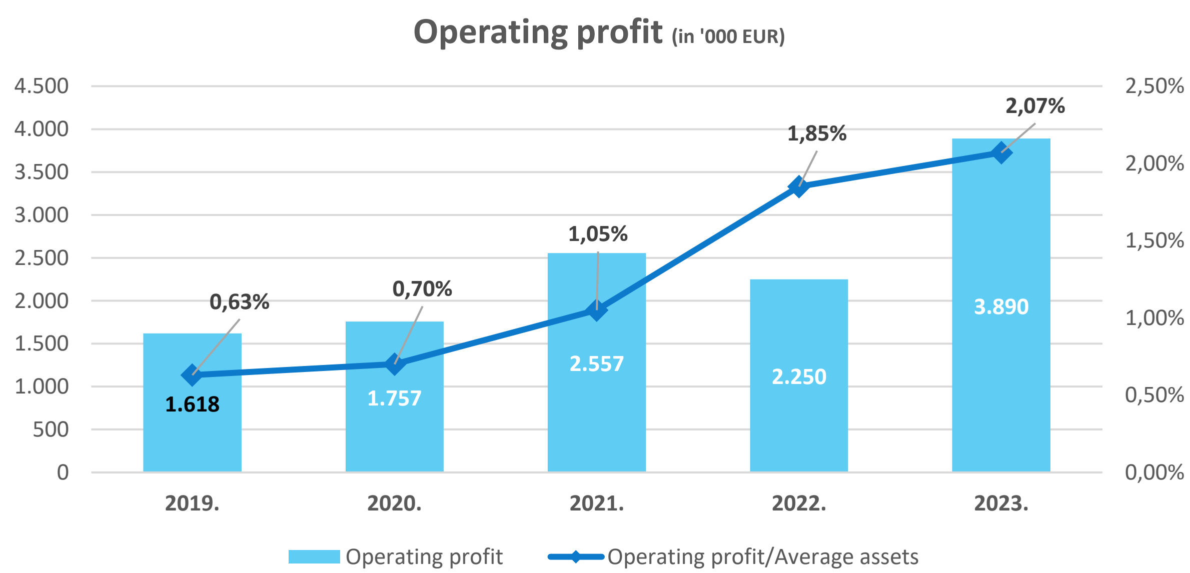
The Bank is wholly-owned (100%) by the State and in terms of assets (EUR 237.3 million) it ranks 15th among a total of 20 credit institutions. As at 31 December 2023, the Bank operates through 9 commercial centres and 3 branches.

As at 31 December 2023, the regulatory capital amounted to EUR 20,038 thousand, and the total regulatory capital adequacy ratio is 20.65%.

In 2023, the Bank realised profit after tax in the amount of EUR 2,469 thousand.

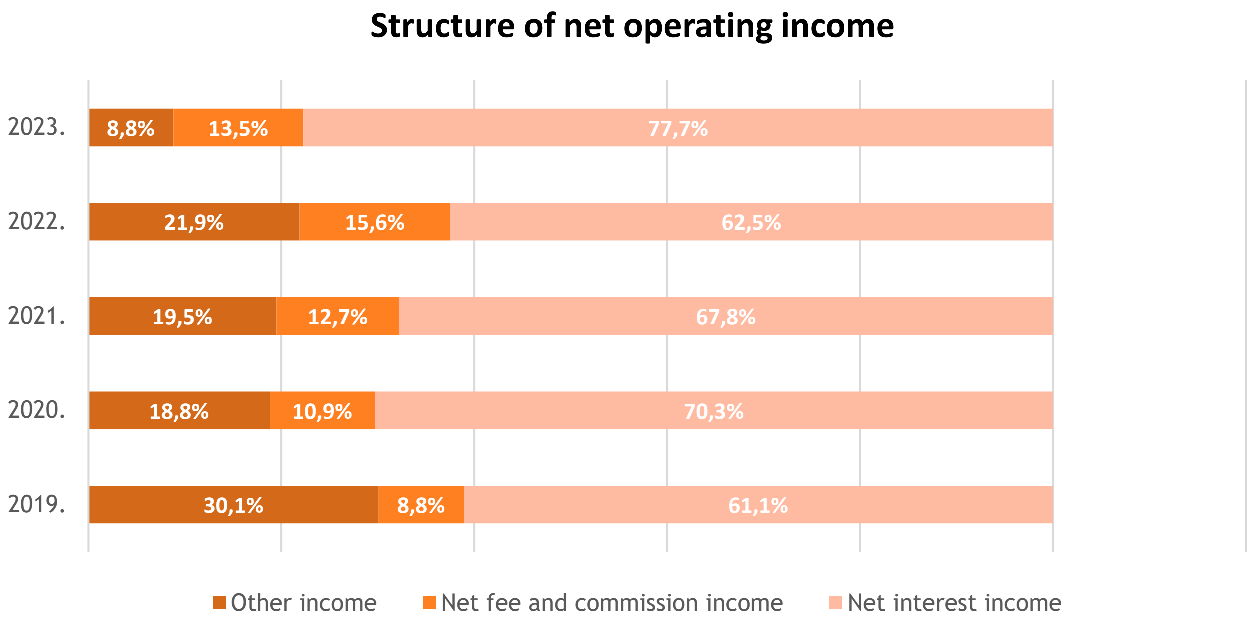


The operating profit amounts to EUR 3,890 thousand, and the costs of provisions and impairments amount to EUR 1,293 thousand.

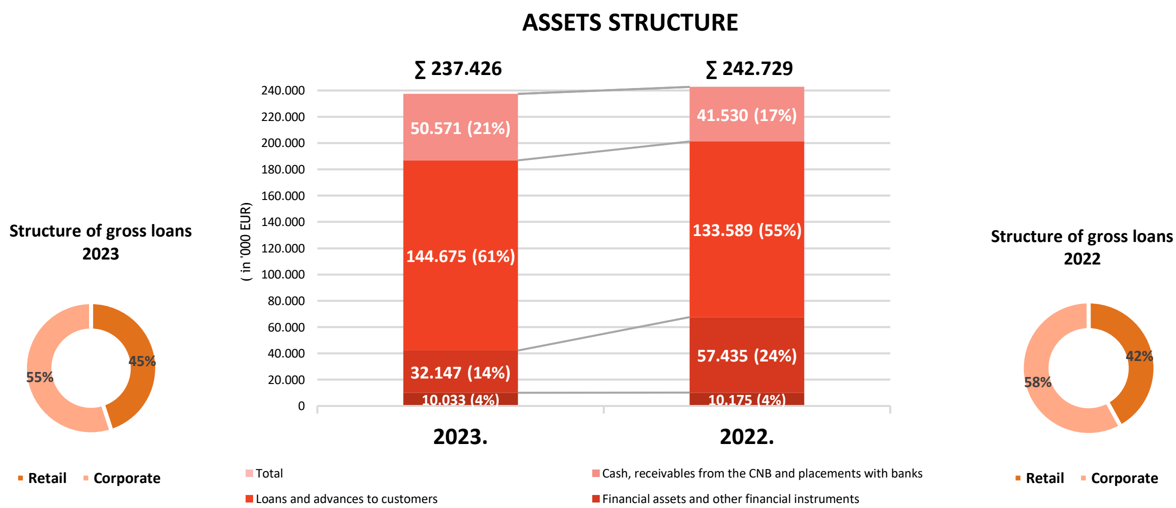


Total net operating income increased by 22.4%, while total operating expenses increased by 6.7% compared to 2022. Realization of higher one-time other operating expenses than planned in 2023 had an impact on the increase of total operating expenses.

The most significant part of operating income is net interest income, which accounts for 77.7% (EUR 9,031 thousand) of total income.

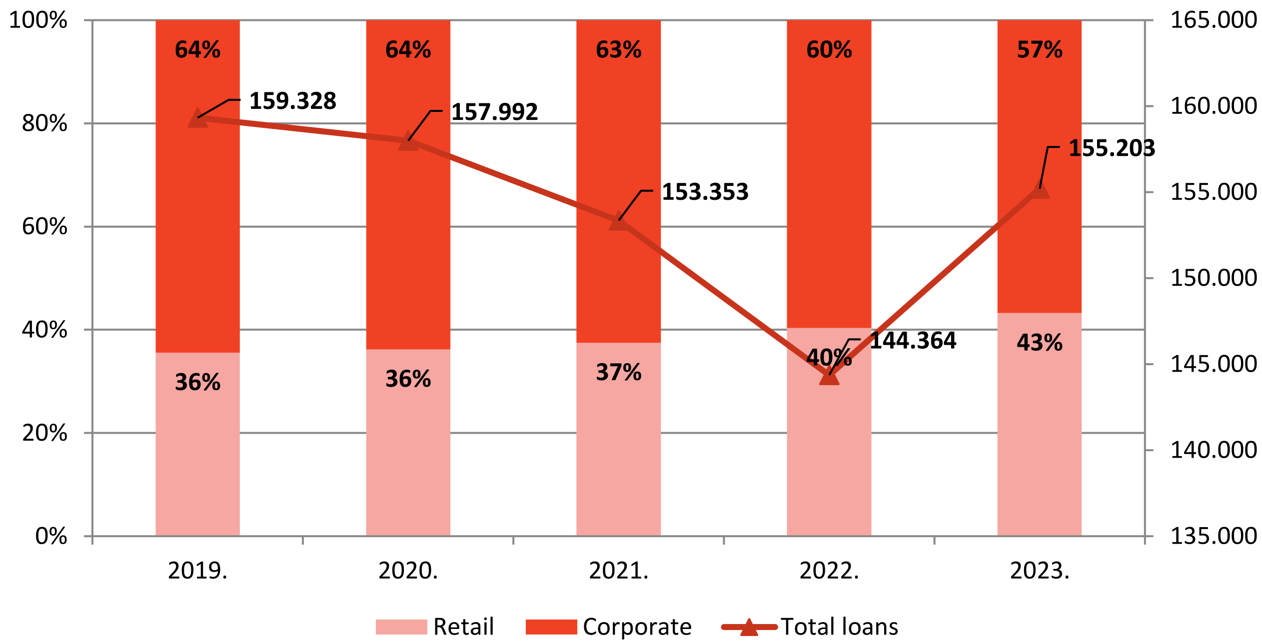


The Bank's assets at the end of 2023 amounted to EUR 237,426 thousand, which is EUR 5,303 thousand less than in 2022. In the structure of assets, the most significant share is made up of loans and receivables from clients (61%), followed by cash and receivables from the Croatian National Bank and other banks (21%) and securities and other instruments (14%).



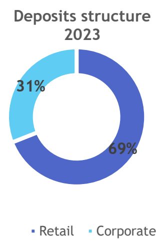
As of 31 December 2023, total gross loans to clients amounted to EUR 155,203 thousand and are 7.5% higher than in 2022, mostly due to a greater increase in loans to households. In the structure of loans to clients, 57% are loans to legal entities, and 43% are loans to individuals (including loans to craftsmen).

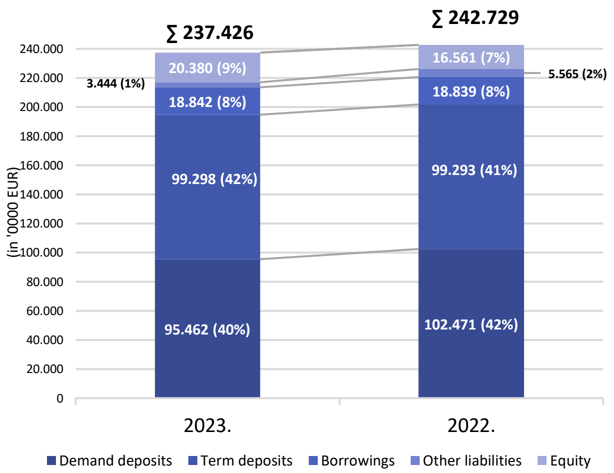
Structure and movement in gross loans (amounts in '000' EUR)

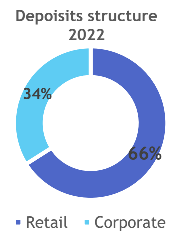


In the structure of liabilities, the most significant share of 42% is time deposits. Demand deposits follow with 40%.

STRUCTURE OF LIABILITIES

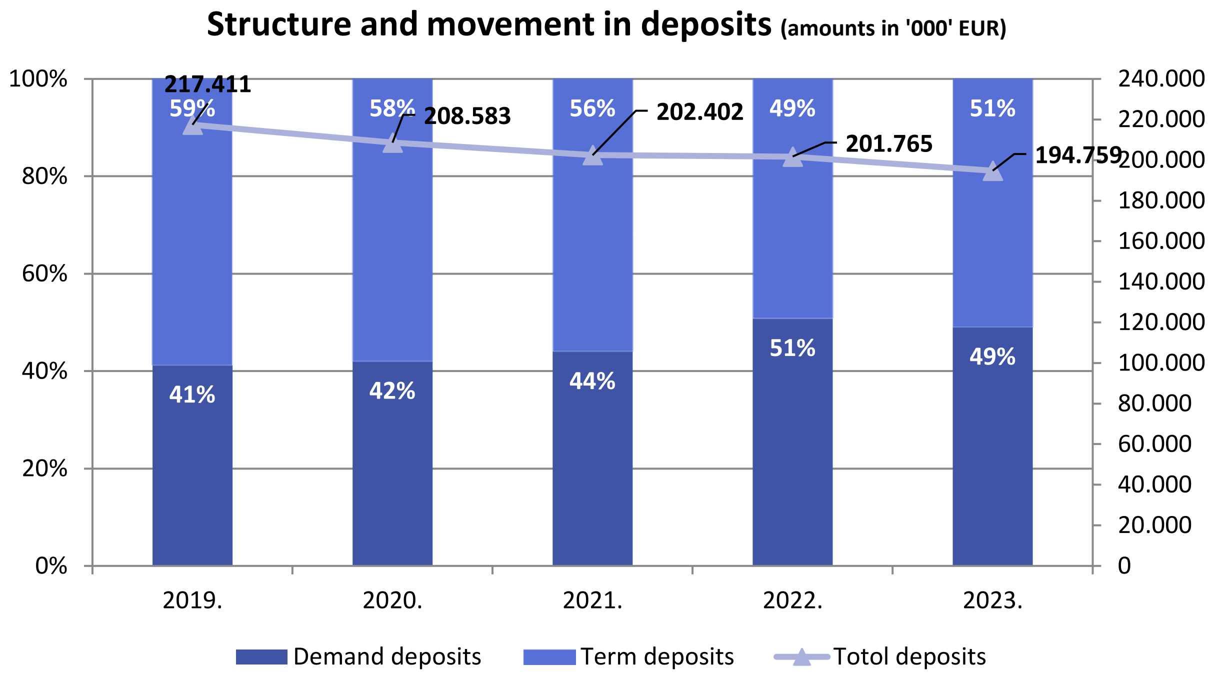






At the end of 2023, total deposits amounted to EUR 194,759 thousand and recorded a decrease compared to the end of 2022 by 3.5% or EUR 7,006 thousand, whereby household deposits increased by 0.9% and corporate deposits decreased by 12.1%.

In the structure of total deposits, term deposits are predominant (51%) compared to demand deposits (49). Total time deposits remained at approximately the same level as at the end of 2022, while their share in the structure of total deposits increased by 2 percentage points due to the reduction of demand deposits in 2023 by 6.8%.



Retail banking operations

In 2023, Croatia Banka had growth in credit activity and a positive upward trend with EUR 15.8 million of new loans and collection of EUR 9.2 million. The balance of net loans to households in 2023 grew to EUR 65.4 million or 15% compared to the same balance at the end of 2022, with an increase in interest income of 4%. Structurally, the biggest impact of these developments is in the part of non-purpose loans to citizens, with a growth of 17% compared to the year before.

The initial strategy was based on moderate growth, i.e. controlled management of credit activity in the segment of retail operations.

In the spirit of optimizing the movement of credit risk with an impact on the capital rate, the Bank ultimately exercised the right and intention to transfer non-purpose loans from the previous risk weighting of 75% to a weighting of 35% with the satisfaction of certain criteria (pensioners, permanent employees, the longest original loan maturity of up to 10 years, an insurance policy that covers the risks of death, work incapacity, unemployment or reduction of income and payments that may not exceed 20% of salary or pension).

In 2023, the Bank worked on the implementation of the following new products:

- Lombard loan with life insurance policy
- Loans for pensioners
- Introducing a cheaper fee for paying household overheads
- Redesign and renewal of existing lines of non-purpose loans.

In parallel with credit activity in 2023, the Bank intensified the activities of selling third-party products and achieved significant non-interest income:

- Insurance policies (risk, CPI, property insurance)
- More voluntary pension funds.

As a result, with the aforementioned activities, we realized a growth of net non-interest income of 20% compared to the previous year.

In 2023, the VISA debit card was fully implemented, replacing the current Master card brand, the Maestro debit card. In the same period, the Bank started working on the development of a Visa credit card with a revolving and *charge* payment model.

Due to macroeconomic developments on the financial markets, the trend of rising interest rates in order to curb strong inflationary pressures, government intervention with new issues of bonds and treasury bills at high yield prices, all in order to preserve the deposit base and prevent a larger outflow of deposits at the end of 2023; the Bank decided to intervene in the market with a generous offer of interest rates on deposits with maturities of 6 months and 12 months. With the aforementioned activities, we managed to refine the deposit base of depositors, and the Bank positioned itself in the media at the very top of the offer of interest rates on term savings on the Croatian banking market.

It is important to point out that the fees for maintaining current accounts increased in 2023 as well, which was particularly noted by the positive growth in the sale of product packages. The emphasis continues to be on the introduction of new products, as previously stated, in the form of Visa credit cards, etc. There is certainly room for additional expansion of the offer and growth of income.

In the card business, work was done on the coordination of the takeover of the Bank's ATM network by FINA. Such a strategic decision of the Bank has a favourable effect on the Bank's costs (the cost of adapting ATM screens due to the introduction of the euro is avoided, the costs of electrochemical protection, replacement and repairs of ATMs), and the ATM network seems even more accessible to clients, because 16 other banks have decided to take the same step.

One of the key determinants of card business in 2023 was the reorganization of the team with the purpose of improving the management of income from card business, POS devices, Internet and mobile banking, and the development of other digital products.

Corporate banking operations

The primary goal of corporate operations in 2023 was to ensure satisfactory business profitability without a significant increase in assets while rearranging the portfolio of corporate loans to increase the share of loans to small and medium-sized entrepreneurs, which was realized.

At the end of 2023, the total net credit portfolio of legal entities amounted to EUR 79.3 million, which is an increase of EUR 2.1 million compared to the end of 2022. The same is primarily the result of an increase in the volume of loans to small and medium-sized enterprises by as much as 21%.

The increase in the loan portfolio was largely influenced by the repositioning of early repayments of loans from the public sector and part of loans from the segment of larger trading companies, as well as the active acquisition of new small and medium-sized clients. On the long side, the volume of public sector loans remained at the same level due to an increase in the amount of one larger loan as part of a syndicated loan in which several banks participated.

Last year, 343 new giro accounts of legal entities were opened, and with the aim of further increasing the number of clients, a new acquisition campaign was launched at the end of the year.

Deposits of legal entities (excluding bank deposits) make up 31% of the Bank's total deposits. In the structure of deposits of legal entities, demand deposits amount to EUR 44.9 million, and time deposits amount to EUR 14.6 million.

Interest income generated in the segment of legal entities accounts for 53% of the total generated at the Bank level, while only 21% participates in interest expenses. This is the result of systematic monitoring of deposit maturities with an individual approach to interest correction when renewing individual deposits.

Income from fees increased slightly by about 3% compared to the previous year, primarily due to higher income from fees for issued guarantees and letters of credit, higher volume of Internet banking, adoption of a new tariff of fees for payment transactions and systematic control of contractual obligations of payment transactions by clients.

In the segment of business with legal entities, the collection of overdue receivables, i.e. the share of unprofitable placements in the total portfolio, is systematically monitored. It can be concluded that the collection is regular and within the prescribed terms and that there are no new unprofitable placements.

During 2023, activities related to the implementation and completion of the project to introduce the euro as the official currency in the Republic of Croatia were continuously undertaken in all corporate segments, including accompanying documents.

Treasury operations

In 2023, four significant changes took place that had an important impact on the work and results of the Treasury: the transfer to the euro as the domicile currency and the related change in regulations, the increase in interest rates, the reclassification of securities and the switch to the Target2 platform.

After Croatia's entry into the Eurozone, the CNB no longer places structural loans, but the loans it placed before 31 December 2022 remain in force according to the originally agreed conditions until their maturity. Accordingly, in 2023, the Bank continued to use existing structural loans at an average interest rate of 0.25%. These are two loans that were originally approved in the amount of a total of HRK 140 million (EUR 18.6 million), which mature in 2025. For the Bank, the mentioned loans are extremely favourable not only because of the low interest but also because of the impact on extending the maturity of the liabilities.

In order to obtain additional liquidity, after Croatia's entry into the Eurozone, the Bank can use standard instruments of the European Central Bank (main refinancing auctions for a period of 7 days and longer-term refinancing operations for a period of approximately 3 months) or repo loans from banks with which it has signed framework repo agreements. During 2023, the Bank had sufficient levels of liquidity, so it did not use the mentioned instruments.

With Croatia's entry into the Eurozone, the obligation to maintain the prescribed ratio between foreign currency receivables and foreign currency liabilities ended, and with it the main reason why the Bank used foreign currency repo loans in the past.

Since most of the Bank's liabilities and receivables are denominated in euros, the task of complying with the Bank's strategy, according to which currency openness must be kept within +/- 2% of the regulatory capital (so as not to negatively affect the Bank's capital), after the introduction of the euro as the domicile currency it has become much simpler, but has not completely disappeared.

The value of the portfolio of securities (bonds and treasury bills) in 2023 was reduced by 42.7% or EUR 22.8 million. The aforementioned reduction was mitigated by the reclassification of the portfolio of bonds and treasury bills carried out at the beginning of 2023 from the fair value measurement model through other comprehensive income to the amortized cost measurement model.

The aforementioned change in regulations abolished the need to engage securities in order to meet the previously mentioned legal limits, and the profitability of the new instrument (overnight rescheduling of excess funds with an interest rate of 2.5% to 4%) encouraged the Bank to reduce the portfolio of securities and increase overnight deposits. In the future, the Bank must maintain the portfolio of securities in an amount that enables the servicing of collateral for received loans with financial insurance.

In accordance with the above, the following changes took place in 2023:

The portfolio of treasury bills nominally decreased by EUR 39.9 million (83.3%). The reasons for this are as follows: at the beginning of the year, the Bank had no interest in subscribing treasury bills (and thereby reducing reserves of immediately available liquidity) at interest rates acceptable to the CNB, and in the rest of the year, the Ministry of Finance did not accept a single offer from the banking sector. Out of a total of EUR 47.9 million of treasury bills due, the Bank re-subscribed only EUR 8 million in 2023.

The bond portfolio nominally increased by EUR 12.7 million (115.8%). The reason is that the Bank no longer avoids investing in bonds, since by reclassifying the bonds in the portfolio until maturity, the negative impact of changes in their prices on the profit and loss account was avoided (at the beginning of the year, by purchasing EUR 2.7 million, the Bank participated in the issue of "people's bonds", and in July, by purchasing EUR 10 million of bonds from the Republic of Croatia, it secured a sufficient amount of collateral with the CNB).

The entry into the Eurozone and the change in regulations, which coincided with the change in the trend of interest rates, had a significant impact on the Treasury's deposit operations. During 2022, the Treasury placed an average of EUR 18.7 million per day as foreign currency deposits with foreign banks, euro deposits with the CNB and deposits in the name of mandatory reserves, and in 2023 EUR 37.1 million, which represents an increase of 98.9%. But in 2022, it had an expense of EUR 14 thousand from the aforementioned business, while in 2023 it generated interest income of EUR 1.2 million. The same compensated for the decrease in income from foreign exchange trading many times over.

Internal controls and internal audit

The internal controls system has been established at the Bank’s level by internal acts that define the responsibilities of the Bank’s individual organisational units.

The internal controls system at the Bank has been established as a set of processes and procedures designed for the purpose of adequate risk control, monitoring the efficiency and effectiveness of the Bank’s operations, reliability of its financial and other information, and compliance with regulations, internal acts, standards and codes to ensure stability of the Bank’s operations.

Internal audit is an independent control function and constitutes a part of the Bank's internal control system. Internal audit is independent of all business processes and activities whose operations it audits, assessing in the course of its work the efficiency and effectiveness of the internal control and risk management system in the Bank's business processes.

In the course of the audit implementation, the internal audit function evaluates the internal control system of specific business segments and the adequacy and efficiency of risk management. The adequacy and effectiveness of the system of internal controls, risk management and compliance assessment is determined on the basis of reviewed documentation, processes and internal acts for a particular area of business that was subject to audit.

Internal audit

The Internal Audit Department has been set up as a separate organisational unit, functionally and organisationally independent of activities it audits and other organisational units of the Bank.

Internal Audit constitutes a follow-up internal supervision of the Bank's entire operations and is organised to support and assist the Management Board and represents an advisory, informative and control function that reports to the Bank's Management Board, the Audit and Risk Committee and the Supervisory Board on the Bank's business areas and internal control system operational risks by preparing reports and providing proposals, recommendations and measures to improve the Bank's operations.

The scope and operational methods of the Internal Audit Department are detailed in the Internal Audit Methodology proposed by the department itself, and adopted by the Bank's Management Board.

The Annual Audit Plan is based on documented risk assessments and contains all the relevant elements from the Decision on the management system and internal acts. The Annual Operating Plan of the Internal Audit Department is approved by the Bank’s Management Board based on a prior consent of the Audit Committee and/or the Supervisory Board.

The Internal Audit Department prepares operational reports in accordance with its activities and the plans determined for each area of operation of the Internal Audit Department. In the course of the audit, any identified illegalities, irregularities and deficiencies/weaknesses are assessed according to the risk categories and recommendations are made to eliminate them. In addition to the type of findings and risk category, each identified finding in the audit report shall also state the type of risk to which the finding is related (credit risk, operational risk, business risk, reputational and compliance risk, and information system risk).

The operational report on each audit performed is submitted to the Management Board of the Bank and to the responsible persons of the organisational segment of the Bank competent for the business segment that was subject to audit to the Audit and to the Audit and Risk Committee.

The Internal Audit Department submits quarterly reports on internal audit activities to the Bank's Management Board, the Audit and Risk Committee, the semi-annual and annual report on operations also to the Bank's Supervisory Board, and the annual report also to the Croatian National Bank.

Corporate Governance Statement

Pursuant to the provisions of Article 272p of the Companies Act and Article 22 of the Accounting Act, the Management Board of Croatia banka d.d. Zagreb hereby declares that the Bank implements all regulatory requirements of corporate governance, its own Code of Business Conduct and Ethics, recommendations and guidelines of the EBA and the Croatian National Bank, and good corporate governance practices.

Through the Code of Business Conduct and Ethics, the Bank sets high professional and ethical business standards, by establishing basic principles and rules of good and acceptable behaviour that promote awareness of the importance of the professional performance of obligations and behaviour that promotes and reflects clients' trust in the Bank and establishes a business culture, i.e. manner of behaviour and interaction with clients, business partners and other stakeholders.

Implementing the established good practices, the Code of Business Conduct and Ethics was published on the Bank's website, which, in addition to the Bank's employees, allows all stakeholders, i.e. clients, business partners, supervisors and the entire interested public, to familiarize themselves with the basic ethical principles and values of the Bank.

Through the application of the Code, the Bank has set high ethical and professional standards, and continuously promotes monitors and ensures their implementation. Application of the principle of equal opportunities and equal treatment of men and women in matters of employment and work, as well as the absence of discrimination against workers, are particularly considered to be highly ethical and professional standards, which the Bank considers extremely important.

The fundamental principles of business conduct are based on the following ethical values: legality of work and business, prohibition of discrimination and privilege, professionalism, expertise, honesty, conscientiousness and responsibility, mutual respect, trust, cooperation, decency and patience.

The Bank has developed internal procedures for reporting violations of the Code and, in accordance with them, a procedure for reviewing complaints and imposing sanctions in the event of a violation of the Code.

Bank's management structure

In accordance with the Companies Act, the Credit Institutions Act and the Bank's Statute, the Bank's governance structure comprises the Supervisory Board and the Management Board, whose duties and responsibilities are also regulated by the above regulations.

Other information

The Bank did not carry out any research and development activities during 2023.

The Bank did not purchase any treasury shares during 2023.

By the decision of the General Assembly dated 29 March 2023, the share capital was harmonized with the Law on the introduction of the euro as the official currency in the Republic of Croatia, so that the share capital amounts to EUR 62,990,244.87.

The Bank does not own other legal entities.

The purchase and sale of financial instruments constitute an integral part of the Bank's operations and are described in detail in these financial statements.

Details about the Bank's financial risk management goals and policies, its exposure to price risk, credit risk, liquidity risk and other risks are provided in the accompanying financial statements.

Pursuant to the Croatian Accounting Act in force, the Management Board is responsible for ensuring that the financial statements are prepared for each financial year in accordance with International Financial Reporting Standards as adopted in the European Union, in order to give a true and fair view of the financial position and operating results of Croatia banka d.d. (the "Bank") for that period.

The Management Board has a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing the financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Bank will continue its operations.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bank and must also ensure that the financial statements comply with the Croatian Accounting Act in force (Official Gazette 78/15, 134/15, 120/16, 116/18, 42/20, 47/20, 114/22 and 82/23). The Management Board is also responsible for safeguarding the assets of the Bank and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Board is responsible for the preparation and the content of the Annual Report in accordance with Article 19 and 21 of the Accounting Act (Official Gazette 78/15, 134/15, 120/16, 116/18, 42/20, 47/20, 114/22 and 82/23), and also for the supplementary regulatory reports.

Signed on behalf of the Management Board:

15 March 2024

Danijel Luković
President of the Management Board

Katarina Stanić
Member of the Management Board

Independent Auditor's Report to the shareholders of Croatia bank d.d., Zagreb

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

OPINION

We have audited the annual financial statements of Croatia banka d.d. Zagreb, Ulica Roberta Frangeša – Mihanovića 9 (hereinafter „the Bank"), which include the Statement of Financial Position as at 31 December 2023, the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, as well as the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying annual financial statements present, in all significant respects, a true and fair view of the Bank's financial position as at 31 December 2023, its financial performance and the cash flows for the year then ended, in accordance with International Financial Reporting Standards (hereinafter "IFRS") established by the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under these standards are described in detail in our Independent Auditor's Report in the section on the Auditor's responsibilities for auditing annual financial statements.

We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants ("IESBA Code") including international standards issued by the Committee on International Ethics Standards for Accountants (IESBA), as well as in accordance with ethical requirements relevant to our audit of annual financial statements In Croatia. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS (continued)

KEY AUDIT MATTERS

Key audit matters are those matters that were, in our professional judgment, of greatest importance to our audit of the current period's annual financial statements. We dealt with these matters during our audit of the annual financial statements as a whole and when forming our opinion thereon, and we do not give a separate opinion on these matters. We have determined that the following are key audit matters that should be disclosed in our Independent Auditor's Report

Key audit matter	How we addressed the key audit matter
Impairment of loans and advances to clients In the Note 17 to the Bank's annual financial statements: Loans and advances to clients, the gross value is stated in the amount of EUR 156,360 thousand, credit losses on loans in the amount of EUR 11,685 thousand, and provisions for credit losses recognized in profit or loss in Note 9 in the amount of EUR 799 thousand (as of 31 December 2022, gross value of EUR 145,172 thousand, loan losses EUR 11,583 thousand, and provisions for loan losses recognized in profit or loss in Note 9 in the amount of EUR 953 thousand). The aforementioned area is determined as a key audit matter because credit risk is the most important financial risk the Bank is exposed to and directly affects the preservation of capital, and requires significant assessments by the Bank's Management when determining the amount of value adjustment. Determining appropriate impairment uses subjective assumptions and judgments in assessing the amount of provisions for impairment requested by the Bank's Management, which refers to the determination of the moment of recognition of the impairment and the amount of that impairment. The Management performed an assessment of the entire portfolio by estimating the expected credit loss (hereinafter referred to as "ECL") for individual loans in accordance with the requirements of the International Financial Reporting Standard 9 - Financial Instruments (hereinafter referred to as "IFRS" 9). When determining the moment and amount of necessary impairments for loans and customer advances, in the measurement model, the Management used subjective judgments in the following significant areas of assessment:	*Audit procedures* Audit procedures formed in response to the key audit matter included: Consideration of the credit management business model, overview of placement groups, ways of managing loans and their evaluation; Review of the classification of loans into regular loans, loans with a significant increase in credit risk and loans that require impairment, in accordance with IFRS 9 and in accordance with the Decision on the classification of placements and off-balance sheet liabilities of credit institutions; Gaining an understanding of the functioning of the internal control system related to the assessment procedure of the necessary reduction in the value of loans and advances to clients, which was established by the Management, and review of their effectiveness; Review and evaluation of a methodology for recognition of ECL provision, including estimates of the probability of default (PD), loss given default (LGD) and exposure at default (EAD); Verification of the quality and correctness of the used historical financial information, assessment of the appropriateness of the associated collateral valuations, the appropriateness of the assumptions used, the verification of circumstances and events related to financial assets, and the used macroeconomic prospective information that causes the need for impairment due to ECL Assessment of the appropriateness of disclosures in relation to International Financial Reporting Standards.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How we addressed the key audit matter
• The level of reliance on historical data in the process of determining risk parameters, • Allocating credit risk to an appropriate level for individual and total exposure, • Assessment of changes that indicate a significant deterioration due to which it is necessary to change the level of credit risk and the related ECL during the life of the instrument, • Assessment of the expected future operating cash flow • Assessment of the value of the collateral and the duration of its collection The Bank continuously adjusts the model parameters, which also requires our increased attention during the audit. Due to the financial significance of provisions for impairment, their impact on financial statements, the intensity of the use of subjective assumptions and judgments in estimating the amount of necessary provisions for impairment, and the complexity of the assessment models used, we concluded that the impairment as a consequence of the provisions for impairment and related customer loans and advances our key audit matter during the audit of the Bank's annual financial statements for the year ended 31 December 2023. *Related disclosures in the annual financial statements* See notes to the annual financial statements: 2.2. Financial assets and liabilities, 9. Provisions for credit losses, 17. Loans and advances to clients and 32.1. Credit risk, 32.6. Past due and not past due loans and receivables	For impairments determined on an individual basis we: Selected a sample of loans, namely those with the highest amount and the highest risk by individual characteristic placement groups; Verified the appropriateness of the criteria used to determine a significant deterioration of credit risk, the accuracy of financial information to identify loans where there is a need for impairment, recalculation or critical review of the assessment of the financial position and business performance, expected future cash flows, time required for collection, appropriateness of valuation of collateral and assessment of the financial effect from collateral collection. For impairments determined on an aggregate basis we: Reviewed the appropriateness of the assumptions used to calculate the probability of default over the life of the instrument (PD) and the loss given default (LGD); Reviewed the appropriateness of measuring the required impairment for ECL through a critical review of the client's financial position and business performance, estimates of expected future cash flows, time required to collect the exposure, appropriateness of collateral valuation and assessment of the financial impact of using collateral to collect outstanding exposures; Assessed the appropriateness of exposure classification and ECL calculation of individual exposures on the Balance Sheet date, as well as their compliance with CNB requirements; Performed evidence testing of a selected sample of loans and related receivables in order to evaluate the correctness of the classification and valuation of loans.

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS (continued)

OTHER INFORMATION

Management is responsible for other information. Other information contain Management Report included in the Annual Report, but do not include the annual financial statements and our Independent Auditor's Report thereon. Our opinion on the annual financial statements does not include other information.

In connection with our audit of the annual financial statements, it is our responsibility to read other information and consider whether the other information is materially inconsistent with the annual financial statements or our knowledge gained during the audit or otherwise appears to be materially misstated.

Regarding Management report, we also carried out the procedures defined by the Accounting Act. These procedures include the verification of whether the Management Report is composed in accordance with Article 21 of the Accounting Act. Based on the performed procedures, to the extent that we are able to assess this, we report that:

- the information in the attached Management report is harmonised, in all significant aspects, with the attached annual financial statements; and
- The enclosed Management Report for 2023 is prepared in accordance with Article 21 of the Accounting Act.

Based on the knowledge and understanding of the Bank's operations and its environment acquired during the audit of the annual financial statements, we are obliged to report if we have discovered any materially significant misstatements in the attached Management Report. In that sense, we have nothing to report.

RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE ANNUAL FINANCIAL STATEMENTS

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

In preparing the annual financial statements, the Management is responsible for evaluation of the Bank's ability to continue operations assuming going concern principle; disclosure, if applicable, of issues related to going concern, and using accounting based on going concern principle, unless the Management intends to liquidate the Bank or discontinue its business or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process established by the Bank.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF ANNUAL FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatement due to fraud or error and to issue an Independent Auditor's Report that includes our opinion. Reasonable assurance is a higher level of assurance but is not a guarantee that an audit performed in accordance with ISAs will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered material if they can reasonably be expected to affect, individually or in aggregate, the economic decisions of users made on the basis of those annual financial statements.

As an integral part of auditing in accordance with ISAs, we make professional judgments and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements due to fraud or error; design and perform audit procedures in response 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 due to fraud is greater than the risk arising from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation, or circumvention of internal controls.
- Gain an understanding of internal controls 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 controls.
- Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the accounting basis of going concern used by the Management Board and, based on the audit evidence obtained, we conclude whether there is significant uncertainty about events or circumstances that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that there is significant uncertainty, we are required to draw attention to it in our Independent Auditor's Report to the related disclosures in the annual financial statements or, if such disclosures are not appropriate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our Independent Auditor's Report. However, future events or conditions may cause the Bank to discontinue its operations.
- Evaluate the overall presentation, structure and content of the annual financial statements, including disclosures, and whether the annual financial statements reflect the transactions and events on which they are based in a way that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and important audit findings, including significant deficiencies in internal controls identified 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 safeguards.

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS (continued)

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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 AND REGULATORY REQUIREMENTS

REPORT BASED ON REGUILATION (EU) 537/2014

- The Assembly of the Bank appointed us on the proposal of the Audit Committee on 19 June 2023, to audit the annual financial statements for 2023.
- As of the date of this report, we have been continuously engaged in performing legal audits of the Bank since the audit of the annual financial statements for the year 2022, which amounts to a total of two years.
- Our audit opinion on the annual financial statements is consistent with the additional report for the Bank's Audit Committee that we issued on 15 March 2024, in accordance with Art. 11. of Regulation (EU) No. 537/2014 of the European Parliament and the Council.
- During the period between the initial date of the Bank's audited annual financial statements for the year 2023 and the date of this report, we did not provide the Bank with non-audit services that are prohibited by Art. 5(1) of Regulation (EU) No. 537/2014 and in the business year prior to the aforementioned period, we did not provide services for the design and implementation of internal control procedures or risk management related to the preparation and/or control of financial information or the design and implementation of technological systems for financial information, and in performing the audit, we preserved our independence in relation to the Bank.
- In addition to the legal audit, we provided the Bank with the service of expressing a limited opinion on the determination of profit for the period from 1 January to 31 December 2023 and issued a report on this on 5 February 2024.

REPORT BASED ON THE REQUIREMENTS OF THE ACCOUNTING ACT

Pursuant to the Decision on the structure and content of the annual financial statements of credit institutions (Official Gazette 42/18, 122/20, 119/21 and 108/22; hereinafter referred to as the "Decision"), the Management created the forms that are presented on pages 99 to 113. under the headings Statement of Financial Position (Balance Sheet) as of 31 December 2023, Profit and Loss Account, Cash Flow Statement and Changes in the Bank's Equity for the year then ended, together with information on reconciliation with the Bank's financial statements

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (continued)

REPORT BASED ON THE REQUIREMENTS OF THE ACCOUNTING ACT (CONTINUED)

- The Management Board is responsible for the preparation of these forms and information on reconciliations with the Bank's annual financial statements, and they do not constitute an integral part of these annual financial statements, but contain the information prescribed by the Decision. The financial information in the forms is based on the audited annual financial statements of the Bank, which were prepared in accordance with the legal requirements for bank accounting in the Republic of Croatia, are presented on pages 99 to 113 and are adapted to the requirements of the Decision.

The partner engaged in the audit of the Bank's annual financial statements for the year ended 31 December 2023 resulting in this Independent Auditor's Report is Jeni Krstičević, certified auditor

Zagreb, 15 March 2024

PKF FACT revizija d.o.o.

Zadarska 80

10000 Zagreb

Jeni Krstičević, President of the Management Board	Jeni Krstičević, Certified Auditor

in '000 EUR

	Note	2023	2022
Interest income calculated using the effective interest method	3	9,569	6,416
Interest expense	4	(538)	(470)
Net margin on interest and similar income		**9,031**	**5,946**
Credit loss allowances	9	(738)	(998)
Net margin on interest and similar income after credit loss allowances		**8,293**	**4,948**
Fee and commission income	5	2,051	1,922
Fee and commission expense	6	(476)	(440)
Provisions and impairment	10	(555)	994
Gains less losses from financial instruments measured at fair value through other comprehensive income		-	(56)
Gains less losses arising from dealing in foreign currencies		196	549
Gains less losses from modifications to financial assets measured at amortised cost that are not caused by derecognition		2	-
Gains less foreign exchange losses		(16)	(42)
Lease income	7.1	588	615
Other operating income	7.2	614	2,949
Employee expenses	8	(4,017)	(3,714)
Depreciation and amortisation	8	(357)	(379)
Other operating expenses	8	(3,726)	(5,100)
Profit before tax		**2,597**	**2,246**
Income tax	11	(128)	(187)
Profit for the year		**2,469**	**2,059**
Other comprehensive income			
Items that may be reclassified to profit or loss		**1,653**	**(1,440)**
Gains less losses during the year from the measurement of financial assets at fair value through other comprehensive income		1,653	(1,449)
Gains less losses on the sale of financial assets at fair value through other comprehensive income transferred to profit or loss on disposal		-	9
Items that will not be reclassified to profit or loss		**(303)**	**261**
Income tax recognised directly in other comprehensive income	11	(303)	261
TOTAL COMPREHENSIVE INCOME		**3,819**	**880**

The accompanying accounting policies and notes are an integral part of these financial statements

in '000 EUR

	Note	2023	2022
ASSETS			
Cash	12	4,371	37,248
Receivables from the Croatian National Bank	13	40,109	1,798
Placements with banks	14	6,091	2,484
Financial assets at fair value through OCI	15	26	57,430
Financial assets at amortised cost	16	32,121	5
Loans and advances to customers	17	144,675	133,589
Investment property	18	4,758	4,753
Property and equipment	19	893	883
Intangible assets	19	920	663
Foreclosed assets	20	713	770
Deferred tax assets	11	77	508
Other assets	21	2,672	2,598
Total assets		**237,426**	**242,729**
EQUITY AND LIABILITIES			
Liabilities to banks	22	436	466
Demand deposits	23	95,026	102,005
Term deposits	24	99,298	99,293
Borrowings	25	18,842	18,839
Lease liabilities	26	321	281
Other liabilities	26	1,938	1,477
Provisions	27	1,185	3,807
Total liabilities		**217,046**	**226,168**
EQUITY			
Share capital	28	62,990	62,990
Accumulated loss		(42,610)	(45,079)
Reserves		-	(1,350)
Total equity		**20,380**	**16,561**
Total liabilities and equity		**237,426**	**242,729**

The accompanying accounting policies and notes are an integral part of these financial statements

in '000 EUR

	Share capital	Loss carried forward	Reserves	Total
Balance at 1 January 20212	**62,990**	**(47,138)**	**(171)**	**15,681**
Profit for the year	-	2,059	-	2,059
Other comprehensive income				**-**
Gains less losses during the year from the measurement of financial assets at fair value through other comprehensive income	-	-	(1,449)	(1,449)
Gains less losses on the sale of financial assets at fair value through other comprehensive income transferred to profit or loss on disposal	-	-	9	9
Income tax recognised directly in other comprehensive income	-	-	261	261
Total comprehensive income for 2022	**-**	**-**	**(1,179)**	**(1,179)**
Balance at 31 December 2022	**62,990**	**(45,079)**	**(1,350)**	**16,561**
Balance at 1 January 2023	**62,990**	**(45,079)**	**(1,350)**	**16,561**
Profit for the year	-	2,469		2,469
Other comprehensive income				
Gains less losses during the year from the measurement of financial assets at fair value through other comprehensive income	-	-	1,653	1,653
Income tax recognised directly in other comprehensive income	-	-	(303)	(303)
Total comprehensive income for 2023	**-**	**-**	**1,350**	**1,350**
Balance at 31 December 2023	**62,990**	**(42,610)**	**-**	**20,380**

The accompanying accounting policies and notes are an integral part of these financial statements

in '000 EUR

	Note	2023	2022
NET CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		**2,597**	**2,246**
Adjustment to net cash from operating activities			
Depreciation and amortisation	8	357	379
Foreign exchange gains		(196)	(547)
Net credit losses	9	738	998
Provisions and impairment expenses	10	(555)	(994)
Interest income	3	(9,569)	(6,416)
Interest expense	4	538	470
Other non-cash items		33,062	(624)
Operating cash flows before changes in working capital:			
Decrease in loans and receivables		(11,086)	9,339
Decrease in receivables from the CNB and placements with banks		(38,299)	9,311
Decrease in other assets		(448)	(483)
(Decrease) in other current liabilities		187	573
Increase/(decrease) in liabilities to banks		(30)	(367)
(Decrease) in deposits		(6,974)	(271)
Exchange rate differences in operating activities		-	10
Changes in working capital			
Interest received		406	5,934
Interest paid		(84)	(81)
Net cash used in operating activities		**(29,356)**	**19,477**
CASH FLOW FROM INVESTING ACTIVITIES			
Sale of financial assets at fair value through other comprehensive income		-	(9,602)
Proceeds from sale of foreclosed assets		182	747
Exchange rate differences in investing activities			(4)
Net cash flow from investing activities		**182**	**(8,859)**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of borrowings	25	3	(2,104)
Lease payments	25	(166)	(154)
Exchange rate differences in financing activities		-	(1)
Net cash flow from financing activities		**(163)**	**(2,259)**
Cash and cash equivalents at beginning of year	**31**	**39,732**	**31,485**
Net change in cash and cash equivalents		**(29,337)**	**8,359**
Effect of change in expected credit losses on cash and cash equivalents		**67**	**(112)**
Cash and cash equivalents at end of year	**31**	**10,462**	**39,732**

The accompanying accounting policies and notes are an integral part of these financial statements

1. GENERAL INFORMATION

Legal framework and activities

Croatia banka d.d. Zagreb (the "Bank") was registered in the court register as a joint stock company in 1989 under registration number 080007370. The registered office of the Bank is at Roberta Frangeša Mihanovića 9, Zagreb, Croatia.

Croatia banka d.d. is wholly owned (100%) by the State Agency for Deposit Insurance and Bank Rehabilitation (DAB) which is owned by the Republic of Croatia.

The Bank's activities include all types of deposit and loan operations for legal entities and natural persons, domestic and foreign payments, issuing guarantees, avals and other forms of guarantees, purchase and sale of securities and other banking activities.

The Bank has 9 Commercial centres - Commercial centre Čakovec, Commercial centre Osijek, Commercial centre Pula, Commercial centre Slavonski Brod, Commercial centre Split, Commercial centre Vinkovci, Commercial centre Virovitica, Commercial centre Vukovar, Commercial centre Zagreb and 3 outlets: Outlet Županja, Outlet Šubićeva Zagreb and Outlet Sky Office Zagreb.

Governing bodies

Supervisory Board

The Supervisory Board operates in accordance with the Companies Act, the Credit Institutions Act and the Bank's Statute, whereby its main responsibility is the supervision of the Bank's operations and the appointment and dismissal of the president and members of the Management Board. In addition, the Supervisory Board approves the Management Board's business policies, financial plans, strategies and policies of risk taking and management, strategies and procedures for assessing the adequacy of internal capital, acts that establish and ensure adequate functioning of the internal control system, plans of control function operations, salary and other benefits policy, organisational structure of the Bank, and it also decides on other issues as determined by law or the Bank's internal acts.

Members of the Supervisory Board are elected i.e. appointed for a period of four years.

During 2023, the members of the Supervisory Board were:

From 1 January to 25 July 2023:
Maruška Vizek, President
Branka Grabovac, Deputy President
Zdenka Pogarčić, Member
Ana Michieli Pavuna, Member
Igor Borošak, Member

From 26 July to 26 October 2023
Branka Grabovac, President
Zdenka Pogarčić, Deputy President
Maruška Vizek, Member
Ana Michieli Pavuna, Member
Igor Borošak, Member

From 27 October to 31 December 2023
Branka Grabovac, President
Zdenka Pogarčić, Deputy President
Maruška Vizek, Member
Igor Borošak, Member
Alen Stojanović, Member

During 2022, the members of the Supervisory Board were:

From 1 January to 22 July 2022
Maruška Vizek, President
Branka Grabovac, Deputy President
Zdenka Pogarčić, Member
Ana Michieli Pavuna, Member

From 22 July to 31 December 2022:
Maruška Vizek, President
Branka Grabovac, Deputy President
Zdenka Pogarčić, Member
Ana Michieli Pavuna, Member
Igor Borošak, Member

Management

Competences, duties and responsibilities of the Bank's Management Board in conducting business and representing the Bank are determined by the Companies Act, the Credit Institutions Act, the Statute and the Rules of the Bank's Management Board operations.

The Management Board manages its business and manages its assets, and it has the responsibility and power to take any action and make any decision necessary for the successful management of the Bank. In managing business operations, the Management Board in particular is responsible for ensuring that the Bank operates in accordance with the rules on risk management in accordance with the Credit Institutions Act and other legislation and internally set regulations and laws; approving and regularly reviewing risk management strategies and policies, including managing risks that arise from the macroeconomic environment in which the Bank operates, and the state of the business cycle of the Bank; ensuring systematic monitoring, assessment and the strategy for maintaining or reaching the adequate amount of capital in relation to risks to which the Bank is exposed in its operations; ensuring functioning of the internal controls system for all areas of the Bank's operations; ensuring unobstructed internal audit; ensuring that the Bank keeps business and other records and business documentation, prepares accounting documents, realistically estimates assets and liabilities, prepares financial and other reports in accordance with accounting regulations and standards and the Credit Institutions Act and other regulations adopted on the basis of law; ensuring that the Bank reports and informs the Croatian National Bank in line with the Credit Institutions Act and other regulations adopted on the basis of law; and ensuring the implementation of measures ordered by the Croatian National Bank.

The Management Board consists of at least two to maximum three members, one of which is appointed as the President of the Management Board. The President and a member of the Management Board represent the Bank solely and independently.

The Bank's Management Board is appointed by the Supervisory for a period of not more than four years, with the option of reappointment.

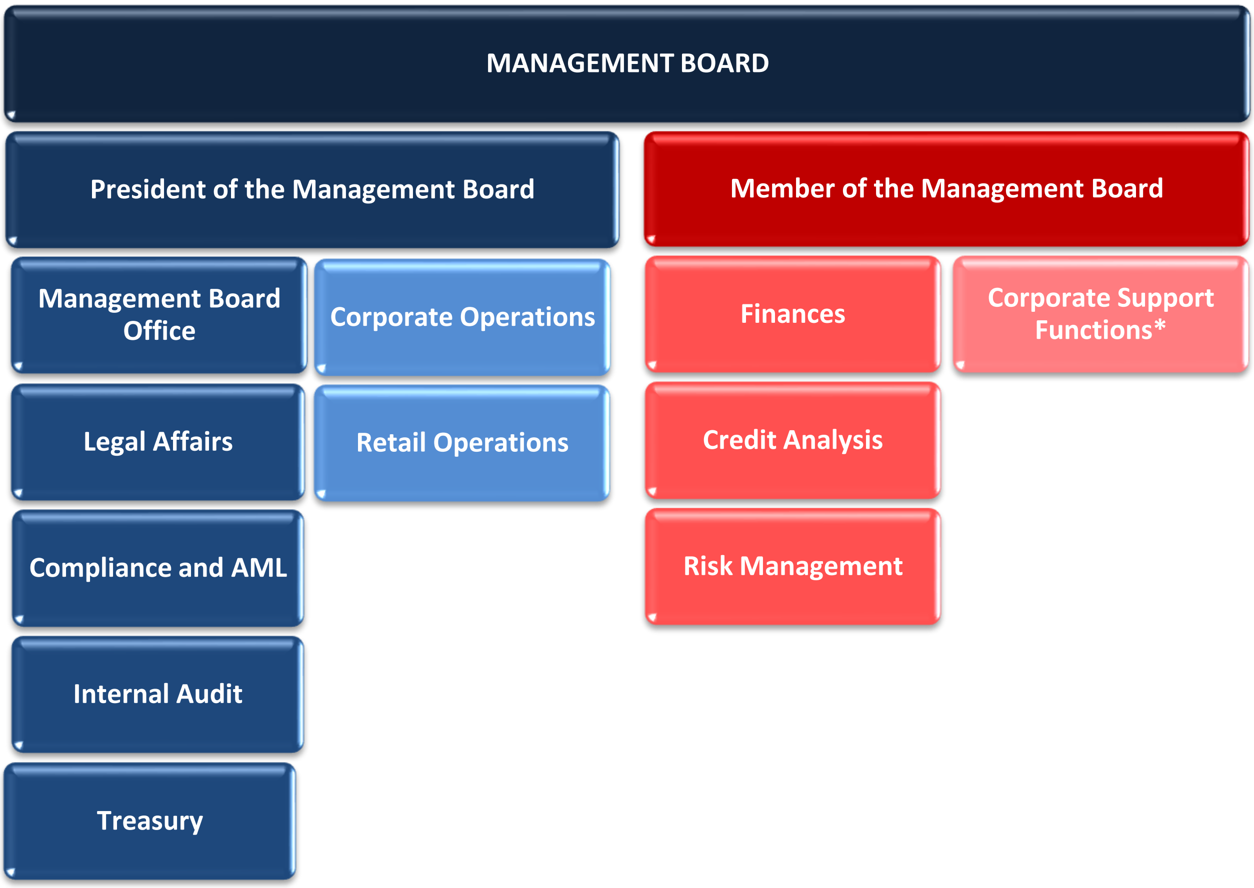
The members of the Management Board who performed their duties during 2023 were:

Danijel Luković – President of the Management Board
Katarina Stanić – Member of the Management Board

The members of the Management Board who performed their duties during 2022 were:

Danijel Luković – President of the Management Board, from 1 January to 31 December 2022
Katarina Stanić – Member of the Management Board, from 14 April 2022 to 31 December 2022
Tadija Vrdoljak – Member of the Management Board, from 1 January to 13 April 2022

Organisational structure



* payment transactions, IT, loan administration, general affairs

Capital management

In the previous period, the Bank’s owner increased its share capital on several occasions. The most recent increase was made in October 2012 in the amount of HRK 200 million (EUR 26.5 million), by converting bonds into equity bonds, representing in aggregate a hybrid instrument, i.e. supplementary capital in the amount of HRK 70 million (EUR 9.3 million) and contributing HRK 130 million (EUR 17.3 million) in cash. Similar to the previous year, in 2023 the Bank's lending activities continued to be focused on extending loans to the government and state-owned companies guaranteed by the Republic of Croatia that, under the applicable regulations, are not subject to capital requirements and still bring a satisfactory level of interest income.

As at 31 December 2023, the Bank's regulatory capital amounted to EUR 20,038 thousand and the total capital ratio was 20.65%.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), adopted in the European Union. The principal accounting policies applied in the preparation of these financial statements are presented below. These policies have been applied consistently to all periods presented, unless otherwise stated, and are explained in Note 2 to the annual financial statements.

Basis of measurement

The financial statements have been prepared on the fair value basis for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities, and non-financial assets and liabilities, are recognised at amortised or historical cost.

Functional and presentation currency

The annual financial statements are prepared in euros, which represents the primary currency of the economic environment in which the Bank operates ("functional currency"), and are rounded to the nearest thousand. The reference exchange rate of the ECB was:

31 December 20231 EUR = 1.0985 USD
31 December 20221 EUR = 1.0666 USD

Balances for the reporting period from 31 December 2022. were recalculated using the conversion rate of the introduction of the euro on 1 January 2023: EUR 1 = HRK 7.53450, and income and expenditure items for 2022 were recalculated using the average exchange rate EUR 1 = HRK 7.531624.

Change in business model

On 27 December 2022, the Bank's Management passed the Decision on changing the business model of debt securities from a model measured at fair value to a model measured at amortized cost in accordance with IFRS 9 - Financial Instruments.

As a result of the change in the business model, the reclassification of debt securities was carried out on 1 January 2023 with their balance as of 31 December 2022.

Introduction of Euro as the official currency in the Republic of Croatia

On 12 July 2022, the Council for Economic and Financial Affairs of the European Union adopted three legal acts that enabled the Republic of Croatia to introduce the euro as its currency from 1 January 2023: Decision of the Council on the introduction of the euro in the Republic of Croatia on 1 January 2023; the Council Regulation regarding the introduction of the euro in the Republic of Croatia and the Council Regulation regarding the conversion rate for the Republic of Croatia (the conversion rate between the euro and the Croatian kuna is HRK 7.53450 for 1 EUR).

At the session held on 21 July 2022, the Government of the Republic of Croatia adopted the Decision on the announcement of the introduction of the euro as the official currency of the Republic of Croatia (Official Gazette 85/2022).

As a follow-up to the aforementioned decisions, the Republic of Croatia introduced the euro as its official currency on 1 January 2023, thus becoming the twentieth member of the euro area.

Following the introduction of the euro as the official currency in the Republic of Croatia from 1 January 2023, the Bank changed its functional currency. In connection with this, the opening balances were restated and translated into the new functional currency according to the exchange rate on the balance sheet date. The exchange rate on the balance sheet date of the comparative year was the conversion rate of 7.5345. For practical reasons, the amounts of income and expenses have been translated according to the average exchange rate for the year. The average exchange rate was 7.531624. As a result of this recalculation, total revenues and total expenses are each higher by EUR 3 thousand, and the net exchange rate difference as a result of this recalculation amounts to EUR 0 thousand.

The impact of macroeconomic projections on the expected credit loss model

In accordance with the Action Plan for the implementation of recommendations defined by the backtesting process, in the second half of 2023 the Bank implemented the impact of macroeconomic projections on the model of expected credit losses.

Following on from the above, the correlation of historical time series of various macroeconomic variables was analysed, which, using the linear regression model, best describe the portfolio and the default rates of the segments.

Taking into account the realized default rates for the period 2017-2022, the Bank used macroeconomic data obtained from reputable sources, including Eurostat and European Central Bank (ECB) databases. Additionally, data related to share prices were taken from the Zagreb Stock Exchange, while data on commodity prices were taken from the pages of the International Monetary Fund (IMF). The initial long list of variables that were considered for the modelling process included a total of 16 variables. These variables were selected based on their relevance and potential impact on the model's objectives. All variables used in the models are subject to a one-year lag to address potential time differences between default rates and certain macroeconomic indicators. By using a "lag year", the model aligns macro indicators with the corresponding default rates, thus ensuring consistency over time during the modelling process. The method of retroactive elimination was used to select a subset of variables that best describe certain segments of the portfolio for newly adopted model.

After conducting the retroactive elimination procedure, the following variables were selected:

- for Corporate i SME portfolio segment:
  - Consumer_Confidence_L1 (Corporate i SME consumer confidence, lag year),
  - HICP_Core_YoY_L1 (harmonised consumer price index, annual change, lag year),
  - IMF_Commodity_Prices_L1 (weighted average price of goods, lag year),
- For Retail portfolio segment:
  - HPI_YoY (residential real estate price index, annual change),
  - Long_Term_Rate (long-term interest rate according to the Maastricht definition),
  - Retail_Confidence_L1 (Retail consumer confidence, *lag year*).

The last step included a comprehensive evaluation of the model, a check of the statistical significance of the model and an assessment of the appropriateness of the model. Finally, the multiplicative additions to PD are calculated as the percentage change between the default rates projected for a particular year and the mean projected default rate for the entire development sample.

PD values obtained in this way, calibrated with expected values of relevant macroeconomic factors, reflect the Bank's current unbiased expectation of future default rates, which contain neither conservative nor optimistic deviations (unbiased best estimate).

Other

The Bank had no significant impairments in the value of foreclosed tangible assets in 2023. The Bank continued with the ongoing process of selling foreclosed tangible assets and sold 7 additional properties in 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

New and amended International Financial Reporting Standards

Standards and interpretations in effect in the current period

Amendments to IAS 1: Presentation of Financial Statements and publication of accounting policies;

- On 12 February 2021, the IASB published amendments to IAS 1 that apply from 1 January 2023 or after that date. Earlier application is allowed.

These amendments bring changes to points 117-122 of IAS 1 - Presentation of Financial Statements in which the emphasis is on:

- the request for publication of significant accounting policies;
- an explanation of how the entity identifies a significant accounting policy to be disclosed in order to assist companies in improving the disclosure of accounting policies for primary users of financial statements.

The Company estimates that these changes do not have a significant impact on the Company's annual financial statements.

Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimate

These amendments introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. Earlier application is allowed.

The Company estimates that these changes do not have a significant impact on the Company's annual financial statements.

Amendments to IAS 12 Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction

The amendments clarify how entities account for deferred tax on transactions such as leases and retirement obligations. The main change is the exemption from initial recognition specified in IAS 12.15(b) and IAS 12.24. Accordingly, the exemption from initial recognition does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise upon initial recognition.

Entities shall apply the amendments to IAS 12 no later than the beginning of their first financial year beginning on or after 1 January 2023.

The Company estimates that these changes do not have a significant impact on the Company's annual financial statements.

IFRS 17: Insurance Contracts

IFRS 17 completely replaces the current IFRS 4, and the full application of the new standard becomes effective for annual periods beginning on or after 1 January 2023.

IFRS 17 applies to all insurance contracts issued by the entity (including reinsurance contracts), reinsurance contracts held by the entity, and investment contracts with profit sharing based on a discretionary decision.

In accordance with the provisions of IFRS 17, an insurance contract is a contract on the basis of which one party (the issuer) assumes a significant insurance risk from another party (the policyholder) and agrees to pay the policyholder compensation in the event that the policyholder suffers damage due to a certain uncertain future event (insured event). This definition is similar to that in IFRS 4 and has not changed substantially.

The Company estimates that this standard has no impact on the Company's annual financial statements.

Amendments to IAS 12 Income Taxes: International tax reform – pillar two

In March 2022, the OECD published technical guidance on its global minimum tax of 15% which was agreed on as the second 'pillar' of the project to address the tax challenges arising from the digitization of the economy

The amendments to IAS 12 provide for exceptions to the requirement in IAS 12 that an entity does not recognize and disclose information about deferred tax assets and liabilities related to the second OECD pillar, income tax. The entity must announce that it has applied the exception. Disclosure requirement according to which the entity must separately disclose its current tax expenses (income) related to the second pillar income tax.

This amendment enters into force and is applied in the financial statements for periods beginning on 1 January 2023 and after that.

The Company estimates that these changes do not have a significant impact on the Company's annual financial statements.

Standards and interpretations issued by the International Accounting Standards Board, which are not yet effective

Amendment to the IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments

In May 2023, the IASB published amendments to IAS 7 and IFRS 7 that require the disclosure of certain information about supplier financial arrangements (also called "reverse factoring").

Entities will need to consolidate the information they report about the arrangements, however, they should separate information about dissimilar terms and conditions, disclose explanatory information when the range of payment due dates is wide, and disclose the type and effect of non-monetary changes that are necessary for comparability between periods. All entities that use supplier financial arrangements in their business will have to include new announcements in their reports if they are significant.

The Company estimates that these changes will not have a significant impact on the Company's financial statements.

The standard has not yet been adopted for application in the EU.

Amendment to IAS 1 Presentation of Financial Statements: distinction between short-term and long-term

These changes specify and supplement the provisions on the distinction between short-term and long-term liabilities, especially those that include covenants.

If an entity's right to a deferral depends on the entity meeting certain conditions, such conditions affect the existence of that right at the end of the reporting period, if the entity is required to meet the condition at or before the end of the reporting period. The entity's right to postponement does not depend on compliance with the conditions after the reporting period.

The Company estimates that these changes will not have a significant impact on the Company's financial statements.

The standard has been approved for use in the EU after 1 January 2024.

Amendments to IFRS 16 Leases: Leasebacks

In March 2021, the IASB published amendments to IFRS 16 that supplement the requirements for the accounting treatment of sale-leaseback transactions.

Additions require the seller-lessee to subsequently measure the lease liability arising from the leaseback transaction so that it does not recognize any gain or loss related to the right-of-use it retains.

The amendments do not change the general rules on sale-leaseback transactions under IFRS 16 and are therefore expected to affect only a limited number of market entities.

The Company estimates that these changes will not have a significant impact on the Company's financial statements.

The standard has been approved for use in the EU after 1 January 2024.

Amendments to IAS 21 Effects of Changes in Foreign Exchange Rates - lack of substitutability

The International Accounting Standards Board (IASB) has published 'Lack of substitutability (amendments to IAS 21)' which provides guidance on determining when a currency is substitutable and how to determine the exchange rate when it is not.

The Company estimates that these changes will not have a significant impact on the Company's financial statements.

The standard has not yet been adopted for application in the EU.

The significant accounting policies listed below have been applied consistently for all periods included in these statements, unless otherwise stated.

Where the accounting policies coincide with the accounting principles of the International Financial Reporting Standards (hereinafter: "IFRS" or "Standards"), certain Standards may be referred to in the description of the Bank's accounting policies. Unless otherwise stated, these are the Standards that were in force on 31 December 2023.

2.1.Cash and cash equivalents

Cash and cash equivalents include cash and funds on current accounts with the Croatian National Bank with an original maturity of up to 90 days and with other banks, less provisions for impairment on a collective basis and uncollectible amounts, and instruments in the collection process.

2.2.Financial assets and liabilities

Measurement techniques

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition, net of prepayments, increased or decreased by the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the amount of maturity and, in the case of financial assets, less the amount of the provision.

An effective interest rate is the rate used to discount the expected future proceeds or payments over the expected life of a financial asset or financial liability of the gross carrying amount of financial assets or the amount of the amortised cost of the financial liability. The calculation does not take into account the expected credit loss and includes transaction costs, premiums or discounts, fees and other payments and proceeds that are considered an integral part of the effective interest rate. An audit of expected future cash flows is carried out using the original effective interest rate.

Interest income and expense

Interest income is accounted for using the effective interest rate method applied to the gross carrying amount of financial assets, except for:

- Purchased or originated credit-impaired financial assets. For such assets, a credit-adjusted effective interest rate is used,
- Financial assets that are not purchased or originated credit-impaired financial assets but that subsequently became credit-impaired financial assets. For such assets, the effective interest rate is applied to the amortised cost of such assets in subsequent reporting periods.

The Bank calculates interest income on a net basis for financial assets allocated to Stage 3 credit risk.

Initial recognition and measurement

The Bank recognises a financial asset or liability in the statement of financial position only if it becomes a party to the contractual provisions of the instrument.

The Bank initially recognises financial assets (other than trade receivables) or financial liabilities at their fair value, which, in the case of financial assets or financial liabilities not designated at fair value through profit or loss, increases or decreases by transaction costs that may be directly attributed to the acquisition or issue of a financial asset or financial liability.

FINANCIAL ASSETS

The Bank classifies financial assets into three basic categories:

- assets subsequently measured at amortised cost,
- assets subsequently measured at fair value through other comprehensive income, and
- assets subsequently measured at fair value through profit or loss.

Financial assets measured at amortised cost are assets whose purpose is to collect cash flows that are solely payments of principal and interest. The carrying amount is adjusted for expected credit losses. Interest income is accounted for by applying the effective interest rate.

Financial assets measured at fair value through other comprehensive income are assets whose purpose is to collect contractual cash flows and to sell financial assets where cash flows of an asset are solely the principal and interest payments. Changes in the carrying amounts are recognised in other comprehensive income, except for gains or losses on impairment, interest income and exchange rate differences that are recognised in the income statement. Upon derecognition of these financial assets the accumulated gains and losses previously recognised in other comprehensive income are reclassified from equity to profit and loss. Financial assets measured at fair value through profit or loss are assets that are not measured at amortised cost or at fair value through other comprehensive income.

Business model

The Bank decides on a business model at a level that reflects the method of joint management of financial asset groups (portfolios) to achieve a specific business objective. In assessing the business model for managing financial assets the Bank relies on judgments based on the following information:

- Whether the strategic focus of management is to achieve interest income, in particular maintaining the interest rate profile, adjusting the maturity of financial assets to the maturity of the liabilities that are the source of the asset or the realisation of cash flows by selling assets,
- How to determine and report on portfolio performance,
- Risks affecting the business model's performance and how these risks are managed,
- How the managers are rewarded,
- Frequency, volume and time of sales in previous periods.

With the hold-to-collect business model for the purpose of collecting contracted cash flows or collecting cash flows and selling, the Bank estimates whether the cash flows of a financial instrument represent solely payments of principal and interest (SPPI test).

Impairment

The Bank recognises impairment allowances for the expected credit losses for the financial assets measured at amortised cost or measured at fair value through other comprehensive income and for the exposures arising from contingencies. At the reporting date, the Bank reviews whether there has been a change in the credit risk of the financial instrument after initial recognition and recognises the impairment gains or losses in profit and loss in the amount of expected losses or gains.

The measurement of expected credit losses reflects:

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

Debt modifications

The Bank sometimes modifies the contracted cash flows of customer loans. When this happens, the Bank reviews whether the new conditions differ significantly from the terms of the contract initially agreed upon. The Bank then takes into account different circumstances:

- If a debtor has financial difficulties, does the modification only reduce the contracted cash flows to the amounts that the debtor expects to be able to pay,
- Has a new significant term been contracted affecting the repayment of the loan, which has a significant impact on the risk profile of the loan,
- A more significant extension of the loan repayment period when the borrower has no financial difficulties,
- Significant changes in the interest rate,
- Changes in the original currency of the loan,
- Adding collaterals, other security instruments or credit enhancement instruments that have a significant impact on credit risk.

If the terms of the loan have changed considerably, the Bank derecognises the original loan and recognises a new loan at fair value and calculates the new effective interest rate on the loan. The date of the new contract is considered to be the date of initial recognition for the purposes of the calculation of the impairment, including any need for a significant increase in credit risk. Any difference in the carrying amount of the loan will be recognised in the income statement as a gain or loss on derecognition.

Derecognition other than on modification

Financial assets or a portion thereof, are derecognised when the Bank loses the rights to the cash flows from a financial asset or when it transfers the financial asset in a transaction by which substantially all the risks and rewards of ownership have been transferred to another entity.

The Bank enters into transactions where it retains contractual rights to cash flows from assets, but assumes a contractual obligation to pay those cash flows and transfers all of the significant risks and rewards. These transactions are accounted for as "pass through" transfers that result in derecognition if the Bank:

- has no obligation to make payments unless it collects equivalent amounts from the assets,
- is prohibited from selling or pledging the assets, and
- has an obligation to remit any cash it collects from the assets without material delay.

FINANCIAL LIABILITIES

Classification and subsequent measurement

The Bank classifies the financial liabilities and subsequently measures them at amortised cost, except for

- Financial liabilities (including derivatives) designated at fair value through profit or loss.
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or is accounted for using the continuing involvement approach.
- Financial guarantee contracts.

Derecognition of financial liabilities

The Bank derecognises financial liabilities only when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

The difference between the carrying amount of a financial liability (or a portion of a financial liability) that has been met or transferred to another party and the consideration paid, including any non-cash transferred assets or liabilities assumed, is recognised in the statement of profit or loss.

Contingent liabilities and commitments

Financial guarantees are contracts that require the Bank to make specific payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. In the ordinary course of business, the Bank enters into arrangements by which it assumes contingent liabilities maintained on off-balance-sheet accounts and that primarily include guarantees, letters of credit and undrawn loan commitments and limits on lines of credit. Such financial commitments are recognised in the Bank’s statement of financial position if and when they become payable.

Financial guarantees are initially recognised at fair value based on the amount of the consideration received that is amortised on a straight-line basis over the term of the guarantee. At the end of each reporting period, financial guarantees are measured at the higher of: a) the amount of credit loss determined based on the expected loss model and b) the remaining unamortised balance of the amount initially recognised.

2.3.Investment property

Investment property is property held by the Bank either to earn rentals or for capital appreciation purposes. Investment property is initially recognised at cost and subsequently measured at fair value. The Bank annually conducts fair value measurement on an income basis, which is performed by an independent appraiser. The purchase cost is the amount of money or cash equivalents paid or the fair value of other consideration paid for the purpose of acquiring such property. Transaction costs are included in the initial measurement.

2.4.Property and equipment

Items of property and equipment are recognised at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight-line basis to allocate the cost of assets to their residual values over their estimated useful lives. Land and assets under construction are not depreciated.

Assets' residual values, depreciation method and estimated useful life are reviewed at each reporting date and adjusted if appropriate. The carrying value of an asset is written down immediately to its recoverable amount if the asset's carrying amount exceeds its recoverable amount. Profits and losses on disposals are determined by comparing the amount collected and the carrying amount, and are included in the statement of profit and loss.

Tangible assets are depreciated on a straight-line basis over their estimated useful lives as follows:

	2023	**2022**
Buildings	20 – 40 years	20 – 40 years
Computers	4 – 6 years	4 – 6 years
Furniture and equipment	4 – 10 years	4 – 10 years
Motor vehicles	4 years	4 years
Other tangible assets not mentioned	4 – 20 years	4 – 20 years

2.5.Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairment. Expenditure on development activities is recognised as an intangible asset if it satisfies all the requirements in accordance with IAS 38 "Intangible Assets”. Amortisation is calculated on a straight-line basis over the estimated useful lives of intangible assets.

Intangible assets are amortised on a straight-line basis over their estimated useful lives as follows:

	2023	**2022**
Intangible assets - software	5 – 10 years	5 – 10 years
Intangible assets (other)	4 – 10 years	4 – 6 years

2.6.Foreclosed assets

For assets acquired in lieu of uncollected receivables the Bank assesses the marketability and only marketable assets, the value of which can be measured reliably, are recognised. Such assets are stated at the lower of the cost of related outstanding receivables and the current fair value of that asset. The Bank’s intention is to sell such assets as soon as possible (such assets are not depreciated). After initial recognition, foreclosed assets are subsequently measured at the lower of cost and fair value less costs to sell.

2.7.Assets held for sale

Tangible assets foreclosed in exchange for uncollected receivables are stated in the statement of financial position within assets held for sale if the following conditions are met:

- there is a sales plan and activities are carried out to find a buyer,
- the assets are ready for sale in the present state,
- sales are highly probable,
- assets offered for sale at a reasonable price, or when the price of an asset is acceptable in relation to its market value, and it is unlikely that there will be significant deviations from the sale or resignation plan,
- sales should be completed within one year from the date of classification, unless the delay is caused by events or circumstances beyond the control of the Bank and there is sufficient evidence that it will remain in compliance with the asset sales plan.

In cases where due to the aggravating circumstances of sales caused by events or circumstances beyond the control of the Bank and there is sufficient evidence that the Bank has remained consistent with its sales plan, tangible assets repossessed in exchange for uncollected receivables will continue to be recognised, measured and disclosed as an asset held for sale.

This asset category is initially recognised at fair value, net of estimated expected selling costs.

After initial recognition, these assets are subsequently measured at the lower of the net carrying amount and fair value less costs to sell.

If the above conditions are not met, the Bank's tangible assets foreclosed in exchange for uncollected receivables are initially recognised as foreclosed assets in accordance with International Accounting Standard 2 Inventories.

2.8.Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the difference between the asset's carrying amount and its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Property, plant and equipment and intangible assets are reviewed for impairment in the circumstances that indicate that the carrying amount of an asset may not be recoverable.

When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement for items of property, plant and equipment and intangible assets carried at acquisition cost.

2.9.Income and expenses from fees and commissions

Fee and commission income comprises mainly fees received from customers for loans, guarantees, letters of credit and other services provided by the Bank. Fees are recognised as income upon the maturity date of services.
Fee and commission expense consists of fees paid to licensed banks for payments services performed in the foreign exchange, as well as for the Financial Agency services (FINA) for domestic payments.

2.10.Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, and if it is probable that an outflow of economic resources will be required to settle the obligation, and the amount can be reliably estimated.

Management determines the adequacy of the provisions based upon reviews of individual items, current economic conditions, the risk characteristics of the various categories of transactions, as well as other relevant factors.

When an outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed. Provisions are released only for those costs in respect of which provisions are recognised at inception. The present value is calculated by applying the effective interest rate exposure on an individual basis.

2.11.Employee benefits

The Bank makes payments to the mandatory pension funds on behalf of its employees as required by law. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

The Bank recognises a provision for bonuses where there is a constructive obligation resulting from a contract or past practice. Furthermore, the Bank recognises accrued benefits on the basis of annual vacation days outstanding at the date of the financial statements.

In calculating provisions for termination benefits and jubilee rewards, expected future cash flows arising from the liabilities are discounted, using discount rates (six-month Euribor) that, in the opinion of Management, best reflect the time value of money.

2.12.Foreign currencies

Transactions in foreign currencies are translated into EUR using the middle exchange rate of the ECB on the day of the transaction. Monetary assets and liabilities denominated in foreign currency on the date of the financial statements are translated at the exchange rate determined on the date of the financial statements. Exchange rate differences arising from translation are recognized in the statement of profit and loss. Non-monetary assets and liabilities denominated in foreign currency that are carried at fair value are translated into EUR at the exchange rate on the day their fair value is determined. Non-monetary assets and items measured at historical cost in foreign currency are translated at the exchange rate on the day of the transaction, and are not translated again on the date of the statement of financial position.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale were analysed between exchange rate differences arising from changes in the amortized cost of the security and other changes in the net carrying value of the security. Exchange differences are recognized in the statement of profit or loss as part of exchange gains or losses from the revaluation of monetary assets and liabilities.

2.13.Profit tax

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities, based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or liabilities in the balance sheet. Deferred tax assets are recognised only to the extent that it is probable that they could be utilised as a tax benefit. At each financial reporting date, the Bank reassesses unrecognised potential deferred tax assets and the carrying amount of recognised deferred tax assets.

2.14.Leases

At the inception of the contract, the Bank assesses whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

Bank as lessor

The accounting treatment of leases in which the Bank is the lessor distinguishes between operating and finance leases. Leases in which the Bank does not transfer a significant portion of the risks and rewards of ownership are classified as operating leases. Lease income is recognised on a straight-line basis over the lease term and included in the statement of profit or loss. The same principle applies to direct costs.

Bank as lessee

Lease liabilities

Lease liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable payments based on an index and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Extension and termination options are included in a number of office space and equipment leases of the Bank. These are used to maximise operational flexibility in terms of managing the assets used in the Bank's operations. The majority of extension and termination options held are exercisable only by the Bank and not by the respective lessor. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the Bank's incremental borrowing rate is used, being the rate that the Bank would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank:

- uses an approach that applies a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Bank is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments presented as short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Right-of-use assets

The Bank leases business premises and cars. Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets arising from a lease are initially measured on a present value basis.
Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made before the commencement date less any lease incentives received,
- any initial direct costs, and
- any costs to be incurred to restore the underlying asset to the original condition required by the terms and conditions of the lease.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use assets are depreciated on a straight-line basis over their estimated useful lives.

2.15.Loan liabilities

Borrowings are recognised initially at fair value, net of associated costs. Subsequent measurement is carried at amortised cost and the difference between proceeds net of transaction costs, and the amount payable at maturity is recognised in the statement of profit or loss during the term of the borrowing as interest expense.

2.16.Activities for and on behalf of third parties

The Bank manages funds for and on behalf of corporate customers. These amounts do not represent the Bank's assets and are excluded from the statement of financial position. For the services provided the Bank charges a fee which is recognised in the statement of profit or loss. Based on these charges, in 2023 the Bank generated revenue in the amount of EUR 2 thousand.

2.17.Accounting estimates and judgements in applying accounting policies

In preparing the financial statements, the Management Board is required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent liabilities at the reporting date, as well as amounts of income and expense for the period.
The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and information available at the date of the preparation of the financial statements, the result of which form the basis for making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which they are incurred if affecting only that period or the period in which they are incurred and future periods if they impact current and future periods. An estimate of impairment losses of a portfolio exposed to credit risk and an estimate of fair value of collateral in the form of real estate as an integral part of the estimate, represent the most significant source of estimation uncertainty. This and other key sources of estimation uncertainty (provisions for legal disputes), that carry considerable risk of possible significant adjustments of assets' and liabilities' carrying value in the next business year, are described below.

2.18. Credit losses on loans and advances

The Bank monitors the creditworthiness of its customers on an ongoing basis. The need to recognise credit losses on on-balance sheet and off-balance sheet credit risk exposures is assessed on a quarterly basis. Credit losses are generally charged to the carrying amount of loans and receivables issued to retail and corporate customers and as provisions/credit losses for liabilities and charges arising from off-balance sheet risk exposures to customers, which mostly take on the form of approved, but not utilised loans, guarantees and letters of credit. In addition to individually identified impairment losses, the Bank also monitors and recognises credit losses on an ongoing basis. Credit losses on exposures to customers, together with the gross value of loans and advances which credit losses have been recognised on an individual basis, are summarised below

in '000 EUR

	31 December 2023	31 December 2022
Credit losses on loans and advances to customers	9,912	9,706
Credit losses for off-balance sheet credit exposure	6	8
Total credit losses	9,918	9,714
Gross value of exposures for which credit losses are calculated on an individual basis	15,631	17,415

In assessing credit losses of portfolios that are assessed on a portfolio basis, the Bank seeks to collect sufficient reliable information used in the models and key model assumptions that form the basis for recognising credit losses on a portfolio basis. For more details please refer to Note 32.1. Credit risk.

2.19. Legal disputes

The Bank carries out an individual assessment of all legal disputes. As stated in Note 26, the Bank made a provision of EUR 604 thousand for principal and interest on liabilities for legal disputes (2022: EUR 2,851 thousand). The stated amounts represent the Bank's best estimate of losses due to litigation.

3. INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST RATE METHOD

3.1. Interest income calculated using the effective interest method by source

in '000 EUR

	2023	2022
Retail	3,819	3,372
Corporate	4,027	2,887
Government units	485	103
Banks and other financial institutions	1,228	51
Other organisations	10	3
Total	**9,569**	**6,416**

Interest income includes income from placement in default status in the amount of EUR 244 thousand (2022: EUR 349 thousand), of which EUR 152 thousand (2022: EUR 215 thousand) relates to business with legal entities, and the remaining EUR 92 thousand (2022: EUR 134 thousand) refer to retail operations.

3.2.Interest income calculated using the effective interest method by portfolio

in '000 EUR

	2023	2022
Financial assets at amortised cost	9,569	6,376
Financial assets at fair value through other comprehensive income	-	40
Total	**9,569**	**6,416**

4. INTEREST EXPENSES

4.1Interest expense by source

in '000 EUR

	2023	2022
Retail	(318)	(269)
Non-residents	(56)	(58)
Croatian National Bank	(47)	(89)
Corporate	(100)	(29)
Banks and other financial institutions	(5)	(13)
Government units	(1)	(6)
Leases	(9)	(3)
Other organisations	(2)	(3)
Total	**(538)**	**(470)**

4.2.Interest expense by portfolio

in '000 EUR

	2023	2022
Financial liabilities measured at amortised cost	(538)	(470)
Total	**(538)**	**(470)**

5. INCOME FROM FEES AND COMMISSION

5.1.Income from fees and commissions by source

in '000 EUR

	2023	2022
Corporate	927	888
Retail	715	713
Financial institutions	228	169
Non-residents	118	89
Non-profit institutions	43	42
Government units	20	21
Total	**2,051**	**1,922**

5.2.Income from fees and commissions by type

in '000 EUR

	2023	2022
Payment transaction fees	624	621
Fees from guarantees and letters of credit	314	303
Account maintenance fees	279	283
Online banking fees	288	273
Income from fees - sales of third-party products	137	74
Card transaction fees	139	142
Brokerage and custodial fees	18	15
Product bundles	76	42
Other commissions	176	169
Total	**2,051**	**1,922**

6. FEE AND COMMISSION EXPENSE

6.1.Fee and commission expense by source

in '000 EUR

	2023	2022
Domestic clients	(264)	(252)
Service fees and commissions to FINA	(184)	(162)
Foreign banks	(21)	(18)
Republic of Croatia	(7)	(8)
Total	**(476)**	**(440)**

6.2.Fee and commission expense by type

in '000 EUR

	2023	2022
Credit card commission	(193)	(158)
FINA's non-cash and cash payment services (customers)	(184)	(162)
Financial institutions service costs	(81)	(93)
Authorised exchange office services	0	(9)
Other commissions	(18)	(18)
Total	**(476)**	**(440)**

7. OTHER INCOME

7.1.Rental income

in '000 EUR

	2023	2022
Rental income	588	615

In 2023, the Bank generated rental income from investment property in the amount of EUR 558 thousand (2022: EUR 615 thousand).

7.2.Other operating income

in '000 EUR

	2023	2022
Gain on sale of property, plant and equipment and foreclosed assets	383	2.684
Gain on fair value adjustment of investment property	5	37
Other income	226	228
Total	**614**	**2.949**

8. OTHER OPERATING EXPENSES

in '000 EUR

	2023	2022
Net salaries	(2,205)	(2,058)
Contributions, taxes and surtaxes	(782)	(707)
Pension contributions	(622)	(578)
Other staff costs	(399)	(345)
Provisions for employee benefits (Note 27)	(9)	(26)
Total employee benefits	**(4,017)**	**(3,714)**
Depreciation and amortisation (Note 19)	**(357)**	**(379)**
Material and services	(2,426)	(2,186)
Deposits insurance premium expense	(115)	(263)
Rental expenses	(304)	(285)
Judicial and administrative fees	(279)	(37)
Marketing	(100)	(72)
Net book amount of non-current tangible assets	(182)	(1,940)
Other	(320)	(317)
Total other operating expenses	**(3,726)**	**(5,100)**
Total	**(8,100)**	**(9,193)**

As of 31 December 2023, the Bank had 167 employees (2022: 162 employees).

Employee expenses include EUR 622 thousand (2022: EUR 578 thousand) of defined pension contributions paid into mandatory pension funds. Contributions are calculated as a percentage of the employee's gross wages.

In 2023, consultant services amounted to EUR 142 thousand (2022: EUR 83 thousand), and refer to the audit of annual reports, audit of information systems, audit of semi-annual reports and other consulting services.

Due to the increase in the deposits of the banking system in 2023, the obligation to pay the premium for the insurance of savings deposits for one quarter was stated.

9. CREDIT LOSS ALLOWANCES

in '000 EUR

	2023	2022
Credit losses on interest receivables (Note 17.2)	(8)	(2)
Credit losses on securities	21	(5)
Credit losses on other assets	(33)	2
Credit losses on loans and advances to customers (Note 17.2)	(799)	(953)
Credit losses on deposits with banks	81	(40)
Total	**(738)**	**(998)**

10. PROVISIONS AND IMPAIRMENT

in '000 EUR

	2023	2022
Impairment of foreclosed assets (Note 20)	(8)	(12)
Income from collection of loans written-off in previous years	94	11
Provisions for contingencies (Note 27)	372	(201)
Provision for legal disputes against the Bank (Note 27)	(1,011)	1,207
Other provisions (Note 26)	(2)	(11)
Total	**(555)**	**994**

11. PPROFIT TAX

in '000 EUR

	2023	2022
Current profit tax	-	-
Deferred profit tax	(128)	(187)
Total profit tax	**(128)**	**(187)**

in '000 EUR

	2023	2022
Profit before tax	2,597	2,246
Profit tax (18%)	467	404
Effect of items increasing tax base	87	35
Effect of items decreasing tax base	(373)	(321)
Utilisation of tax losses carried forward for which no deferred tax assets were recognised	(309)	(306)
Profit tax	**(128)**	**(187)**
Effective profit tax rate	**4.93%**	**-8.33%**

Movements in tax losses carried forward

in '000 EUR

	2023	2022
Tax losses carried forward from the previous period	**(2,745)**	**(4,066)**
Tax loss for the period	-	(357)
Utilisation of tax losses	1,010	-
Expiry of tax losses available for carry forward	1,378	1,678
Tax loss available for carry forward in future periods	**(357)**	**(2,745)**
Deferred tax assets at 18% (2022: 18%)	(64)	(494)
Recognised deferred tax assets	-	-
Unrecognised deferred tax assets	(64)	(494)

Tax losses expire as follows:

in '000 EUR

Tax loss expiry	Tax loss
2027	357
Total	**357**

On 31 December 2023, the Bank did not recognize a new deferred tax asset based on tax losses carried forward (on 31 December 2022, a deferred tax asset in the amount of EUR 119 thousand was recognized as a reduction of the profit tax item in the statement of profit or loss, and in 2023 as an increase in the profit tax item in the statement of profit or loss).

Movements in deferred tax assets

in '000 EUR

	Deferred fee income included in effective interest rate on given loans	Unrealised fair value of financial assets through OCI	Amortisation exceeding allowable tax rates	Tax loss	Total
On 1 January 2022	**91**	**42**	**8**	**294**	**435**
Recognised in profit or loss	(11)		(2)	(175)	(188)
Recognised in other comprehensive income	-	261	-	-	261
On 31 December 2022	**80**	**303**	**6**	**119**	**508**
Recognised in profit or loss	(3)	-	(6)	(119)	(128)
Recognised in other comprehensive income	-	(303)	-	-	(303)
On 31 December 2023	**77**	**-**	**-**	**-**	**77**

12. CASH

in '000 EUR

	2023	2022
Giro account	961	26,954
Cash on hand		
- EUR	2,457	4,179
- foreign currency	335	631
Cash in foreign currency accounts with domestic banks	620	4,936
Cash in foreign currency accounts with foreign banks	-	608
Cash in foreign currency accounts with domestic financial institutions	-	12
Expected credit losses	(2)	(72)
Total	**4,371**	**37,248**

13. RECEIVABLES FROM THE CROATIAN NATIONAL BANK

in '000 EUR

	2023	2022
Other deposits in CNB		
EUR	40,109	1,810
Expected credit losses	-	(12)
Total	**40,109**	**1,798**

The CNB determines the reserve requirement for banks, which is deposited with the CNB and held in the form of other liquid receivables.

The reserve requirement ratio as at 31 December 2023 was 1% (2022: 9%) for EUR and foreign currency deposits, borrowings and issued debt securities.

As of 31 December 2023, the Bank's obligation to set aside reserve requirement has ended, and the entire obligation based on the reserve requirement is maintained by daily balances in the accounts with the Croatian National Bank.

14. PLACEMENT WITH BANKS

in '000 EUR

	2023	2022
Deposits with foreign banks	5,874	2,427
Deposits with domestic banks	217	57
Total	**6,091**	**2,484**

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

in '000 EUR

	2023	2022
Treasury bills of the Republic of Croatia	-	47,853
Bonds of foreign countries	-	6,926
Bonds of the Republic of Croatia	-	2,597
Bonds of foreign companies	-	33
Shares	26	26
Expected credit losses	-	(29)
Calculated interest	26	24
Total	**26**	**57,430**

Changes in financial assets at fair value through other comprehensive income during the year are presented in the table below:

in '000 EUR

	Treasury bills	Bonds	Shares	Calculated interest	Total
On 1 January 2023	**47,848**	**9,532**	**26**	**24**	**57,430**
Purchase	-	-	-	-	-
Change in fair value	-	-	-	-	-
Sale/maturity	-	-	-	-	-
Other (foreign exchange differences, reclassification)	(47,848)	(9,532)	-	(24)	(57,404)
On 31 December 2023	**-**	**-**	**26**	**-**	**26**

in '000 EUR

	Treasury bills	Bonds	Shares	Calculated interest	Total
On 1 January 2022	**26,239**	**23,034**	**26**	**67**	**49,366**
Purchase	47,809	-	-	-	47,809
Change in fair value	-	(1,490)	-	-	(1,490)
Sale/maturity	(26,249)	(11,959)	-	-	(38,208)
Other (foreign exchange differences, reclassification)	49	(53)	-	(43)	(47)
On 31 December 2022	**47,848**	**9,532**	**26**	**24**	**57,430**

As of 31 December 2023, the Bank pledged EUR 18,581,000 in structural loans with financial insurance from the Croatian National Bank (2022: EUR 18,581,000 in structural loans received from the Croatian National Bank and EUR 15,034,000 in repo loans from Erste&Steiermärkische Bank) treasury bills and bonds with a total value of EUR 19,648 thousand (2022: EUR 19,829 thousand of treasury bills and government bonds).

There were no securities received as a pledge on 31 December 2023, since there were no placements in repo loans either (in 2022, there were no pledges).

Financial instruments carried at fair value are categorised into three levels of the IFRS fair value hierarchy, as follows:

- Level 1 - instruments that are valued using quoted prices in active markets, liquid markets. These instruments include: liquid debt securities that are traded on liquid stock markets and shares in investment funds.
- Level 2 - instruments that are valued using valuation techniques that use observable market data. These are instruments whose fair value is determined in the amount of similar instruments traded in active markets, or where all the inputs used for valuation techniques are observable on the market. These instruments include less liquid debt securities valued using a model using level 1 inputs.
- Level 3 - instruments measured using valuation techniques that are not based on observable market data. These are instruments whose fair value cannot be determined directly by reference to observable market information and for whose value calculation different valuation techniques are used. These instruments include illiquid debt securities and illiquid equity securities.

The following note shows net financial assets categorised according to the stated fair value hierarchy:

in '000 EUR

	31 December 2023				31 December 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Foreign currency bonds	-	-	-	-	6,964	-	-	6,964
EUR-denominated bonds	-	-	-	-	2,598	-	-	2,598
Treasury bills	-	-	-	-	-	47,842	-	47,842
Shares	-		26	26	-	-	26	26
Total	**-**	**-**	**26**	**26**	**9,562**	**47,842**	**26**	**57,430**

16. FINANCIAL ASSETS AT AMORTISED COST

in '000 EUR

	2023	2022
Treasury bills of the Republic of Croatia	7,947	-
Bonds of foreign countries	7,715	-
Bonds of the Republic of Croatia	16,074	-
Bonds of foreign companies	31	-
Bills of exchange	59	5
Expected credit losses	(1)	-
Calculated interest	296	-
Total	**32,121**	**5**

The following table shows changes in financial assets at amortized cost during the year:

in '000 EUR

	Treasury bills	Bonds	Shares	Calculated interest	Total
On 1 January 2023	**-**	**-**	**5**	**-**	**5**
Purchase	7,768	12,694	58	-	20,520
Sale/maturity	(47,649)	(87)	(5)	-	(47,741)
Other (foreign exchange differences, reclassification)	47,828	11,213	-	296	59,337
On 31 December 2023	**7,947**	**23,820**	**58**	**296**	**32,121**

The following note presents net financial assets categorized into the indicated fair value hierarchies:

in '000 EUR

	31 December 2023				31 December 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
EURO bonds	24,116	-	-	24,116	-	-	-	-
Treasury bills	-	7,947	-	7,947	-	-	-	-
Bills of exchange	-	58	-	58	-	5	-	5
Total	**24,116**	**8,005**	**-**	**32,121**	**-**	**5**	**-**	**5**

17. LOANS AND ADVANCES TO CLIENTS

17.1. Analysis by type of client

Analysis by type of client (with accrued interest and provisions for interest):

in '000 EUR

	31 December 2023				31 December 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail								
Cash loans	32,333	3,460	1,110	36,903	20,656	10,053	1,205	31,914
Housing loans	7,377	273	40	7,690	5,473	1,664	41	7,178
Loans for agriculture	7,961	314	230	8,505	6,865	318	240	7,423
Other loans	5,188	780	37	6,005	4,492	143	67	4,702
Overdrafts on transaction accounts	2,801	551	148	3,500	2,409	25	172	2,606
Mortgage loans	2,579	158	22	2,759	1,541	496	107	2,144
Loans for tourism	546	156	-	702	268	179	371	818
Lombard loans	689	18	-	707	790	22	-	812
Margin loans	314	-	-	314	361	265	-	626
Total retail loans	**59,788**	**5,710**	**1,587**	**67,085**	**42,855**	**13,165**	**2,203**	**58,223**
Expected credit losses (principal)	*(1,050)*	*(168)*	*(830)*	(2,048)	(765)	(511)	(794)	(2,070)
Expected credit losses (interest)	-	-	*(9)*	(9)	-	-	(15)	(15)
Total expected credit losses	*(1,050)*	*(168)*	*(839)*	*(2,057)*	(765)	(511)	(809)	(2,085)
Accrued interest	322	39	17	378	206	67	25	298
Total retail loans, net	**59,060**	**5,581**	**765**	**65,406**	**42,296**	**12,721**	**1,419**	**56,436**
Corporate								
Syndicated loan	41,341	-	-	41,341	45,310	-	-	45,310
Investment loans	6,075	1,387	6,153	13,615	6,670	435	7,326	14,431
Working-capital loans	15,465	1,087	2,986	19,538	8,702	909	3,051	12,662
Lombard loans	33	6,094	-	6,127	184	6,100		6,284
Other loans	(338)	37	4,167	3,866	985	-	4,069	5,054
Overdrafts on transaction accounts	2,256	167	273	2,696	934	75	287	1,296
Loans for agriculture	727	-	107	834	830		121	951
Loans for payments under guarantees	-	-	101	101	52	-	101	153
Total corporate loans	**65,559**	**8,772**	**13,787**	**88,118**	**63,667**	**7,519**	**14,955**	**86,141**
Expected credit losses (principal)	*(339)*	*(179)*	*(9,082)*	*(9,600)*	(428)	(146)	(8,912)	(9,486)
Expected credit losses (interest)	-	-	*(28)*	*(28)*	-	-	(12)	(12)
Total expected credit losses	*(339)*	*(179)*	*(9,110)*	*(9,628)*	(428)	(146)	(8,924)	(9,498)
Accrued interest	692	40	47	779	461	24	25	510
Total corporate loans, net	**65,912**	**8,633**	**4,724**	**79,269**	**63,700**	**7,397**	**6,056**	**77,153**
Total loans (gross)	***126,361***	***14,561***	***15,438***	***156,360***	**107,189**	**20,775**	**17,208**	**145,172**
Total credit losses on loans	*(1,389)*	*(347)*	*(9,949)*	*(11,685)*	(1,193)	(657)	(9,733)	(11,583)
Total loans and advances to clients, net	**124,972**	**14,214**	**5,489**	**144,675**	**105,996**	**20,118**	**7,475**	**133,589**

As of 31 December 2023, the gross exposure per client in default status was EUR 15,438 thousand (2022: EUR 17,208 thousand), and the corresponding credit loss was EUR 9,949 thousand (2022: EUR 9,733 thousand).

17.2.Changes in credit losses

Changes in credit losses are presented as follows:

in '000 EUR

	31 December 2023				31 December 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
On 1 January	**1,193**	**673**	**9,717**	**11,583**	**1,190**	**434**	**9,437**	**11,061**
Impact on P&L								
Net credit losses on loans and advances to customers (Note 9)	(97)	(240)	1,144	807	(124)	182	897	955
Foreign exchange differences	-	(8)	-	(8)	2	19	-	21
Without impact on P&L	-	-	-	-	-	-	-	-
Write-off	293	(87)	(903)	(697)	125	38	(617)	(454)
On 31 December	**1,389**	**338**	**9,958**	**11,685**	**1,193**	**673**	**9,717**	**11,583**

The table below sets out an analysis of credit losses by different types of loans within the Retail and Corporate category:

in '000 EUR

	31 December 2023				31 December 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
On 1 January	**1,192**	**657**	**9,734**	**11,583**	**1,190**	**434**	**9,437**	**11,061**
Retail								
On 1 January	**764**	**511**	**810**	**2,085**	**788**	**192**	**822**	**1,802**
Overdrafts on transaction accounts	35	15	12	62	87	(1)	(11)	75
Mortgage loans	15	(14)	-	1	(6)	19	(18)	(5)
Housing loans	33	(78)	(3)	(48)	(20)	47	(9)	18
Cash loans	240	(268)	87	59	(114)	275	74	235
Loans for agriculture	(21)	(3)	(10)	(34)	33	(4)	(12)	17
Margin loans	-	(1)	-	(1)	(1)	1	-	-
Lombard loans	(8)	-	-	(8)	(1)	-	-	(1)
Loans for tourism	3	(3)	(25)	(25)	4	(12)	(13)	(21)
Other loans	(11)	9	(32)	(34)	(6)	(6)	(23)	(35)
On 31 December	**1,050**	**168**	**839**	**2,057**	**764**	**511**	**810**	**2,085**
Corporate								
On 1 January	**428**	**146**	**8,924**	**9,498**	**402**	**243**	**8,615**	**9,260**
Overdrafts on transaction accounts	33	4	9	46	2	3	(4)	1
Loans for payments under guarantees	-	-	-	-	-	-	15	15
Syndicated loan	(37)	-	-	(37)	49	(60)	-	(11)
Working-capital loans	(59)	7	54	2	63	(1)	32	94
Investment loans	(11)	20	137	146	(118)	(126)	284	40
Loans for agriculture	(7)	-	-	(7)	17	-	-	17
Lombard loans	(3)	-	-	(3)	1	97	-	98
Loans for tourism	-	-	-	-	-	-	-	-
Other loans	(5)	2	(14)	(17)	13	(10)	(19)	(16)
On 31 December	**339**	**179**	**9,110**	**9,628**	**429**	**146**	**8,923**	**9,498**
On 31 December	**1,389**	**347**	**9,949**	**11,685**	**1,193**	**657**	**9,733**	**11,583**

17.3. Changes in gross loans and credit losses by credit risk stages

17.3.1. Changes in gross loans by credit risk changes

in '000 EUR

	Stage 1	Stage 2	Stage 3	Total
On 1 January 2022	**78,939**	**52,165**	**22,881**	**153,985**
From Stage 1 to Stage 2	(8,002)	8,002	-	-
From Stage 1 to Stage 3	(666)	-	666	-
From Stage 2 to Stage 1	44,331	(44,331)	-	-
From Stage 2 to Stage 3	-	(386)	386	-
From Stage 3 to Stage 2	-	1,929	(1,929)	-
Newly approved loans	22,276	3,360	-	25,636
Derecognition of assets	(29,691)	38	(4,795)	(34,448)
On 31 December 2022	**107,187**	**20,777**	**17,209**	**145,173**
On 1 January 2023	**107,187**	**20,777**	**17,209**	**145,173**
From Stage 1 to Stage 2	(2,670)	2,670	-	-
From Stage 1 to Stage 3	(1,131)	-	1,131	-
From Stage 2 to Stage 1	7,704	(7,704)	-	-
From Stage 2 to Stage 3	-	(580)	580	-
From Stage 3 to Stage 2	-	1,117	(1,117)	-
Newly approved loans	84,892	-	-	84,892
Derecognition of assets	(69,621)	(1,719)	(2,365)	(73,705)
On 31 December 2023	***126,361***	***14,561***	***15,438***	***156,360***

Note: The above amounts do not include interest receivable.

17.3.2. Changes in credit losses by credit risk stages

in '000 EUR

	31 December 2023				**31 December 2022**			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail								
From Stage 1 to Stage 2	-	2	-	2	-	161	-	161
From Stage 1 to Stage 3	-	-	110	110	-	-	173	173
From Stage 2 to Stage 1	(251)	-	-	(251)	(49)	-	-	(49)
From Stage 2 to Stage 3	-	-	178	178	-	-	126	126
From Stage 3 to Stage 2	(22)	(39)	-	(61)	-	(109)	-	(109)
Newly approved loans	422	-	-	422	338	-	-	338
Derecognition and changes in provisions	(648)	90	365	(193)	(234)	148	149	63
Foreign exchange differences	-	-	-		-	-	-	-
Corporate								
From Stage 1 to Stage 2	-	(22)	-	(22)	-	(8)	-	(8)
From Stage 1 to Stage 3	-	-	54	54	-	-	16	16
From Stage 2 to Stage 1	(3)	-	-	(3)	(70)	-	-	(70)
From Stage 2 to Stage 3	-	-	14	14	-	-	22	22
From Stage 3 to Stage 2	-	(195)	-	(195)	-	(46)	-	(46)
Newly approved loans	720	-	-	720	118	-	-	118
Derecognition and changes in provisions	(315)	(75)	420	30	(227)	35	412	220
Foreign exchange differences	-	-	(9)	(9)	2	3	16	21
Total (impact on P&L)	**(97)**	**(239)**	**1,132**	**796**	**(122)**	**184**	**914**	**976**

In 2023, the Bank sold part of the loans in default status granted to legal entities and individuals. The gross amount of sold loans was EUR 516 thousand (2023: EUR 549 thousand).

18. INVESTMENT PROPERTY

in '000 EUR

	2023	2022
Investment property	4,758	4,753
Total	**4,758**	**4,753**

The contract with the lessee was concluded for an indefinite period, and due to many years of very good business relations and the attractiveness of the location itself, the Bank does not expect that it will be terminated in the next 5 years. According to the current contract, the Bank has no obligation to invest in the space, and on that basis there were no costs. In 2023, the Bank reduced the value of the said property in accordance with the new assessment of its market value. The property is encumbered by a court case that prevents the free disposal of the property in terms of sale.

Presentation of changes in fair value:

in '000 EUR

Balance on 1 January 2023	**4,753**
Purchase	-
Change in fair value	5
Sale/maturity	-
Other (write-off, exchange rate differences)	-
Balance on 31 December 2023	**4,758**

Overview of the sensitivity of real estate price changes by 1%:

in '000 EUR

	31.12.2023		31.12.2022	
	Decrease	Increase	Decrease	Increase
Investment property	(48)	48	(48)	48

18.1. Fair value hierarchy

in '000 EUR

	Level 1	Level 2	Level 3	Total
1 January 2023				
Investment property	-	-	4,758	4,758
Total	-	-	4,758	4,758

in '000 EUR

	Level 1	Level 2	Level 3	Total
1 January 2023				
Investment property	-	-	4,753	4,753
Total	-	-	4,753	4,753

Shown in Level 3 due to the use of the valuation and judgment of an independent appraiser, whose valuation is based on the income method.

19. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

in '000 EUR

	Land and buildings	Furniture and vehicles	Equipment and other tangible assets	Tangible assets under construction	Right-of-use assets	Total tangible assets	Software	Other	Total intangible assets	Total
Purchase value										
Balance on 1 January 2022	**1,674**	**440**	**1,966**	**2**	**772**	**4,854**	**3,392**	**301**	**3,693**	**8,547**
New acquisitions	-	2	32	-	86	120	321	42	363	483
Disposal and sales	-	-	(86)	-	-	(86)	-	-	-	(86)
Balance on 31 December 2022	**1,674**	**442**	**1,912**	**2**	**858**	**4,888**	**3,713**	**343**	**4,056**	**8,944**
Balance on 1 January 2023	**1,674**	**442**	**1,912**	**2**	**858**	**4,888**	**3,713**	**343**	**4,056**	**8,944**
New acquisitions	-	8	99	6	206	319	269	132	401	720
Transfer from the account in the year	-	-	-	-	(22)	(22)	32	(32)	-	(22)
Disposal and sales	(235)	(57)	(333)	-	-	(625)	(221)	(52)	(273)	(898)
Balance on 31 December 2023	**1,439**	**393**	**1,678**	**8**	**1,042**	**4,560**	**3,793**	**391**	**4,184**	**8,744**
Value correction										
Balance on 1 January 2022	**1,254**	**399**	**1,791**	**-**	**436**	**3,880**	**3,016**	**210**	**3,226**	**7,106**
Depreciation for 2022	27	10	23	-	151	211	118	49	167	378
Disposal and sales	0	0	(86)	-	-	(86)	-	-	-	(86)
Balance on 31 December 2022	**1,281**	**409**	**1,728**	**-**	**587**	**4,005**	**3,134**	**259**	**3,393**	**7,398**
Depreciation for 2023	27	10	34	-	143	214	93	50	143	357
Disposal and sales	(167)	(56)	(329)	-	-	(552)	(220)	(52)	(272)	(824)
Balance on 31 December 2023	**1,141**	**363**	**1,433**	**-**	**730**	**3,667**	**3,007**	**257**	**3,264**	**6,931**
Net carrying value on 31 December 2022	**393**	**33**	**184**	**2**	**271**	**883**	**579**	**84**	**663**	**1,546**
Net carrying value on 31 December 2023	**298**	**30**	**245**	**8**	**312**	**893**	**786**	**134**	**920**	**1,813**

During the year, the Bank disposed of certain assets from property and equipment with a purchase value of EUR 389 thousand (2022: EUR 86 thousand) and sold part of it in the amount of EUR 235 thousand (2022: EUR 0).

As of 31 December 2023, the Bank has no property in its ownership that it gave as a pledge, neither did it have in 2022.

The amount of assets in use that are fully depreciated as of 31 December 2023 amounts to EUR 1,414 thousand (2022: EUR 2,027 thousand).

20. FORECLOSED ASSETS

Changes in foreclosed assets for uncollected receivables are as follows:

in '000 EUR

	2023	2022
On 1 January	770	**2,717**
Increase based on assets foreclosed	65	-
Decrease due to impairment (Note 10)	(8)	(12)
Decrease due to sale of foreclosed assets	(114)	(1,935)
Increase due to reclassification of assets held for sale	-	-
Other adjustments	-	-
Total	**713**	**770**

In 2023, the Bank sold EUR 114 thousand (2022: EUR 1,935 thousand) of foreclosed assets, resulting in a profit of EUR 383 thousand (2022: EUR 747 thousand).

Overview of the sensitivity of real estate price changes by 1%:

in '000 EUR

	31.12.2023		31.12.2022	
	Decrease	Increase	Decrease	Increase
Foreclosed assets	(7)	7	(8)	8

21. OTHER ASSETS

in '000 EUR

	2023	2022
Financial assets		
Trade receivables	196	250
Fees and commissions receivable	236	248
Receivables for third-party deposits made at court	2	2
Provisions for expected credit losses of financial assets	(70)	(99)
Non-financial assets		
Receivables from the state	2,297	2,298
Other receivables from employees	546	545
Other receivables	487	353
Receivables from domestic legal entities based on paid court costs	69	75
Cash in transit	-	1
Provisions for expected credit losses of non-financial assets	(1,091)	(1,075)
Total	**2,672**	**2,598**

22. LIABILITIES TO BANKS

in '000 EUR

	2023	2022
Demand deposits		
- EUR	424	351
- foreign currency	12	115
Total demand deposits	436	466
Total	**436**	**466**

23. DEMAND DEPOSITS

in '000 EUR

	2023	2022
Demand deposits - retail		
- EUR	43,004	28,023
- foreign currency	2,085	27,759
Total retail	**45,089**	**55,782**
Demand deposits - corporate		
- EUR	34,242	23,279
- foreign currency	656	3,951
Total corporate	**34,898**	**27,230**
Demand deposits - financial institutions		
- EUR	-	-
- foreign currency	280	168
Total financial institutions	**280**	**168**
Demand deposits - government and other institutions		
- EUR	5,973	7,791
- foreign currency	92	2,009
Total government and other institutions	**6,065**	**9,800**
Restricted deposits		
- EUR	3,692	1,689
- foreign currency	-	2,000
Total restricted deposits	**3,692**	**3,689**
Deposits of foreign entities		
- EUR	3,901	726
- foreign currency	1,101	4,610
Total foreign entities	**5,002**	**5,336**
Total	**95,026**	**102,005**

24. TERM DEPOSITS

in '000 EUR

	2023	2022
Deposits - retail		
- EUR	75,110	16,370
- foreign currency	3,006	65,606
Total retail	**78,116**	**81,976**
Deposits - corporate		
- EUR	14,034	8,958
- foreign currency	-	85
Total corporate	**14,034**	**9,043**
Deposits of government and other institutions		
- EUR	544	1,433
Total government and other institutions	**544**	**1,433**
Deposits of foreign entities		
- EUR	6,187	315
- foreign currency	30	6,211
Total foreign entities	**6,217**	**6,526**
Deposits of non-profit organisations		
- Foreign currency	-	5
Total non-profit institutions	**-**	**5**
Accrued interests	**387**	**310**
Total	**99,298**	**99,293**

25. BORROWINGS

in '000 EUR

	2023	2022
Croatian National Bank	18,581	18,581
Domestic banks	98	141
Accrued interest	163	117
Total	**18,842**	**18,839**

26. OTHER LIABILITIES

in '000 EUR

	2023	2022
Financial liabilities		
Trade payables	240	273
Fees and commissions payable	19	14
Liabilities for savings deposit insurance	-	131
Other liabilities	38	74
Non-financial liabilities		**0**
Liabilities to employees	386	312
Deferred income and accrued expenses	308	293
Other liabilities	947	380
Total	**1,938**	**1,477**

in '000 EUR

	2023	2022
Lease liabilities		
- current	139	116
- non-current	182	165
Total	**321**	**281**

Liabilities from financial instruments relate to bank and customer deposits and other borrowings.

in '000 EUR

	Liabilities from financial instruments	Lease liabilities	Total debt	Cash and cash equivalents	Net debt
On 1 January 2022	**(20,848)**	**(346)**	**(21,194)**	**31,496**	**10,302**
Accrued interest	-	-	**-**	-	-
New leases/new borrowings	-	(88)	**(88)**	-	(88)
Cash flow	2,010	153	**2,163**	8,241	**10,404**
Exchange rate differences	(1)		**(1)**	(5)	**(6)**
On 31 December 2022	**(18,839)**	**(281)**	**(19,120)**	**39,732**	**20,612**
On 1 January 2023	**(18,839)**	**(281)**	**(19,120)**	**39,732**	**20,612**
Accrued interest	-	-	-	-	-
New leases/new borrowings	-	(206)	(206)	-	(206)
Cash flow	(3)	166	163	(29,270)	(29,107)
On 31 December 2023	**(18,842)**	**(321)**	**(19,163)**	**10,462**	**(8,701)**

27. PROVISIONS

in '000 EUR

	2023	2022
Provisions for legal disputes	604	2,851
Provisions for contingent liabilities and commitments	474	845
Provisions for termination benefits	-	10
Provisions for unused vacation days	15	27
Other provisions	92	74
Total	**1,185**	**3,807**

Movements in provisions are presented as follows:

in '000 EUR

	2023	2022
On 1 January	**3,807**	**6,814**
Reversal of provisions for legal disputes against the bank (Note 10)	-	(1,322)
New provisions for legal disputes (Note 10)	1,011	114
Changes in provisions for contingent liabilities and commitments (Note 10)	(371)	204
Cost of provisions for termination benefits, vacation days etc. (Note 8)	(12)	26
Changes in other provisions	18	11
Changes in payments made under legal disputes	(3,258)	(2,028)
Changes in payments made under termination benefits	(10)	(14)
Exchange rate differences	-	2
On 31 December	**1,185**	**3,807**

In 2023, an amount of EUR 3,258 thousand was paid against the provisions for legal disputes against the Bank (2022: EUR 2,027 thousand). The total amount of legal disputes against the Bank as of 31 December 2023 is EUR 604 thousand (31 December 2022: EUR 2,851 thousand).

Provisions for off-balance sheet exposure to credit risk and litigation are recognized through other impairment losses and provisions in the statement of profit or loss (Note 10).

28. SHARE CAPITAL

As at 31 December 2023 and 2022, the sole shareholder of the Bank is the Croatian Deposit Insurance Agency, owned by the Republic of Croatia, so the Bank's ultimate owner is the Republic of Croatia.

Share capital amounts to EUR 62,990.24 thousand (2022: EUR 62,990.24 thousand).

29. OFF-BALANCE SHEET EXPOSURE

in '000 EUR

31 December 2023	Stage 1	Stage 2	Stage 3	Total
Guarantees	14,999	117	79	15,195
Unbacked letters of credit	-	-	-	-
Revolving loans	6,480	240	1	6,721
Other common risk-bearing off-balance sheet items	10,324	125	285	10,734
Total	**31,803**	**482**	**365**	**32,650**

in '000 EUR

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Guarantees	8,232	1,215	195	9,642
Unbacked letters of credit	-	-	-	-
Revolving loans	5,114	139	6	5,259
Other common risk-bearing off-balance sheet items	9,187	916	-	10,103
Total	**22,533**	**2,270**	**201**	**25,004**

The item "Other common risk-bearing off-balance sheet items" relates to liabilities based on the payment of approved but unused amounts of the framework that clients can use in the form of various types of products (credit, guarantee, and letter of credit).

30. LEGAL DISPUTES

There are 46 pending legal disputes against the Bank.

In accordance with internal bylaws and legal regulations, the Bank assesses the potential outflow of cash regarding disputes carrying a risk of loss and forms appropriate provisions.

As at 31 December 2023, the provisions for losses from legal disputes filed against the Bank amounted to EUR 6,000 thousand (2022: EUR 2,851 thousand).

31. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purposes of preparing the cash flow statement are presented in the table below:

in '000 EUR

	2023	2022
Cash on hand and on current accounts with banks (Note 12)	4,373	37,320
Balances with other banks with maturities up to 3 months (Note 14)	6,091	2,484
Total	**10,464**	**39,804**
Expected credit losses (Note 12)	(2)	(72)
Total	**10,462**	**39,732**

32. RELATED PARTY TRANSACTIONS

The Bank is wholly owned (100%) by the Croatian Deposit Insurance Agency (CDIA). The Bank considers to be directly related to its shareholder, Supervisory Board and Management Board members and other executives (jointly referred to as "the key management personnel"), their close family members, companies under joint control or under significant influence of Management Board members, key management personnel or their close family members or companies in which the above persons have significant voting rights, directly or indirectly, in accordance with the definition of related parties provided in International Accounting Standard 24 "Related Party Disclosures" (IAS 24). Key management personnel includes members of the Management Board and the Supervisory Board, directors of Sectors and directors of control functions. As at 31 December 2023, key management personnel comprised 19 employees (2022: 19 employees).

The balances of assets and liabilities as well as income and expenses as at 31 December 2023 and 31 December 2022 and for the years then ended resulting from key transactions with related parties are as follows:

in '000 EUR

2023	Receivables	Liabilities	Income	Expenses
CDIA (sole shareholder)	17	118	1	-
Key management				
Short-term (a vista deposits, bonuses, salaries, benefits)	7	192	1	599
Pension contributions	-	-	-	116
Long-term (loans, term deposits and other)	162	100	7	-
State in narrow and broad definitions	79,492	21,477	3,222	281
Total	**79,678**	**21,887**	**3,231**	**996**

in '000 EUR

2022	Receivables	Liabilities	Income	Expenses
CDIA (sole shareholder)	5	4,455	1	1
Key management	**-**	**-**	**-**	**-**
Short-term (a vista deposits, bonuses, salaries, benefits)	9	312	2	597
Pension contributions	-	-	-	116
Long-term (loans, term deposits and other)	231	99	8	1
State in narrow and broad definitions	106,151	15,583	1,893	210
Exchange rate differences	-	-	(1)	-
Total	**106,396**	**20,449**	**1,903**	**925**

Key management

Key management does not own Bank shares. Loans and receivables from clients include EUR 168 thousand (2022: EUR 240 thousand) related to loans granted to key management. During the year, the Bank collected interest in the amount of EUR 7 thousand (2022: EUR 8 thousand) based on loans and receivables from key management that were approved at annual interest rates of 2.53%-4.07% (2022: from 2.53%-4.07%). The amount of current accounts and customer deposits includes EUR 100 thousand time deposits of key management (2022: EUR 99 thousand). On this basis, during 2023 the Bank paid interest in the amount of EUR 0.4 thousand (2022: EUR 1 thousand), with annual interest rates of 0.05% - 3.10% (2022: 0.10% - 0.55%).

The costs of the Supervisory Board in 2023 amounted to EUR 56 thousand (2022: EUR 49 thousand).

State in narrow and broad definition

Transactions with the state in narrow and broad definition comprise transactions with:

- the Central Government
- local governments
- public non-financial companies
- public insurance companies and pension funds
- public auxiliary financial institutions
- other public monetary financial institutions
- other public financial intermediaries.

Most significant receivables from the state in narrow and broad definition are as follows:

As of 31 December 2023, exposure to the state in the narrower and broader sense consists of exposure to the state-owned company Hrvatske autoceste d.o.o. in the amount of EUR 41,939 thousand (2022: EUR 40,959 thousand) based on receivables from the syndicated loan.

The exposure to HŽ Cargo is EUR 3,420 thousand (in 2022: EUR 4,742 thousand). Receivables from the company Borovo d.d. amount to EUR 6,639 thousand (2022: EUR 6,752 thousand). Receivables from the Đuro Đaković Group amount to EUR 62 thousand (2022: EUR 379 thousand).

To the Ministry of Finance, the Bank is exposed on the basis of quoted bonds in the amount of EUR 16,362 thousand (2022: EUR 2,607 thousand, and also on the basis of issued treasury bills in the amount of EUR 7,947 thousand (2022: EUR 47,853 thousand).

The limited deposit of the Ministry of Finance amounts to EUR 2,000 thousand (2022: EUR 2,000 thousand).

The Restructuring Center has EUR 4 thousand on its transaction account at the Bank on 31 December 2023 (2022: EUR 4 thousand).

The shareholder of the Bank, the Croatian Deposit Insurance Agency, has EUR 118 thousand on the transaction account as of 31 December 2023 (2022: EUR 4,455 thousand).

As of 31 December 2023, the Bank has an obligation to the Croatian Bank for reconstruction and development based on loans received (crediting to clients in cooperation with CBRD) in the amount of EUR 98 thousand (balance as of 31 December 2022 was EUR 142 thousand) .

All the above-mentioned significant transactions related to the state and state-owned enterprises were concluded according to market principles.

Most significant income and expenses from the state in narrow and broad definition are as follows:

Income recognised in the statement of profit or loss in 2023 treated as key transactions is as follows:

- income from loans to Hrvatske autoceste in 2023 amounts to EUR 2,007 thousand (2023: EUR 995 thousand).
- income from loans to HŽ Cargo in 20232 amounts to EUR 187 thousand (2022: EUR 245 thousand).
- income from securities of the Republic of Croatia amounts to EUR 443 thousand (2022: EUR 60 thousand).

Expenses recognised in the statement of profit or loss treated as key transactions are as follows:

- costs of loans received from CBRD in 2023 in the amount of EUR 4 thousand (20212: EUR 6 thousand).
- in 2023, expenses in respect of CDIA, relating to costs for the savings deposit insurance, amounted to EUR 115 thousand (2022: EUR 263 thousand)

Off-balance sheet contingent liabilities to key management personnel and the state in narrow and broad definition:

in '000 EUR

31 December 2023	Key management personnel	State in narrow and broad definition
Credit lines and other off-balance-sheet items	39	5,035

in '000 EUR

31 December 2022	Key management personnel	State in narrow and broad definition
Credit lines and other off-balance-sheet items	42	1,261

The Bank's maximum off-balance sheet exposure to the state in narrow and broader definitions relates to Đuro Đaković Specijalna vozila d.d. in the amount of EUR 3.541 thousand (2022: Borovo d.d. in the amount of EUR 378 thousand). All exposures presented in this note are on a gross basis (before credit losses).

33. RISK MANAGEMENT POLICIES

Details on the Bank's exposure to risks and methods Management applies for risk control are described below. The most significant types of financial risks the Bank is exposed to are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and price risk.

33.1. Credit risk

In its business activities the Bank is continuously exposed to credit risk arising from its lending and investing and in cases where it acts as an intermediary on behalf of customers or other third parties.

The Bank's primary exposure to credit risk arises from loans and receivables from customers and banks and investment securities. In addition, the Bank is exposed to credit risk on its off-balance sheet items, reflecting its commitments under undrawn facilities and guarantees issued.

Credit risk is the greatest individual risk arising from the Bank's operations; therefore, all organisational units and functions of the Bank monitor the risk closely. Credit risk management and control are centralised in the

Risk Management Department which regularly reports to the Management Board, other bodies of the Bank, the Supervisory Board and senior management.

For the purpose of credit risk management, the Bank has spread its principal credit risk management activities over the following processes:

- loan approval
- loan monitoring
- loan portfolio analysis
- non-performing loans
- early warning of increased credit risk
- loan classification according to risk degrees.

Establishing appropriate relations between the individual processes is a particularly important process, as it helps prevent any process overlaps and misalignment and establishes the necessary level of segregation of duties and responsibilities for the processes.

Organisational responsibilities for credit risk management are divided among the responsibility structures of sales and back-office/organisational units/functionalities, among control and management functions, and operation support, and are additionally positioned for all credit risk management segments, including:

- risk identification,
- risk measurement and assessment,
- risk management,
- risk controls and risk reporting.

Loan analysis is organisationally placed within the Credit Analysis Department whose scope of responsibilities directly affect the credit risk management, primarily in developing analyses and opinions regarding the Bank's credit risk appetite, which includes the following sub-processes:

- Providing opinion on new credit placements
- Providing opinion on proposals for changes in conditions of existing placements
- Analysing the viability of proposed renewal and restructuring of the existing placements
- Periodic reviews of all existing placements

In analysing placements that belong to the credit risk management area, the Credit Analysis Department also estimates the acceptability of credit risk by individual placements, in accordance with the standards and criteria of best banking practice, i.e. application of the effective (external and internal) normative regulations. It communicates its views/principles of assessing the credit risk acceptability to decision-making individuals and bodies responsible for loans.

Further responsibilities of staff engaged in loan analysis include monitoring credit risk exposure, including the early warning of increased credit risk. The duties and responsibilities of the Credit Analysis Department include the credit portfolio control activity, which ensures, in cooperation with other organisational units at the Bank, timely identification of customers with potential risk. Such an approach involves a complex management of business relations with customers aiming at decreasing credit risk costs and improving the quality of the Bank’s credit portfolio.

Credit risk control is based on an individual approach to the credit risk assessment specifically tailored to individual customers, including identification of customers with a potential risk, analysis and classification of customers with potential risk, determining the form and manner of managing business relations with customers, and follow-up.

Special attention is paid to managing exposures to related parties by reference to the effective organisational normative and operational rules, as well as other aspects of credit risk exposure defined by the Credit Institutions Act and the related by-laws and internal acts governing its implementation.

33.1.1. Credit risk management

The expected credit losses are calculated as a multiple of PD (Probability of Default), Loss Given Default (LGD) and Exposure at Default (EAD) over the remaining expected life of the financial asset and are discounted at the reporting date at the effective interest rate for exposures with a significant increase in credit risk (Stage 2 Contracts). On the other hand, for exposures classified as Stage 1, the expected credit loss is calculated over a one-year period, i.e. the expected credit loss of 1 year is estimated.

Increase in credit risk since initial recognition

Significant increase in credit risk since initiual recognition

Observable impairment factors

STAGE 1 ***Performing***	***STAGE 2*** ***Underperforming***	***STAGE 3*** ***Non-performing***
• 12-month expected Credit losses • Initial recognition • Credit quality has not deteriorated significantly	• Lifetime expected credit losses • Significant increase in credit risk since initial recognition	• Lifetime expected credit losses • Impairment of financial assets

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers quantitative and qualitative information and expert credit assessments based on historical experience. For the purpose of proper allocation of income-based exposures, criteria for determining a significant increase in credit risk (transition from Stage 1 to Stage 2) were defined:

- If the debtor defaults on payment of due exposures for more than 30 days, but does not exceed a period of 90 days. This provision does not apply to exposures to the central government and other exposures for which the Bank can prove that a 30-day default is not a relevant indicator;
- The debtor has Watch-list or Exit monitoring status and days past due do not exceed 90 days;
- The debtor meets the blockage criterion (in line with internal segmentation, for natural persons if continuous blockage exceeds 10 days, and for others if continuous blockage exceeds 15 days) and the number of days past due does not exceed 90 days.

In addition to assessing the risk of default, the Bank also defines the default status. It is considered that the status of default of a particular debtor (Stage 3) has occurred when one of the following conditions or both of the following conditions have been met:

- the Bank considers it likely that the debtor will not fully meet its obligations, not taking into account the possibility of recovery from the collateral;
- if the debtor is more than 90 days past due.

Exceptionally, for the exposures from the retail exposures category the Bank assesses the default status based on an individual product and if it has a balance sheet exposure towards a debtor with the default status and the gross carrying amount of exposure with the default status accounts for more than 20% of gross carrying amount of all balance sheet exposures to that debtor, all on-balance sheet and off-balance sheet exposures by all products of that debtor are considered to be in default.

When defining the default status, the Bank uses objective evidence of partial or complete irrecoverability of placements.

The following is considered as objective evidence of partial recoverability of placements:

- observable significant financial difficulties of the debtor;
- if the debtor is in default for more than 90 days or in the event of a frequent delinquency in interest and/or principal payments or failure to perform other contractual provisions;
- if the Bank makes a payment on the given guarantees and the debtor does not settle the obligation within 90 days;
- if cash flows from operations and secondary sources (insurance instruments) are not sufficient to settle the contractual obligations, taking into account the timeliness of settlement (days past due);
- if the debtor requires exposure restructuring, write-offs of liabilities and other actions that result in the decrease of the client's original liabilities

The following is considered to be objective evidence of total irrecoverability/loss:

- bankruptcy, liquidation or termination of business for other reasons, while at the same time the Bank has no recognised and separate satisfaction and/or exclusion rights over the assets of the debtor or other collaterals and it is estimated that the Bank cannot expect to collect a portion of its receivables due to the debtor's insufficient funds and/or the recovery priority order in bankruptcy proceedings;
- if the debtor is in continuous default for more than 365 days, and the Bank does not have adequate collaterals;
- if the placement is the subject of a legal dispute for which it is presumed that the Bank could lose it in its entirety.

In order to determine the increased credit risk in addition to the quantitative indicators, the Bank conducts a placements monitoring process and a system of early increased credit risk detection for the purpose of timely identification of clients with increased risk exposure and for the purpose of establishing adequate placement / client monitoring at an already established increased degree of risk, all in order to avoid and/or reduce potential losses on placements.

The following monitoring statuses (risk zones) were established for the placement/client portfolio:

- STANDARD - standard exposure - monitored every 12 months, with the exception of the Financial Markets Sector for which exposure is monitored every 3 months
- WATCH - potentially problematic exposure - monitored within a year, every 3 to 9 months,
- EXIT - problematic exposure where the Bank exits from a business relationship with a client - exposure is monitored every 3 months,

•NO MONITORING NECESSARY - the exposure for which a special monitoring status is assigned, i.e. the exposure is not included in further monitoring.

Expected credit loss measurement

The key inputs for measuring the expected credit loss are the following variables:

- PD - probability of default
- LGD - loss given default
- EAD - exposure at default

Expected credit losses for the exposures (ECL) in Stage 1 are calculated by multiplying the 12-month PD with LGD and EAD.

Lifetime expected credit losses are calculated by multiplying the lifetime PD with LGD and EAD and discounting it at the reporting date.

Probability of default (PD) i.e. the probability of a transition from a performing to the non-performing status.

The basis for estimating *lifetime PD* is the empirical default rate. The empirical *default rates* and consequently the estimated *lifetime PDs* are calculated at the segment level:

- Corporate
- SME
- Retail
- Public sector
- Financial institutions
- Retail Overdraft

The Bank calculates the exposure at default (EAD):

- For products with cash flows (mortgages, long-term loans, investment loans, bonds...) EAD is calculated based on cash flows received from repayment plans.

For other products with no cash flow the CFF factor 1 applies.

33.2. Credit risk measurement

Loans and receivables (including contingent liabilities)

The Bank assesses the probability of default by individual clients using internal assessment tools created for all categories of customers.

Loans and contingent liabilities are classified into the following two key categories:

1.1. fully recoverable loans– placements assessed as fully recoverable (principal and interest) or contingent liabilities that are not expected to result in an outflow of the Bank's resources or if there is an outflow that will be fully recovered. The Bank allocates these placements to the following sub-categories:

- Stage 1; if after initial recognition the credit risk of a certain exposure of the debtor has not increased significantly,
- Stage 2; if after initial recognition the credit risk of a certain exposure of the debtor has increased significantly.

1.2. partly recoverable and fully irrecoverable loans (Stage 3) – loans assessed as not recoverable at contractual amounts (principal and interest) or contingent liabilities expected to result in an outflow of the Bank's resources in excess of the estimated recoverable amount and loans assessed as fully irrecoverable or insignificantly recoverable or contingent liabilities expected to result in an outflow of the Bank's resources assessed as fully irrecoverable.

Managing credit risk of a portfolio of workout or non-performing (bad) loans is the responsibility of a separate unit within the Bank which is in charge of working out such debt (Risk placement management team), both owed by legal entities and natural persons. These activities are primarily aimed at realising positive effects of the implementation of various forms of financial consolidation of clients' business, including various forms of prolongation, renewal or restructuring of loans with the aim of their recovery and realisation of the maximum possible level of receivables collection and improvement in the credit and guarantee portfolio of the Bank, as well as cases of full or partial stabilisation of the clients' business by taking consolidation measures, enabling the inclusion of such loans in "performing" ones.

The Risk Management Department estimates future cash flows from non-performing loans on the basis of which provisions for impairment are determined. Such assessment is prepared for all loans managed.

In accordance with the provisions of IFRS 9 for performing loans the Bank appropriately impairs and provides for exposures equalling the following:

- 12-month expected credit losses for Stage 1 loans,
- lifetime expected credit losses for Stage 2 loans.

The Bank makes provisions for expected credit losses on loans and their impairment as follows:

a) on an individual basis

- for loans classified in the "large loans portfolio"

b) on a collective basis

- for Stage 3 placements which belong to the "big loans portfolio", "small loans portfolio" and overdrafts on current accounts

The small loans portfolio comprises the total Bank's exposure to one person or a group of related persons that is not individually significant, i.e. at the date of assessment does not exceed EUR 33,180. Thereby the total exposure amount includes all active balance sheet and off-balance sheet items that are subject to classification into stages.

The large loans portfolio (Stages 1 and 2) – not individually significant exposure, Stage 3 - individually significant exposure, comprises the total exposure to one person or a group of related persons whose total historical exposure at the date of assessment exceeds EUR 33,180.

The credit risk assessment on an individual basis is a separate estimation of future cash flows and determining the existence or non-existence of expected credit losses for each individual loan and each individual off-balance sheet liability that the Bank is obliged to apply in assessing loans and off-balance sheet liabilities that are an integral part of individually significant exposure.

Credit risk assessment on a collective basis is a collective estimation of future cash flows and determining the existence or non-existence of expected credit losses for groups with similar characteristics of credit risk and off-balance sheet liabilities, and is performed in the following cases:

- in assessing expected credit losses for loans included in the Stage 1 and 2 of large loans portfolio, small loans portfolio and overdrafts on current accounts.

The credit risk exposure is also managed by a regular analysis of the ability of the existing clients and potential clients to settle their liabilities of repaying interest and principal and by changing credit limitations where necessary. Further specific measures for credit risk control and mitigation are stated below.

33.3. Risk limit control and mitigation policies

(a) Security instruments

The Bank uses policies of security instruments for receivables that prescribe the main rules aimed at minimising the risk from credit operations. Security instruments for receivables represent the secondary collection source, while the clients' operations and their ability to generate sufficient cash funds for settling financial liabilities are the primary source of collecting the Bank's receivables. The rules that prescribe the obligation to take security instruments for which the normative acts prescribe the conditions for acceptability, individually for each of the specific security instruments categories are standardised. Also, specific modalities of credit protection aimed at decreasing or mitigating credit risks are determined.

The most significant types of security instruments for loans and receivables are as follows:

- Mortgage over property,

- Pledge over operating/tangible assets,
- Pledge over financial instruments such as debt and equity securities,
- Insurance policies for loan receivables, life insurance policies with redemption values and other instruments whose quality based on evidence may be equalised with the quality of other above-mentioned instruments.

Non-current financial assets, loans to companies and natural persons are generally secured by appropriate security instruments.

In addition, in order to reduce credit loss, the Bank requires additional collaterals from the contractual parties as soon as indicators of impairment for individual relevant loans and advances are determined. The collateral held as security for all financial assets other than loans and advances is determined on the basis of the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) Commitments related to loans

Loan commitments are unused granted loan amounts in the form of loans, guarantees or letters of credit. With respect to credit risk from loan commitments, the Bank is potentially exposed to loss in the amount equal to the total unused commitments.

However, the potential loss amount is lower than the total amount of unused commitments, since the majority of commitments depend on maintaining specific credit standards by the clients. The Bank monitors the remaining period to loan maturities as non-current liabilities generally have a higher degree of credit risk compared to current liabilities.

33.4. Impairment and provisioning policies

The amount of provisions for expected credit losses in the portfolio of clients monitored on an individual basis is determined using the dynamic approach, on the basis of the calculation of the loan's recoverable value, calculated as the net present value of estimated future cash flows discounted at the effective interest rate of the loan at the moment when it was assessed as "non-performing" (for loans granted at fixed rates it is the original effective rate calculated at the moment of granting).

Security instruments for which the nominal value is discounted are as follows:

- pledge over housing property
- pledge over other property and movables for which a market exists and which may be sold in acceptable time periods.

Discounting future cash flows to the present value is calculated individually for all long-term loans from the large loans portfolio for which an impairment loss was identified and it is estimated that their future cash flow from operating activities and cash flow from security instruments will not be sufficient.

Based on the timely repayment criteria, loans in the large loans portfolio are classified into the following stages:

1) Stage 1 and Stage 2 include loans that meet the following criteria:
    - the debtor's current financial situation and estimated future cash flows do not give rise to any doubts with respect to the debtor's further operations and settlement of their current and future liabilities to the Bank and other creditors,
    - the debtor settles their liabilities to the Bank in contracted terms, and only exceptionally and occasionally after their maturity,
    - the loans are secured by adequate security instruments for receivables.

The Bank has prescribed the following indicators for determining increased credit risk of the debtor and classifying it in Stage 2:

- If the debtor defaults on payment of due exposures for more than 30 days, but does not exceed a period of 90 days. This provision does not apply to exposures to the central government and other exposures for which the Bank can prove that a 30-day default is not a relevant indicator;
- The debtor has watch-list or exit status/monitoring and days of delay do not exceed 90 days;
- The debtor meets the blockage criterion (in line with internal segmentation, for natural persons if continuous blockage exceeds 10 days, and for others if continuous blockage exceeds 15 days) and the number of days past due does not exceed 90 days.;

2) Stage 3 includes partially recoverable loans that are estimated not to be collected in the agreed amount (principal and interest), or contingent liabilities on the basis of which an outflow of the Bank's funds is expected that exceeds the estimated recoverable amount and fully irrecoverable loans or receivables arisen on a disputable legal basis and other receivables for which, due to an exceptionally poor asset and financial position of the debtor, and due to the lack of adequate security instruments, no cash flows can be expected for settling the debtor's liabilities to the Bank.

Specific provisions for impairment for the remaining portfolio of non-performing small loans (exposures below EUR 33,180) and overdrafts on current accounts are calculated by reference to the regularity of payment.

Based on the timely repayment criteria, loans in the small loans portfolio and overdrafts on current accounts are classified into the following stages:

1) Stage 1 and Stage 2 include fully recoverable loans. For a loan to remain classified in the above stages, the following conditions must be met:
   - the debtor’s past due liabilities to the Bank do not exceed 90 days
   - the full loan amount is covered by a guarantee deposit.

2) Stage 3 includes loans that must be provided for on the basis of the number of days past due, where fully irrecoverable loans are loans that are past due more than 365 days.

33.5. Debt securities

For the purpose of realising future yield, the Bank usually invests surplus liquid funds in high-quality government debt securities and foreign bonds.

33.6. Past due and not due loans and receivables

Past due and not past due loans and receivables by type at 31 December 2023

in ‘000 EUR

Past due	Cash	Investments and working capital	Agriculture and tourism	Credit cards and overdrafts	Housing	Other	Total
Up to 30 days	24	1,041	418	1,019	2	95	2,599
31-60 days	37	284	27	2	-	39	389
61-90 days	14	15	-	-	-	-	29
Over 90 days	393	8,680	126	276	-	2,907	12,382
Not due	36,631	27,568	9,571	4,924	7,712	54,555	140,961
Total	**37,099**	**37,588**	**10,142**	**6,221**	**7,714**	**57,596**	**156,360**

Past due and not past due loans and receivables by type at 31 December 2022

in '000 EUR

Past due	Cash	Investments and working capital	Agriculture and tourism	Credit cards and overdrafts	Housing	Other	Total
Up to 30 days	103	535	231	848	2	111	1,830
31-60 days	29	215	3	1	-	49	297
61-90 days	32	-	-	51	-	-	83
Over 90 days	323	9,098	131	290	-	2,792	12,634
Not due	31,603	21,217	8,882	2,724	7,198	58,705	130,329
Total	**32,090**	**31,065**	**9,247**	**3,914**	**7,200**	**61,657**	**145,173**

Unimpaired loans on 31 December 2023

in '000 EUR

	Cash	Investments and working capital	Agriculture and tourism	Credit cards and overdrafts	Housing	Other	Total
Not due	35,955	27,216	9,383	4,920	7,672	53,206	138,352
Past due	20	1,177	419	877	2	75	2,570
Total	**35,975**	**28,393**	**9,802**	**5,797**	**7,674**	**53,281**	**140,922**

Unimpaired loans on 31 December 2022

in '000 EUR

	Cash	Investments and working capital	Agriculture and tourism	Credit cards and overdrafts	Housing	Other	Total
Not due	30,850	19,894	8,291	2,699	7,157	57,218	126,109
Past due	20	725	216	753	2	139	1,855
Total	**30,870**	**20,619**	**8,507**	**3,452**	**7,159**	**57,357**	**127,964**

Unimpaired loans and receivables refer to placements classified in Stage 1 and 2, and they refer to loans and receivables that are regularly repaid by clients and the Bank does not carry out any impairment on them.

In the item Other, the largest share refers to shares in syndicated loans, which in 2023 amounted to EUR 41,939 thousand (2022: EUR 45,701 thousand), then to lombard loans in the amount of EUR 6,851 thousand (2022: EUR 7,113 thousand), mortgage loans in the amount of EUR 2,747 thousand (2022: EUR 2,045 thousand), and other loans in the amount of EUR 773 thousand (2022: EUR 1,290 thousand). The rest refers to individual smaller amounts of loans for various purposes.

33.7. Impaired loans

Impaired loans at 31 December 2023

in '000 EUR

	Cash	Investments and working capital	Agriculture and tourism	Credit cards and overdrafts	Housing	Other	Total
Not due	675	352	187	4	40	1,351	2,609
Past due	448	8,844	152	420	-	2,965	12,829
Total	**1,123**	**9,196**	**339**	**424**	**40**	**4,316**	**15,438**
Credit losses	**618**	**6,144**	**69**	**250**	**10**	**2,858**	**9,949**

Impaired loans at 31 December 2022

in '000 EUR

	Cash	Investments and working capital	Agriculture and tourism	Credit cards and overdrafts	Housing	Other	Total
Not due	753	1,323	591	25	41	1,486	4,219
Past due	467	9,122	149	436	1	2,813	12,988
Total	**1,220**	**10,445**	**740**	**461**	**42**	**4,299**	**17,207**
Credit losses	**529**	**5,986**	**105**	**229**	**13**	**2,873**	**9,735**

In the item Other, the largest share refers to loans to clients in pre-bankruptcy in the amount of EUR 1,241 thousand (2022: EUR 1,420 thousand) and loans to distressed clients in the amount of EUR 2,613 thousand (2022: EUR 2,613 thousand). The rest refers to individual smaller amounts of loans for various purposes.

33.8. Structure of loans and off-balance contingent liabilities by type of activity

Structure of loans and off-balance contingent liabilities by type of activity at 31 December 2023

in '000 EUR

Activity sector	Total loans and off-balance sheet liabilities	Unimpaired loans and off-balance sheet liabilities	Impaired loans and off-balance sheet liabilities	Credit loss balance	Credit loss %
Civil engineering	57,956	57,470	486	423	**0.73%**
Sector outside the National Classification of Activities - natural persons	53,077	51,745	1,332	1,969	**3.71%**
Manufacturing	26,858	16,289	10,569	7,239	**26.95%**
Agriculture, hunting, forestry and fishing	17,744	16,911	833	716	**4.04%**
Wholesale and retail trade, repair of motor vehicles and household items	10,264	9,627	637	531	**5.17%**
Transport, storage and connections	7,943	7,943	-	63	**0.79%**
Real estate business, renting	6,250	6,202	48	89	**1.42%**
Other social and personal service activities	2,920	2,607	313	293	**10.03%**
Hotels and restaurants	3,125	1,848	1,277	774	**24.77%**
Financial intermediation	1,027	719	308	71	**6.91%**
Public administration and defence; social security	921	921	-	20	**2.17%**
Electricity, gas and water supply	367	367	-	8	**2.18%**
Education	380	380	-	6	**1.58%**
Health care and social care	178	178	-	3	**1.69%**
Mining and ore extraction	-	-	-	-	**-**
TOTAL	**189,010**	**173,207**	**15,803**	**12,205**	**6.46%**

Structure of loans and off-balance contingent liabilities by type of activity at 31 December 2022

in '000 EUR

Activity sector	Total loans and off-balance sheet liabilities	Unimpaired loans and off-balance sheet liabilities	Impaired loans and off-balance sheet liabilities	Credit loss balance	Credit loss %
Civil engineering	55,495	50,482	5,013	3,672	6.62%
Sector outside the National Classification of Activities - natural persons	46,910	32,816	14,094	1,881	4.01%
Manufacturing	20,444	6,403	14,041	3,938	19.26%
Agriculture, hunting, forestry and fishing	15,517	14,227	1,290	855	5.51%
Wholesale and retail trade, repair of motor vehicles and household items	10,175	8,356	1,819	1,149	11.29%
Transport, storage and connections	7,704	5,748	1,956	123	1.60%
Real estate business, renting	6,294	5,349	945	335	5.32%
Other social and personal service activities	1,982	1,535	447	334	16.85%
Hotels and restaurants	1,847	1,063	784	68	3.68%
Financial intermediation	1,243	1,243	-	70	5.63%
Public administration and defence; social security	1,049	1,049	-	24	2.29%
Electricity, gas and water supply	915	885	30	14	1.53%
Education	459	459	-	8	1.74%
Health care and social care	121	115	6	2	1.65%
Mining and ore extraction	20	20	-	-	0.00%
TOTAL	**170,175**	**129,750**	**40,425**	**12,473**	**7.33%**

33.9. Loans and advances to customers in risk groups B and C for which provisions have been made

in '000 EUR

	Retail	Corporate	Total
31 December 2023			
Total exposure	1,604	13,834	15,438
Provisions	839	9,109	9,948
Total net exposure	765	4,725	5,490
Market value of collateral	1,898	7,495	9,393
% of collateral coverage	248.10%	158.62%	171.09%

in '000 EUR

	Retail	Corporate	Total
31 December 2022			
Total exposure	2,228	14,981	17,209
Provisions	809	8,925	9,734
Total net exposure	1,419	6,056	7,475
Market value of collateral	831	7,215	8,046
% of collateral coverage	58.56%	119.14%	107.64%

33.10. Credit risk sensitivity analysis

As part of the macroeconomic factors sensitivity analysis regarding credit risk provisions, the Bank analyses the effects of macroeconomic indicators and parameters on future operations by increasing Stage 3 loans, the "bad" migration of NPLs etc.

As the basis for creating a stress test scenario The Bank uses the stress scenario as published in Financial Stability document published by the CNB.

On this basis, the Bank uses the following parameters and indicators in stress testing:

- Increase in Stage 3 loans in total loans by 50%,
- Arranging new defaults in a way that 55% of loans is classified into sub-categories with ECLs of up to 30% loan value, and the remaining 45% of newly-defaulted loans is classified into sub-categories with ECLs of 30%-70% loan value,
- Transfer of existing defaulted loans from lower risk subcategories into higher risk sub-categories (5% per each sub-category).

The result of the applied test according to the latest testing would be a decline in regulatory capital of the Bank by 14%.

33.11. Credit quality of financial assets

The credit quality of financial assets as rated by external agencies is given below:

in '000 EUR

	Rating agency	31 December 2023	31 December 2022
Cash		**4,371**	**37,248**
A1	Moody's	-	507
Baa1	Moody's	37	101
Baa2	Moody's	3,751	33,314
A-	Fitch	466	1072
BB	Fitch	2	-
BBB	Fitch	44	1,650
no rating	-	71	604
Receivables from Croatian National Bank		**40,109**	**1,798**
Baa2	Moody's	40,109	1798
Placement to banks		**6,091**	**2,484**
Aaa	Moody's	1,081	2,428
A1	Moody's	84	-
Baa1	Moody's	2,321	-
A-	Fitch	2,121	56
BBB	Fitch	9	-
no rating	-	475	-
Financial assets at fair value through OCI		**26**	**57,430**
Ba1	Moody's	-	-
Baa2	Moody's	-	50,432
Aaa	Moody's	-	4,228
Aa2	Moody's	-	2,712
Aa3	Moody's	-	-
no rating	-	26	58
Financial assets at amortised cost		**32,121**	**5**
Aaa	Moody's	4,672	
Aa2	Moody's	3,057	
Baa2	Moody's	24,302	
no rating	-	90	5
Loans and advances to clients		**144,675**	**133,589**
no rating	-	144,675	133,589
Other financial assets		**364**	**401**
no rating	-	364	401

33.12. Concentration risk

The Bank manages, limits and controls concentrations of credit risk in accordance with the Credit Policy wherever such risk is identified – in particular, with respect to individual clients and groups, industries and countries. Concentration is determined at the level of exposure of a particular debtor (at the level of a group of related persons) and also by exposure of a particular activity to the total exposure of the Bank.

The Bank establishes credit risk levels it undertakes by placing limitations on the amount of risk accepted in relation to one client, or a group of clients, and to geographical and industry segments.

Limitations on the credit risk level to products, industry sectors and countries are approved by the Bank's Management.

The exposure to any borrower is further limited by sub-limits covering both balance sheet and off-balance sheet exposures, as well as daily limits (the liability settlement risk) in relation to the items traded.

33.13. Liquidity risk

Liquidity risk is the risk of loss arising from the existing or expected Bank's inability to settle its cash liabilities at maturities. This risk arises due to a mismatch of maturities of assets and liabilities, and is manifested as the risk that it will not be possible to convert a receivable into cash within a suitable term and at a suitable price, i.e. that it will not be possible to convert any non-cash form of assets into cash within a certain period without loss.

The Treasury, the Risk Management Department and the Asset-Liability Committee (hereinafter: the ALCO) are responsible for liquidity risk management, while the Bank's Management Board makes decisions, whereby precise roles in the liquidity management process are allocated to the following organisational parts or Bank's functionalities.

The allowed excess of liquidity indicators and the strategy defining the reasons for allowing the excess are documented by the minutes of the ALCO meeting.

At the moment of escalation of exceeding regulatory limits (where applicable), the Risk Management Department immediately informs the Bank's Management Board, the Audit and Risk Committee, the Supervisory Board and the CNB, and if internal limits are exceeded or early warning indicators are reached, the Bank's Management Board and the LICO / ALCO committees are notified. At the relevant meeting of the LICO / ALCO committees, a strategy is adopted to reduce the limits to acceptable ratios.

The Risk Management Department controls limits within the monthly report, and reports the exceeding of limits on the ALCO meetings.

Sources of Bank financing are deposits and equity capital. The Bank continually reassesses liquidity risk by identifying and following changes in financing that are necessary for accomplishing business aims set according to Bank strategy. Moreover, the Bank manages a portfolio of liquid assets as part of its liquidity risk management strategy.

The Bank adjusts its operations concerning liquidity risk according to legal provisions and internal policies. The Bank manages assets and sources of funds from a viewpoint of financial flows, cash flows and concentration, all with the aim of adjusting cash inflows with Bank outflows.

Managing in that way assumes identification of known, expected and potential cash outflows and the production of different asset and liabilities management strategies in order to secure the Bank's needs for cash inflows. According to the stated, the liquidity risk management system comprises the evaluation and measurement of liquidity risk exposure, setting limits of liquidity risk exposure and reporting and supervision of limit utilization.

Liquidity risk management is realized by operative management of short-term liquidity and by management of long-term liquidity. Management of short-term liquidity is realized with maintenance of a regular liquidity reserve in HRK and by planning and forecasting daily and weekly cash flows. The Bank produces daily, weekly, monthly and annual liquidity plans and evaluates current and future outflows and inflows based on them.

Indicators related to a possible crisis in the Bank's liquidity and general crisis of the banking system liquidity are monitored by the Risk Management Department and the Treasury, they are determined by the Risk Management Service and reported to the Management Board, Liquidity Committee and/or the Asset-Liability Committee.

Future outflows under financial liabilities that as at 31 December 2023 reflect undiscounted cash flows including future interest payments in the amount of EUR 1,254 thousand on received deposits and borrowings, classified by remaining maturities. Asset items are classified by maturities of the carrying amounts.

2023	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
ASSETS						
Cash	4,371	-	-	-	-	**4,371**
Receivables from the Croatian National Bank	40,109	-	-	-	-	**40,109**
Placements with banks	4,953	1,081	57	-	-	**6,091**
Financial assets at fair value through other comprehensive income	26	-	-	-	-	**26**
Financial assets at amortised cost	7	8,232	4,996	9,390	9,496	**32,121**
Loans and advances to clients	49,272	1,011	9,112	59,582	25,698	**144,675**
Trade receivables	196	-	-	-	-	**196**
Fees and commissions receivable	236	-	-	-	-	**236**
Receivables for third-party deposits made at court	2	-	-	-	-	**2**
Provisions for expected credit losses on financial assets	(70)	-	-	-	-	**(70)**
Total assets	**99,102**	**10,324**	**14,165**	**68,972**	**35,194**	**227,757**
LIABILITIES						
Liabilities to banks	436	-	-	-	-	**436**
Demand deposits	95,026	-	-	-	-	**95,026**
Term deposits	98,549	244	80	652	786	**100,311**
Borrowings	178	15	49	18,830	10	**19,082**
Lease liabilities	11	23	105	173	9	**321**
Trade payables	240	-	-	-	-	**240**
Fees and commissions payable	19	-	-	-	-	**19**
Liabilities for savings deposit insurance	-	-	-	-	-	**-**
Total liabilities	**194,459**	**282**	**234**	**19,655**	**805**	**215,435**
Off-balance-sheet items						
Payment guarantee	591	-	-	-	-	**591**
Performance guarantee	14,326	250	28	-	-	**14,604**
Unbacked letters of credit	-	-	-	-	-	**0**
Revolving loans and credit lines	5,894	-	140	687	-	**6,721**
Other common risk-bearing off-balance sheet items	6,585	1,744	5	438	1,962	**10,734**
Total off-balance sheet items	**27,396**	**1,994**	**173**	**1,125**	**1,962**	**32,650**
Net assets/liabilities	**(122,753)**	**8,048**	**13,758**	**48,192**	**32,427**	**(20,328)**

Future outflows for financial liabilities that are in the balance as of 31 December 2022 contain undiscounted cash flows that include future interest payments in the amount of EUR 480 thousand on received deposits and loans that are distributed according to the remaining maturity. Asset positions are distributed according to the maturities of the accounting balances.

in '000 EUR

2022	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
ASSETS						
Cash	37,248	-	-	-	-	37,248
Receivables from the Croatian National Bank	1,798	-	-	-	-	1,798
Placements with banks	-	2,427	56	-	-	2,483
Financial assets at fair value through other comprehensive income	3,982	3,397	9,646	34,202	6,204	57,431
Financial assets at fair value through profit or loss	5	-	-	-	-	5
Loans and advances to customers	71,519	45,054	15,659	39	1,318	133,589
Trade receivables	250	-	-	-	-	250
Fees and commissions receivable	248	-	-	-	-	248
Receivables for third-party deposits made at court	2	-	-	-	-	2
Provisions for expected credit losses on financial assets	(99)	-	-	-	-	(99)
Total assets	**114,953**	**50,878**	**25,361**	**34,241**	**7,522**	**232,955**
LIABILITIES						
Liabilities to banks	466	-	-	-	-	466
Demand deposits	102,005	-	-	-	-	102,005
Term deposits	97,906	37	566	775	9	99,293
Borrowings	127	16	2	18,693	-	18,838
Lease liabilities	11	20	85	146	19	281
Trade payables	273	-	-	-	-	273
Fees and commissions payable	14	-	-	-	-	14
Liabilities under the insurance of savings deposits	131	-	-	-	-	131
Total liabilities	**200,933**	**73**	**653**	**19,614**	**28**	**221,301**
Off-balance-sheet items						
Payment guarantee	398	-	-	-	-	398
Performance guarantee	8,042	537	273	393	-	9,245
Unbacked letters of credit	-	-	-	-	-	0
Revolving loans and credit lines	4,154	252	635	-	219	5,260
Other common risk-bearing off-balance sheet items	4,917	79	479	1,438	3,190	10,103
Total off-balance sheet items	**17,511**	**868**	**1,387**	**1,831**	**3,409**	**25,006**
Net assets/liabilities	**(103,491)**	**49,937**	**23,321**	**12,796**	**4,085**	**(13,352)**

33.14. Market risks

Market risks represent potential effects that external conditions may have on the value of assets, liabilities and off-balance sheet positions of the Bank, and are caused by changes in prices and movements in financial markets.

All instruments held for trading are subject to market risk, the risk that future changes in market conditions can make an instrument unfavourable or lead to impairment.

The Bank manages financial instruments available for sale according to changes in market conditions. Exposure to market risk is formally managed by buying or selling instruments according to limits set by Management.

Market risk is the risk of loss on balance sheet and off-balance sheet positions arising from unfavourable movements in prices on some of the 4 fundamental markets: debt securities, foreign currencies, commodity and equity securities markets.

Market risks are as follows:

- Interest rate risk
- Currency risk
- Price risk - risk of a change in prices of equity and debt securities

Interest rate risk is defined by the impact of changes in market interest rates on the Bank's financial results. The Bank's daily activities depend on the interest rate risk impacted by the terms of collection of assets and liabilities in relation to interest income and expenses or the terms in which interest rates change. These terms are controlled by the ALCO by defining the interest rate limits and coordinating activities that the Bank has to take.

Interest rate risk is described in more detail in chapter 32.14.2. of the Report.

The Bank's activities are exposed to the risk of changes in the value of the main currencies, which impacts the Bank's financial result and cash flow. The Bank controls foreign currency assets and foreign currency liabilities with the aim to avoid an inadequate currency risk.

The Management Board defined internal limits of the open foreign currency position.

Currency risk is described in more detail in the following chapter of the Report (item 32.14.1.).

Market risk is managed in the Treasury, Risk Management Department and the ALCO, and the Bank's Management Board is informed and makes decisions.

33.14.1. Currency risk

Currency risk is the risk of loss that results from currency changes.

Exposure to currency risk materializes from holding assets and liabilities and/or off-balance sheet items denominated and/or indexed in foreign currency, or when they are structurally unadjusted in cases of unfavourable movement of the kuna towards international currencies as well as unfavourable mutual movements of currencies.

The currency risk management process includes: identifying the Bank's exposure to currency risk, measuring currency risk exposure, defining boundaries and limits of currency risk exposure, instruments and processes for risk optimisation, currency risk management process supervision, reporting on the currency risk exposure.

At the end of each working day, the Bank adjusts its total open FX position so that the total open FX position (increased by the position in gold) does not exceed the amount of regulatory capital determined in line with the regulations of the Croatian National Bank.

The Bank uses the Value at Risk methodology (VaR) to evaluate exposure to market risk and expected maximum loss for the position in trading and other activities. VaR represents a statistically based evaluation of potential losses on the existing portfolio due to unfavourable market movements.

The Value at Risk method measures the maximum expected loss for the Bank in case of most unfavourable foreign currency movements in an observed time interval with normal market conditions and a given level of significance based on historical data. The Bank directs its business activities primarily trying to minimize the mismatch between assets' and liabilities' items denominated in foreign currency or carrying a FX clause. The Bank manages its assets and liabilities by matching the currencies of the individual asset and liability items to optimise the relationship between risk and profitability in unfavourable inter-currency movements.

The potential maximum daily loss of the open foreign currency position (VaR: 95% reliability) as of 31 December 2023 amounted to EUR 2,7 thousand (2022: HRK 5 thousand / EUR 660).

The sensitivity of currency risk measurement is carried out using monthly stress tests. Stress test is based on the simulation of the exchange rate fluctuation with respect to the openness of the position of the most significant currencies (EUR, USD, CHF, AUD). Data used are based on the historical movements of the Kuna exchange rate according to the 4 most significant currencies mentioned above in the last 2 years.

When performing the testing, 3 levels of intensity are carried out: the geometric mean of the exchange rate fluctuations that exclude extreme fluctuations; 95 percentile or maximum possible exchange rate fluctuation with 95% probability of fluctuation; 99 percentile or maximum possible exchange rate fluctuation with 99% probability of fluctuation.

in '000 EUR

Currency	Long/short position 31 December 2023	% of recognised capital	Scenario 1	Scenario 2	Scenario 3
USD - open position	28,769	0.16%	81	377	2,149
CHF - open position	20,278	0.11%	39	165	352
AUD - open position	14,869	0.08%	44	170	260
Total	-	-	**164**	**712**	**2,761**

FX assets and liabilities of the Bank as at 31 December 2023 are presented as follows:

in '000 EUR

2023	USD	Other	EUR with currency clause	Total FX equivalent		Total
ASSETS						
Cash	324	631	-	955	3,416	4,371
Receivables from the Croatian National Bank	0	0	-	-	40,109	40,109
Placements with banks	2,084	3,793	-	5,877	214	6,091
Financial assets at fair value through other comprehensive income	-	-	-	-	26	26
Financial assets at amortised cost	-	-	-	-	32,121	32,121
Loans and advances to customers	213	-	147	360	144,315	144,675
Trade receivables	-	-	-	-	196	196
Fees and commissions receivable	-	-	-	-	236	236
Receivables for third-party deposits made at court	-	-	-	-	2	2
Provisions for expected credit losses on financial assets	-	-	-	-	(70)	(70)
Total assets	**2,621**	**4,424**	**147**	**7,192**	**220,565**	**227,757**
LIABILITIES						
Liabilities to banks	12	-	-	12	424	436
Demand deposits	1,301	2,632	-	3,933	91,093	95,026
Term deposits	1,413	1,623	-	3,036	96,262	99,298
Borrowings	-	-	-	-	18,842	18,842
Trade payables	-	-	-	-	240	240
Fees and commissions payable	-	-	-	-	19	19
Liabilities for savings deposit insurance	-	-	-	-	-	-
Total liabilities	**2,726**	**4,255**	**-**	**6,981**	**206,880**	**213,861**
Net assets/liabilities	**(105)**	**169**	**147**	**211**	**13,685**	**13,896**

FX assets and liabilities of the Bank as at 31 December 2022 are presented as follows:

in '000 EUR

2022	USD	Other	EUR with currency clause	Total FX equivalent	EUR	Total
ASSETS						
Cash	353	4,060	-	6,182	32,835	43,430
Receivables from the Croatian National Bank	-	-	-	-	1,798	1,798
Placements with banks	1,406	1,021	-	2,484	56	4,967
Financial assets at fair value through other comprehensive income	-	-	17,473	24,453	39,958	81,884
Financial assets at amortised cost	-	-	-	-	5	5
Loans and advances to customers	356	-	80,212	80,732	53,022	214,322
Trade receivables	-	-	-	-	250	250
Fees and commissions receivable	-	-	-	-	248	248
Receivables for third-party deposits made at court	-	-	-	-	2	2
Provisions for expected credit losses on financial assets	-	-	-	-	(99)	(99)
Total assets	**2,115**	**5,081**	**97,685**	**113,851**	**128,075**	**346,807**
LIABILITIES						
Liabilities to banks	13	24	-	115	428	580
Demand deposits	966	3,363	-	40,330	97,677	142,336
Term deposits	1,258	1,717	-	72,086	96,317	171,378
Borrowings	-	-	-	-	18,839	18,839
Trade payables	-	-	-	-	273	273
Fees and commissions payable	-	-	-	-	14	14
Liabilities for savings deposit insurance	-	-	-	-	131	131
Total liabilities	**2,237**	**5,104**	**-**	**112,531**	**213,679**	**333,551**
Net assets/liabilities	**(122)**	**(23)**	**97,685**	**1,320**	**(85,604)**	**13,256**

33.14.2. Interest rate risk

Interest rate risk in the banking book is the risk of loss arising from possible changes in interest rates, impacting the items in the banking book. This risk arises due to a mismatch of assets and liabilities with respect to their type, base and amount of interest rates.

The risk of interest rate change is the risk of a decrease in net interest income due to changes in interest rates and a decrease in the economic value of capital due to changes in interest rates.

Interest rate risk is the result of a temporary mismatch in the revaluation of assets, liabilities and off-balance sheet items; early repayment of loans, deposit withdrawal (term and without term) or the difference in the movements of active and passive interest rates (basic (primary) risk).

The Bank's operations are subject to the risk of interest rate changes to the extent that interest-bearing assets and liabilities mature or their interest rates change in different periods or in different amounts. Risk management activities are directed to optimizing net interest income according to the Bank's business strategy, at the given market rates.

Activities of managing “asset-liability” risks are performed in the context of the Bank's sensitivity to interest rate changes. Exposure to risk of interest rate changes is a consequence of assets' and liabilities' items mismatch considering the possibility of interest rate changes, and it is supervised by applying an analysis of the assets' and liabilities' mismatch. The aim of interest rate risk management is to secure an optimal and stable net interest margin, and thus net profit. Interest rate risk is minimized by accepting deposits and approving loans as well as with investments carrying fixed interest rates.

The main elements of the interest rate risk management are as follows:

- interest rate risk sensitivity analysis;
- establishing internal limits and boundaries (limit of a decrease in economic value or maturity periods);
- control of performing/fulfilling/meeting the set limits;
- testing the resistance to stress for interest rate risk and the analysis of the results obtained;
- introducing hedging operations if required.

The table below shows the carrying amounts of the Bank's assets and liabilities at 31 December 2023, classified into categories by the earlier of contractual repricing and maturity.

in '000 EUR

2023	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest bearing	Total
ASSETS							
Cash	-	-	-	-	-	4,371	4,371
Receivables from the Croatian National Bank	40,109	-	-	-	-	-	40,109
Placements with banks	6,035	-	56	-	-	-	6,091
Financial assets at fair value through other comprehensive income	-	-	-	-	-	26	26
Financial assets at amortised cost	152	5,194	8,638	9,499	8,638	-	32,121
Loans and advances to customers	78,751	3,577	15,938	26,330	20,079	0	144,675
Trade receivables	-	-	-	-	-	196	196
Fees and commissions receivable	-	-	-	-	-	236	236
Receivables for third-party deposits made at court	-	-	-	-	-	2	2
Total assets	**125,047**	**8,771**	**24,632**	**35,829**	**28,717**	**4,831**	**227,827**
LIABILITIES							
Liabilities to banks	-	-	436	-	-	-	436
Demand deposits	95,026	-	-	-	-	-	95,026
Term deposits	3,931	8,671	10,300	71,727	2,602	2,067	99,298
Borrowings	15	15	18,753	49	10	-	18,842
Trade payables	-	-	-	-	-	240	240
Fees and commissions payable	-	-	-	-	-	19	19
Liabilities for savings deposit insurance	-	-	-	-	-	-	-
Total liabilities	**98,972**	**8,686**	**29,489**	**71,776**	**2,612**	**2,326**	**213,861**
Net assets/liabilities	26,075	85	(4,857)	(35,947)	26,105	2,505	13,966

The table below shows the carrying amounts of the Bank's assets and liabilities at 31 December 2022, classified into categories by the earlier of contractual repricing and maturity.

in '000 EUR

2022	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest bearing	Total
ASSETS							
Cash	-	-	-	-	-	37,248	37,248
Receivables from the Croatian National Bank	-	-	-	-	-	1,798	1,798
Placements with banks	2,427	-	56	-	-	-	2,483
Financial assets at fair value through other comprehensive income	3,982	9,673	32,201	3,724	7,851	-	57,431
Financial assets at amortised cost	-	-	-	-	-	5	5
Loans and advances to customers	35,118	22,029	39,252	14,700	22,490	-	133,589
Trade receivables	-	-	-	-	-	250	250
Fees and commissions receivable	-	-	-	-	-	248	248
Receivables for third-party deposits made at court	-	-	-	-	-	2	2
Total assets	**41,527**	**31,702**	**71,509**	**18,424**	**30,341**	**39,551**	**233,054**
LIABILITIES							
Liabilities to banks	-	-	466	-	-	-	466
Demand deposits	102,006	-	-	-	-	-	102,006
Term deposits	6,149	11,451	52,972	24,198	1,773	2,749	99,292
Borrowings	18,706	22	52	58	-	-	18,838
Trade payables	-	-	-	-	-	273	273
Fees and commissions payable	-	-	-	-	-	14	14
Liabilities for savings deposit insurance	-	-	-	-	-	131	131
Total liabilities	**126,861**	**11,473**	**53,490**	**24,256**	**1,773**	**3,167**	**221,020**
Net assets/liabilities	**(85,334)**	**20,229**	**18,019**	**(5,832)**	**28,568**	**36,384**	**12,034**

The table below summarises effective interest rates for interest-bearing assets and liabilities.

u %

	2023	2022
Assets		
Cash	(0.60)-0.00	(0.50)-0.00
Placements with banks	0.00-5.15	(0.75)-0.00
Financial assets at amortised cost	(0.67)-3.65	-
Financial assets at fair value through other comprehensive income	-	(0.07)-1.29
Loans and advances to customers	1.48-8.21	2.01-6.70
Equity and liabilities		
Liabilities to banks	0.00-0.25	0.01-0.03
Demand deposits	0.00-0.05	0.00-0.05
Term deposits	0.00-4.00	0.01-1.20
Borrowings	0.03-4.58	(0.10)-0.40

33.14.3. Price risk

Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The risk is managed by setting maximum volumes, limits and other restrictions. The Bank manages this risk by regularly measuring, monitoring and reporting on the duration and prescribed limits according to the financial asset model fair value through OCI and at amortised cost.

33.15. Market risk measurement techniques

Measurement techniques used for measuring and controlling market risks are the Value at Risk (VaR) method and stress tests.

VaR method

The VaR method measures the Bank's maximum loss (the maximum expected loss) in case of unfavourable movements in FX exchange rates in a set time interval under normal market conditions and the set level of reliability on the basis of historical data.

Currency exposure limits and limitations

The Bank defines its basic position limit by maintaining the open foreign currency position within 2% of eligible capital, i.e. the targeted open foreign currency position on the last day of the month is less than 2% of eligible capital.

Within a month, the Bank may use the following position limits as follows, provided that:

- the total open FX position does not exceed 25% of the Bank's regulatory capital,
- the maximum allowed open FX position in USD and CHF amounts to 10% of the regulatory capital,
- the maximum allowed open FX position in AUD amounts to 5% of the regulatory capital.
-

	Internal limit	on 31 December 2023
Bank's total open FX position	25.00%	0.36%
Maximum open FX position in USD	10.00%	0.16%
Maximum open FX position in CHF	10.00%	0.12%
Maximum open FX position in other currencies	5.00%	0.08%

Daily VAR calculation

In accordance with the provisions of the Basel II agreement on market risk measurement, the Bank has opted for the VaR method for calculating its FX position exposure to changes in foreign currency exchange rates (the impact of unfavourable movements in rates on the amount of open FX position).

For calculating VAR, the Bank develops the application of the Variance-Covariance Model, which implies the assessment of the present open risk on the basis of movements in exchange rates.

The Risk Management Department reports on the Bank's FX Department under Value-at-Risk methodology on a daily basis, and to the ALCO at their meetings.

Stress tests

Stress testing is a risk management technique used for assessing potential impacts of specific events and/or changes in several risk factors on the Bank's financial position.

The purpose of the stress testing is to determine whether the Bank has an appropriate level of capital in case of the occurrence of specific events and/or changes in several risk factors. These are unfavourable events that are difficult to foresee (extreme, but possible) and that impact the Bank's capital, risk profile and profit. The stress test may be divided into the scenario analysis and sensitivity analysis.

The scenario analysis is a type of stress test which estimates the impact of simultaneous changes of several risk factors on the Bank's financial position in clearly defined stress circumstances. The sensitivity analysis is a type of stress test which estimates the impact of a particular risk factor on the Bank's financial position without the stress cause being identified. The stress test is performed semi-annually.

In performing liquidity stress tests, the Bank assumes a liquidity shock on the market, such as deposit withdrawal or inability to place on the market the instruments the Bank possesses without incurring significant loss. In doing so, potential outflows are estimated under scenario and sensitivity analyses. In defining a scenario, the Bank considers the circumstances that may arise upon the expiry of a significant volume of deposits or losing a part of its unsecured sources of funding, including deposits from major customers etc. The baseline scenarios used for the purpose of the analysis, with individual factors having two levels of disturbance intensity, are defined as follows:

- Internal Bank crisis
- Market crisis
- A combination of both

VaR is not used in performing liquidity stress tests, as in extreme circumstances the losses exceed the expected losses in a much larger number of instances than envisaged using VaR.

Stress testing interest rate risk in the banking book

Interest rate risk is the risk arising from non-trading book activities (hereinafter: IRRBB) is the current or prospective risk to both the earnings and the economic value arising from adverse movements in interest rate that affect interest rate sensitive instruments, including gap risk, basis risk and option risk.

When performing stress testing, the Bank uses the gap analysis of the impact of the interest rate gap on the expected annual interest margin with a parallel interest rate shock of 100 basis points. The interest margin loss is calculated for currencies that make up at least 5% of the total balance sheet.

The limit defining the impact on the annual interest margin is 13% of total net interest income.
The change in economic value in relation to regulatory capital/Tier 1 capital, calculated according to the methodology of the Croatian National Bank as at 31 December 2023, is as follows:

	Internal limit	Internal early warning system	As at 31 December 2023
Δ EVE – regulatory shocks/Regulatory capital	< 16%	>16%	10.71%
Δ EVE – 6 additional shocks/Tier 1 capital	< 11%	>11%	10.71%
Annual interest margin loss/Net interest income	<1%	<0.5%	13.02%

33.16. Operating risk

The Bank is exposed to operational risk in all its business activities. The objective of operational risk management is to identify all occurrences of operational risk, to control and minimise operational risk exposure.

The Bank seeks to achieve optimum operational risk management in accordance with the principles defined by the Bank's regulator and policies, with a view to mitigating and avoiding operational risks. In this regard, the Bank collects data on operational risk events, monitors key risk indicators, conducts scenario analysis, assesses operational risk in its operations, reports to Management on operational risk exposure and proposes measures to reduce, avoid and transfer operational risk.

34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is defined as the price that would be received from selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date, the so-called exit price. Financial assets measured at fair value through other comprehensive income are stated at fair value. The table below summarises the year-end fair value estimates made by the Management Board.

The table below summarises the year-end fair value estimates made by the Management Board.

in '000 EUR

	Carrying value		Fair value	
	2023	2022	2023	2022
Financial assets				
Cash	4,371	37,248	4,371	37,248
Receivables from the Croatian National Bank	40,109	1,798	40,109	1,798
Placements with banks	6,091	2,484	6,091	2,484
Loans and advances to clients	144,675	133,589	139,876	130,934
Financial assets at FVOCI	26	57,430	26	57,430
Financial assets at amortized cost	32,121	5	32,121	5
Financial liabilities				
Deposits from banks	436	466	436	466
Deposits from clients	194,324	201,298	188,827	201,278
Borrowings	18,842	18,839	18,842	18,839

Loans and receivables from clients and deposits from clients represent aggregate balances received from/owed to corporate and retail customers that bear interest at different average variable rates, and their effects are presented separately in the following tables.

in '000 EUR

	Carrying value		Fair value	
	2023	2022	2023	2022
Corporate				
Financial assets				
Loans and receivables from clients	79,269	77,152	78,977	76,985
Financial liabilities				
Deposits from clients	59,513	67,737	59,510	67,726
Retail				
Financial assets				
Loans and receivables from clients	65,406	56,437	60,899	53,949
Financial liabilities				
Deposits from clients	134,811	137,758	129,317	133,552

The table below summarizes the hierarchy of fair values of financial assets and liabilities:

in '000 EUR

	2023			2022		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets						
Cash	2,792	1,579	-	4,811	32,437	-
Receivables from the Croatian National Bank	-	40,109	-	-	1,798	-
Placements with banks	-	6,091	-	-	2,484	-
Loans and receivables from clients	-	139,876	-	-	130,934	-
Financial assets at FVOCI	-	-	26	9,575	47,829	26
Financial assets at amortised cost	24,117	7,946	58	-	5	-
						-
Financial liabilities						**-**
Deposits from banks	-	436	-	-	466	-
Deposits from clients	-	92,338	-	-	101,994	-
Loans taken	-	96,489	-	-	99,283	-
Borrowings	-	18,842	-	-	18,839	-

An overview of key methods and assumptions used in estimating the fair values of financial instruments is set out below.

Loans and receivables from banks

Loans and receivables are reported net of provision for impairment. The estimated fair value of loans and receivables represents the discounted amount of future cash flows. Future cash flows are discounted using the current market rates to arrive at the fair value.

Loans and receivables from clients

Loans and receivables are reported net of provision for impairment. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows. Future cash flows are discounted using current market rates to arrive at their fair value. Future expected losses are not considered, and no adjustment is performed to reflect any amounts doubtful of collection (including timing uncertainty) for exposures under due and reprogrammed amounts as well as under exposures not yet due but required to be monitored more closely.

Deposits from banks

The fair value estimate of fixed-maturity deposits is based on expected cash flows discounted at currently valid market rates on deposits with similar remaining maturities, however, the fair value cannot be lower than the nominal amount for those deposits that may be called by customers at any time.

Due to their short maturity, Management considers that their carrying amounts do not differ from their fair values.

Deposits from clients

The fair value estimate of fixed-maturity deposits is based on cash flows discounted at currently valid market rates on deposits with similar remaining maturities, however, the fair value cannot be lower than the nominal amount for those deposits that may be called by clients at any time. The value of client relationships is not taken into account in fair value evaluation.

35. CAPITAL MANAGEMENT

The main goal in managing the Bank's capital is to ensure the compliance with all regulatory capital requirements and maintain the credit rating and total capital rate to improve operations.

The Bank manages its capital structure and adjusts it in accordance with changes in economic conditions and the characteristics of its business risks.

In managing capital, the Bank also follows the principles of:

- Compliance with all legally prescribed capital requirements
- Maintaining the Bank's ability to continue as a going concern and achieve the Bank's objectives
- Maintaining a strong capital base that will enable a continued and sustainable development with the aim to achieve positive results in the statement of profit or loss.

The Bank's regulatory capital and the total capital rate, calculated in accordance with the requirements of Regulation (EU) No. 575/2013 only for the Bank, were as follows:

in '000 EUR

	2023	2022
Regulatory capital		
Tier 1 capital		
Issued share capital	62,990	62,990
Share premium	-	-
Accumulated loss	(42,610)	(45,079)
Legal, statutory and other reserves	-	-
Deductions according to the Regulation (EU) No. 575/2013 /i/	(342)	(1,194)
Total Tier 1 capital	20,038	16,717
Additional capital		
Total additional capital	-	-
Deductions from investments in banks and other financial institutions	-	-
Total regulatory capital	**20,038**	**16,717**

/i/ The amount includes intangible assets, unrealised losses on financial assets at fair value through other comprehensive income and 0.1% on the entire portfolio of financial assets and liabilities measured at fair value.

At 31 December 2023, the Bank's regulatory capital amounted to EUR 20,038 thousand (2022: EUR 16,717 thousand).

in '000 EUR

	2023	2022
Total capital ratio according to Regulation EU No. 575/2013		
Capital requirements		
Credit risk exposure	6,436	5,713
Balance sheet items	5,822	5,516
Off-balance sheet items	614	196
Currency risk exposure	-	
Operational risk exposure	1,328	1,196
Capital requirements for total capital ratio	**7,764**	**6,909**
Additional capital requirements		
Capital requirements for prescribed additional capital rate	2,107	1,957
Capital conservation buffer	2,426	1,785
Systemic risk buffer	1,456	1,071
Countercyclical capital buffer	970	
Total capital requirements	**14,723**	**11,722**
Common Equity Tier 1 capital ratio	**20,65%**	**19,36%**
Tier 1 capital ratio	**20,65%**	**19,36%**
Total capital ratio	**20,65%**	**19,36%**

The comparative information presents the total capital ratio in accordance with the requirements of Regulation (EU) No. 575/2013. As at 31 December 2023, the total capital ratio was 20.65% (2022: 19.36%).

As at 31 December 2023, the Bank meets all capital requirements as at 31 December 2022.

Legal reserves

The Companies Act requires that 5% of profit for the year is added to this reserve until 5% of issued share capital is reached. The legal reserve, amounting to 5% of the issued share capital, may be used to cover the current and prior year losses.

Fair value reserve

The fair value reserve includes unrealized gains and losses on changes in fair value of financial assets through other comprehensive income as well as foreign exchange differences resulting from non-monetary financial assets through other comprehensive income.

Accumulated loss

Accumulated loss includes losses accumulated from previous years.

36. CONCENTRATION OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS

The concentration of assets, liabilities and off-balance sheet items is presented below:

in '000 EUR

	2023			2022		
	Assets	Liabilities	Off-balance sheet items	Assets	Liabilities	Off-balance sheet items
Geographical region						
Republic of Croatia	227,755	226,054	32,650	30,845	30,630	3,319
Europe	8,576	4,532	0	1,048	657	-
Other	1,095	6,840	0	323	929	-
Total by geographical region	**237,426**	**237,426**	**32,650**	32,216	32,216	3,319
Sector						
Republic of Croatia (state)	27,492	6,066	361	7,118	511	41
Croatian National Bank	41,070	18,581	-	3,965	6,430	-
Trade and commerce	7,467	3,207	2,926	920	501	447
Finance	7,240	1,246	523	954	776	71
Tourism	3,076	272	212	251	39	23
Agriculture	16,807	1,151	1,022	1,965	102	106
Industry	66,207	5,550	19,899	8,719	768	1,638
Individuals	52,582	134,554	2,202	6,221	19,657	280
Other	15,485	66,799	5,505	2,103	3,431	712
Total by sector	**237,426**	**237,426**	**32,650**	**96,648**	**96,647**	**9,956**

37. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

The date of adoption of this Report is 15 March 2024.

Signed on behalf of the Management Board:

15 March 2024

Danijel Luković
President of the Management Board

Katarina Stanić
Member of the Management Board

SUPPLEMENTARY REPORT FOR THE CROATIAN NATIONAL BANK

The basic financial statements provided below were prepared within the reporting framework and the basic financial statements stipulated by the CNB's Decision on the structure and content of annual financial statements of banks (hereinafter referred to as the 'Decision').

Statement of financial position (Balance sheet)

Statement of financial position (Balance sheet)
as at 31 December 2023

Form BAN-BIL

Entity: CROATIA BANKA d.d.

Item	AOP mark	Note no.	Previous year (net)	Current year (net)
1	2	3	4	5
Assets				
1. Cash, cash receivables from central banks and other demand deposits (AOP 002 to 004)	001	-	37,248,170	44,635,070
1.1. Cash on hand	002		4,810,617	2,791,566
1.2. Cash receivables from central banks	003		27,995,021	41,067,396
1.3. Other demand deposits	004		4,442,532	776,108
2 Financial assets held for trading (AOP 006 to 009)	005		-	-
2.1. Derivatives	006		-	-
2.2. Equity instruments	007		-	-
2.3. Debt securities	008		-	-
2.4. Loans and advances	009		-	-
3. Financial assets that are not traded and that must be carried at fair value through profit or loss (AOP 011 to 013)	010		-	-
3.1. Equity instruments	011		-	-
3.2. Debt securities	012		-	-
3.3. Loans and advances	013		-	-
4. Financial assets at fair value through profit or loss (AOP 015 to 016)	014		-	-
4.2. Debt securities	015		-	-
4.3. Loans and advances	016		-	-
5. Financial assets at fair value through other comprehensive income (AOP 018 to 020)	017		57,430,313	26,068
5.1. Equity instruments	018		26,068	26,068
5.1. Debt securities	019		57,404,245	-
5.2. Loans and advances	020		-	-
6. Financial assets at amortised cost (AOP 022+023)	021		142,064,929	186,975,018
6.1. Debt securities	022		-	32,121,567
6.2. Loans and advances	023		142,064,929	154,853,451
7. Derivatives - hedge accounting	024		-	-
8. Changes in fair value of hedged items in hedging the portfolio against interest rate risk	025		-	-
9. Investments in subsidiaries, joint ventures and associates	026		-	-
10. Tangible assets	027		5,636,003	5,779,298
11. Intangible assets	028		662,829	793,517
12. Tax assets	029		507,977	77,352
13. Other assets	030		832,866	782,303
14. Non-current assets and disposal groups held for sale	031		-	-
15. TOTAL ASSETS (AOP 001 + 005 + 010 + 014 + 017 + 021 + 024 to 031)	032		244,383,087	239,068,626

Item	AOP mark	Note no.	Previous year (net)	Current year (net)
1	2	3	4	5
Liabilities				
16. Financial liabilities held for trading (AOP 034 to 038)	033		-	-
16.1. Derivatives	034		-	-
16.2. Short-term items	035		-	-
16.3. Deposits	036		-	-
16.4. Debt securities issued	037		-	-
16.5. Other financial liabilities	038		-	-
17. Financial liabilities at fair value through profit or loss (AOP 040 to 042)	039		-	-
17.1. Deposits	040		-	-
17.2. Debt securities issued	041		-	-
17.3. Other financial liabilities	042		-	-
18. Financial liabilities at amortised cost (AOP 044 to 046)	043		220,878,515	214,191,969
18.1. Deposits	044		220,583,604	213,852,766
18.2. Debt securities issued	045		-	-
18.3. Other financial liabilities	046		294,911	339,203
19. Derivatives - hedge accounting	047		-	-
20. Changes in fair value of hedged items in hedging the portfolio against interest rate risk	048		-	-
21. Provisions	049		3,764,207	1,147,874
22. Tax payable	050		38,790	51,033
23. Share capital repayable on demand	051		-	-
24. Other liabilities	052		3,140,446	3,297,729
25. Liabilities of disposal groups held for sale	053		-	-
26. TOTAL LIABILITIES (AOP 033 + 039 + 043 + 047 to 053)	054		227,821,958	218,688,605
Capital				
27. Share capital	055		62,990,245	62,990,245
28. Share premium	056		-	-
29. Issued equity instruments except for equity	057		-	-
30. Other equity instruments	058		-	-
31. Accumulated other comprehensive income	059		(1,350,145)	-
32. Retained earnings	060		(47,137,803)	(45,078,971)
33. Revaluation reserves	061		-	-
34. Other reserves	062		-	-
35. Treasury shares	063		-	-
36. Profit or loss attributable to owners of the parent company	064		2,058,832	2,468,747
37. Dividends for the year	065		-	-
38. Minority (non-controlling) interests	066		-	-
39. TOTAL EQUITY (AOP 055 to 066)	067		16,561,129	20,380,021
40. TOTAL LIABILITIES AND EQUITY (AOP 054+067)	068		244,383,087	239,068,626

Income statement for the period from 1 January 2023 to 31 December 2023 - BAN-RDG form

Entity: CROATIA BANKA d.d.				
Item	**AOP mark**	**Note no.**	**Previous year**	**Current year**
1	**2**	**3**	**4**	**5**
1. Interest income	069		6,424,016	9,572,396
2. Interest expense	070		479,810	541,028
3. Expenses from share capital repayable on demand	071		-	-
4. Dividend income	072		-	-
5. Fee and commission income	073		1,920,289	2,051,748
6. Fee and commission expense	074		440,290	476,395
7. Gains or losses on derecognition of financial assets and liabilities not carried at fair value through profit or loss, net	075		-55,801	-
8. Gains or losses on financial assets and liabilities held for trading, net	076		548,926	196,033
9. Gains or losses on financial assets not traded and carried at fair value through profit or loss, net	077		-	-
10. Gains or losses on financial assets and liabilities at fair value through profit or loss, net	078		-	-
11. Hedging gains/losses, net	079		-	-
12. Foreign exchange gains or losses, net	080		-41,633	-15,512
13. Gains or losses on derecognition of investments in subsidiaries, joint ventures and associates, net	081		-	-
14. Gains or losses on derecognition of non-financial assets, net	082		-	-
15. Other operating income	083		1,625,839	1,017,379
16. Other operating expenses	084		38,493	73,126
17. TOTAL OPERATING INCOME; NET (AOP 069 - 070 - 071 + 072 + 073 - 074 + 075 to 082 - 083)	085		9,463,043	11,731,495
18. Administrative expenses	086		6,569,316	7,371,100
19. Contributions in cash to rehabilitation committees and deposit insurance schemes	087		134,108	116,837
20. Depreciation and amortisation	088		379,160	356,667
21. Gains or losses on changes, net	089		290	1,720
22. Provisions or reversal of provisions	090		-863,907	639,464
23. Impairment or reversal of impairment of financial asset not carried at fair value through profit or loss	091		986,661	643,700
24. Impairment or reversal of impairment of investments in subsidiaries joint ventures and associates	092		-	-
25. Impairment or reversal of impairment of non-financial assets	093		11,700	8,476
26. Negative goodwill recognised in profit or loss	094		-	-
27. Share of profit or loss on investments in subsidiaries, joint ventures and associates accounted for using the equity method	095		-	-
28. Gains or losses on non-current assets and disposal group classified as held for sale not qualifying for classification as discontinued operations	096		-	-
29. PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS (AOP 085 - 086 to 088 + 089 - 090 to 093+ 094 to 096)	097		2,246,295	2,596,971
31. PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS (AOP 097 - 098)	098		187,464	128,224
32. Profit or loss after tax from discontinued operations (AOP 097 - 098)	099		2,058,831	2,468,747
32. Profit or loss after tax from discontinued operations (AOP 097 - 098)	100		-	-
32.1. Profit or loss before tax from discontinued operations	101		-	-
32.2. Tax expense or income relating to discontinued operations	102		-	-
33. PROFIT OR LOSS FOR THE YEAR (AOP 097 + 098; 102 + 103)	103		2,058,831	2,468,747
34. Attributable to minority (non-controlling) interest	104			
35. Attributable to owners of the parent company	105			

STATEMENT OF OTHER COMPREHENSIVE INCOME				
1. Profit or loss for the year (AOP 103)	106		2,058,831	2,468,747
2. Other comprehensive income (AOP 108 to 120)	107		(1,178,819)	-
2.1. Items that will not be reclassified to profit or loss (AOP 109 to 115 + 119)	108		-	-
2.1.1. Tangible assets	109		-	-
2.1.2. Intangible assets	110		-	-
2.1.3. Actuarial gains or losses on defined benefit pension plans	111		-	-
2.1.4. Non-current assets and disposal groups held for sale	112		-	-
2.1.5. Share of other recognised income and expenses from entities accounts for using the equity method	113		-	-
2.1.6. Changes in fair value of equity instruments carried at fair value through other comprehensive income	114		-	-
2.1.7. Gains or losses on hedge accounting of equity instruments carried at fair value through other comprehensive income, net	115		-	-
2.1.8. Changes in fair value of equity instruments carried at fair value through other comprehensive income	116		-	-
2.1.9. Changes in fair value of equity instruments carried at fair value through other comprehensive income (hedging instrument)	117		-	-
2.1.10. Changes in fair value of financial liabilities carried at fair value through profit or loss attributable to changes in credit risk	118		-	-
2.1.11. Income tax relating to items that will not be reclassified	119		-	-
2.2. Items that may be reclassified to profit or loss (AOP 121 to 128)	120		(1,178,819)	-
2.2.1. Net investment in foreign operations hedge (effective share)	121		-	-
2.2.2. Foreign currency translation	122		-	-
2.2.3. Cash flow hedges (effective share)	123		-	-
2.2.4. Hedging instruments (not determined elements)	124		-	-
2.2.5. Debt instruments at fair value through other comprehensive income	125		(1,439,716)	-
2.2.6. Non-current assets and disposal groups held for sale	126		-	-
2.2.7. Share of other recognised income and expenses from investments in subsidiaries, joint ventures and associates	127		-	-
2.2.8. Income tax on items that may be reclassified to profit or loss	128		260,897	-
3. Total comprehensive income for the year (AOP 106 + 107 and AOP 130 + 131)	129		880,012	2,468,747
4. Attributable to minority (non-controlling) interest	130		-	-
5. Attributable to owners of the parent company	131		880,012	2,468,747

Statement of cash flows (indirect method) - BAN-NTI form

Entity: CROATIA BANKA d.d.				
Item	**AOP mark**	**Note no.**	**Previous year**	**Current year**
1	**2**	**3**	**4**	**5**
Operating activities and adjustments				
1. Profit/loss before tax	001		2,246,296	2,596,970
2. Impairment losses and provisions	002		75,247	1,293,628
3. Depreciation and amortisation	003		379,160	499,639
4. Net unrealised gains/losses on financial assets and liabilities at fair value through profit or loss	004		(493,125)	(196,033)
5. Gains/losses on sale of tangible assets	005		(746,753)	(182,495)
6. Other non-cash items	006		502,829	-1,071,855
Movements in assets and liabilities from operating activities				
7. Deposits with CNB	007		9,306,875	(38,310,824)
8. Deposits with financial institutions and loans to financial institutions	008		-	-
9. Loans and advances to other customers	009		(24,647,270)	(13,699,191)
10. Securities and other financial instruments at fair value through other comprehensive income	010		9,597,758	-27,221,000
11. Securities and other financial instruments held for trading	011		-	-
12. Securities and other financial instruments not actively traded but carried at fair value through profit or loss	012		-	-
13. Securities and other financial instruments mandatorily carried at fair value through profit or loss	013		-	-
14. Securities and other financial instruments carried at amortised cost	014		314,229	186,975,018
15. Other assets from operating activities	015		7,139,950	(105,720,162)
Increase/decrease in operating liabilities				
16. Deposits from financial institutions	016		(421,659)	(384,470)
17. Transaction accounts of other customers	017		13,674,160	(50,009,300)
18. Savings deposits of other customers	018		(64,349)	10,812,185
19. Term deposits of other customers	019		(13,826,581)	(3,630)
20. Derivative financial liabilities and other trading liabilities	020		-	-
21. Other liabilities	021		1,426,252	169,527
22. Outstanding interest from operating activities	022		5,932,016	8,475,713
23. Dividend received from operating activities	023		-	-
24. Interest paid from operating activities	024		(81,012)	(68,221)
25. Income tax paid	025		-	-
A) Net cash flows from operating activities (AOP 001 to 025)	026		10,314,023	(26,044,501)
Investing activities				
1. Proceeds from sale/payments for purchases/of tangible and intangible assets	027		2,284,921	(148,675)
2. Proceeds from sale/payments for purchases/investments in subsidiaries, join ventures and associates	028		-	-
3. Proceeds from collection/payments for purchases/of securities and other financial instruments from investing activities	029		-	-
4. Dividends received from investing activities	030		-	-
5. Other proceeds/payments from investing activities	031		-	-
B) Net cash flows from investing activities (AOP 027 to 031)	032		2,284,921	-148,675
Financing activities				
1. Net increase/decrease in borrowings from financing activities	033		(2,056,274)	(43,571)
2. Net increase/decrease in issued debt securities	034		-	-
3. Net increase/decrease in instruments of additional capital	035		-	-
4. Share capital increase	036		-	-
5. Dividend paid	037		-	-
6. Other proceeds/payments from financing activities	038		(2,194,970)	(3,101,000)
C) Net cash flows from financing activities (AOP 033 to 038)	039		(4,251,244)	(3,144,571)
D) Net increase/decrease in cash and cash equivalents (AOP 026+032+039)	040		8,347,700	(29,337,747)
Cash and cash equivalents at beginning of year	041		31,496,267	39,731,680
Effects of foreign currency exchange rate fluctuations on cash and cash equivalents	042		(112,287)	66,887
Cash and cash equivalents at end of year (AOP 040+041+042)	043		39,731,680	10,460,820

CHANGES OF EQUITY for the period from 1 January 2023 to 31 December 2023 – BANK-PK form

Item	AOP mark	Note no	Attributable to equity holders of the parent											Minority interest		Total
			Equity	Share premium	Issued equity instruments except for equity	Other equity stakes	Accumulated other comprehensive income	Retained earnings	Revaluation reserves	Other reserves	Treasury shares	Profit/ loss attributable to owners of the parent company	Dividends for the year	Accumulated other comprehensive income	Other items	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17 (4 do 16)
1. Opening balance (before restatement)	01		62,990,245				(1,350,145)	(47,137,803)				2,058,832				16,561,129
2. Effects of corrections of errors	02															-
3. Effects of changes in accounting policies	03															-
4. Opening balance (current period) (AOP 01 to 03)	04		62,990,245	-	-	-	(1,350,145)	(47,137,803)	-	-	-	2,058,832	-	-	-	16,561,129
5. Issue of ordinary shares	05															-
6. Issue of preference shares	06															-
7. Issue of other equity instruments	07															-
8. Execution or expiry of other issued equity instr.	08															-
9. Debt to equity swaps	09															-
10. Capital reduction	10															-
11. Dividends	11															-
12. Purchase of treasury shares	12															-
13. Sale or extinguishment of treasury shares	13															-
14. Reclassification of financial instruments from equity instruments to liabilities	14															-
15. Reclassification of financial instruments from liabilities to equity instruments	15															-
16. Transfers between equity instr. components	16							2,058,832				(2,058,832)				-
17. Increase or decrease in equity instruments resulting from business combinations	17															-
18. Share-based payments	18															-
19. Other increase or decrease in equity instruments	19						1,350,145									1,350,145
20. Total comprehensive income for the year	20											2,468,747				2,468,747
21. Closing balance (current period) (AOP 04 to 20)	21		62,990,245	-	-	-	-	(45,078,971)	-	-	-	2,468,747	-	-	-	20,380,021

Balance sheet reconciliation as at 31 December 2023

Mismatches of items in the balance sheet disclosed in the Annual Report in relation to the standard prescribed in CNB's Decision relate to the following categories:

in '000 EUR

Item		CNB Decision	Annual Report	Difference
1. Cash, cash receivable from central banks and other demand deposits	001	44,635	50,571	(5,936)
1.1. Cash on hand	002	2,792	-	2,792
1.2. Cash receivables from central banks	003	41,067	-	41,067
1.3. Other demand deposits	004	776	-	776
Cash		-	4,371	(4,371)
Receivables from the Croatian National Bank		-	40,109	(40,109)
Placements with banks		-	6,091	(6,091)
2. Financial assets held for trading (AOP 006 to 009)	005	-	-	-
2.1. Derivatives	006	-	-	-
2.2. Equity instruments	007	-	-	-
2.3. Debt securities	008	-	-	-
2.4. Loans and advances	009	-	-	-
3. Financial assets that are not traded and mandatorily carried at fair value through profit or loss (AOP 011 to 013)	010	-	-	-
3.1. Equity instruments	011	-		-
3.2. Debt securities	012	-		-
3.3. Loans and advances	013	-		-
Financial assets at fair value through profit or loss		-	-	-
4. Financial assets at fair value through profit or loss (AOP 015+016)	014	-	-	-
4.2. Debt securities	015	-	-	-
4.3. Loans and advances	016	-	-	-
5. Financial assets at fair value through other comprehensive income (AOP 018 to 020)	017	28	26	2
5.1. Equity instruments	018	26	-	26
5.1. Debt securities	019	2	-	2
5.2. Loans and advances	020	-	-	-
Financial assets at fair value through profit or loss		-	26	(26)
6. Financial assets at amortised cost (AOP 022+023)	021	186,975	176,796	10,179
6.1. Debt securities	022	32,122	-	32,122
Financial assets at amortised cost		-	32,121	(32,121)
6.2. Loans and advances	023	154,853	-	154,853
Loans and advances to customers		-	144,675	(144,675)
7. Derivatives - hedge accounting	024	-	-	-
8. Changes in fair value of hedged items in hedging the portfolio against interest rate risk	025	-	-	-
9. Investments in subsidiaries, joint ventures and associates	026	-	-	-
10. Tangible assets	027	5,779	0	5,779
Investment properties		-	4,758	(4,758)
Property, plant and equipment		-	893	(893)
Foreclosed assets		-	713	(713)
11. Intangible assets	028	794	0	794
Intangible assets		-	920	(920)
12. Tax assets	029	77	-	77
Deferred tax assets		-	77	(77)
13. Other assets	030	782	-	782
Other assets		-	2,672	(2,672)
14. Non-current assets and disposal groups held for sale	031	-	-	-
15. TOTAL ASSETS (AOP 001+005+010+014 +017+021+024 to 031)	032	239,070	237,426	1,644

in '000 EUR

Item		CNB Decision	Annual Report	Difference
Liabilities				
16. Financial liabilities held for trading (AOP 034 to 038)	033	-	-	-
16.1. Derivatives	034	-	-	-
16.2. Short-term items	035	-	-	-
16.3. Deposits	036	-	-	-
16.4. Debt securities issued	037	-	-	-
16.5. Other financial liabilities	038	-	-	-
17. Financial liabilities at fair value through profit or loss (AOP 040 to 042)	039	-	-	-
17.1. Deposits	040	-	-	-
17.2. Debt securities issued	041	-	-	-
17.3. Other financial liabilities	042	-	-	-
18. Financial liabilities at amortised cost (AOP 044 to 046)	043	214,192	213,602	590
18.1. Deposits	044	213,853	-	213,853
18.2. Debt securities issued	045	-	-	-
18.3. Other financial liabilities	046	339	-	339
Liabilities to banks		-	436	(436)
Demand deposits		-	95,026	(95,026)
Term deposits		-	99,298	(99,298)
Borrowings		-	18,842	(18,842)
19. Derivatives - hedge accounting	047	-	-	-
20. Changes in fair value of hedged items in hedging the portfolio against interest rate risk	048	-	-	-
21. Provisions	049	1,148	1,185	(37)
22. Tax payable	050	51	-	51
23. Share capital repayable on demand	051	-	-	-
24. Other liabilities	052	3,299		3,299
Other liabilities		-	2,259	(2,259)
25. Liabilities of disposal groups held for sale	053	-	-	-
26. TOTAL LIABILITIES (AOP 033 + 039 + 043 + 047 to 053)	054	218,690	217,046	1,644
Equity				
27. Share capital	055	62,990	62,990	-
28. Share premium	056	-	-	-
29. Issued equity instruments except for equity	057	-	-	-
30. Other equity instruments	058	-	-	-
31. Accumulated other comprehensive income	059	-	-	-
32. Retained earnings	060	(45,079)	(42,610)	(2,469)
33. Revaluation reserves	061	-	-	-
34. Other reserves	062	-	-	-
35. Treasury shares	063	-	-	-
36. Profit or loss attributable to owners of the parent company	064	2,469	0	2,469
37. Dividends for the year	065	-	-	-
38. Minority (non-controlling) interests	066	-	-	-
39. TOTAL EQUITY (AOP 055 to 066)	067	20,380	20,380	0
40. TOTAL CAPITAL AND RESERVES (AOP 054+067)	068	239,070	237,426	1,644

ASSETS

Cash on hand, Cash receivable from central banks and Other demand deposits are items separately disclosed under the CNB standard, while in the Annual Report those items are disclosed within Cash, Receivables from the CNB and Placements with banks.

In the Annual Report, Loans and advances to customers include amounts of principal and accrued interest, less any loan prepayments and collected interest income relating to future periods. In the CNB report, the principal and interest amounts net of the accrued interest income of the future period , are disclosed under Loans and advances (at amortised cost) and the amounts of the loan prepayments are disclosed under Other liabilities (not offset). Other receivables are disclosed within Loans and advances in the CNB Report, while in the Annual Report they are disclosed within Other assets.

Also, the item Tangible assets consists of the inventory amount in the CNB report, while inventories in the Annual Report are disclosed within Other assets. Foreclosed assets are disclosed separately in the Annual Report, while they are disclosed within Other assets in the CNB report.

Finally, the balance sheet disclosed in the Annual Report and the CNB Report differ due to the reduction in the prepayment of Loans and advances in the Annual Report and offsetting tax assets and deferred tax liabilities

LIABILITIES AND EQUITY

Financial liabilities carried at amortised cost disclosed in the CNB report in the Annual Report are disclosed within Liabilities to Banks, Demand Deposits, Term Deposits and Borrowings. The difference in amounts refers to Deposits for Custody and Brokerage Services that are reported in the CNB Statement under Other Liabilities and Fees and Commissions payable that are disclosed within Other Liabilities in the Annual Report.

Income statement reconciliation as at 31 December 2023

in '000 EUR

Item		CNB Decision	Annual Report	Difference
1. Interest income	069	9,572	9,569	3
2. Interest expense	070	541	538	3
3. Expenses from share capital repayable on demand	071	-	-	-
4. Dividend income	072	-	-	-
Credit loss allowances		-	(738)	738
5. Fee and commission income	073	2,052	2,050	2
6. Fee and commission expense	074	476	476	0
Provisions and impairment			(555)	555
7. Gains or losses on derecognition of financial assets and liabilities not carried at fair value through profit or loss, net	075	-	-	-
8. Gains or losses on financial assets and liabilities held for trading, net	076	196		196
Gains less losses from financial instruments measured at fair value through other comprehensive income		-	-	-
Gains less losses from financial instruments measured at fair value through profit or loss		-	-	-
Gains less losses arising from dealing in foreign currencies			196	(196)
Gains less losses from modifications to financial assets measured at amortised cost that are not caused by derecognition		-	2	-2
9. Gains or losses on financial assets not traded and carried at fair value through profit or loss, net	077	-	-	-
10. Gains or losses on financial assets and liabilities at fair value through profit or loss, net	078	-	-	-
11. Hedging gains/losses, net	079	-	-	-
12. Foreign exchange gains or losses, net	080	(16)		(16)
Gains less foreign exchange losses			(16)	16
13. Gains or losses on derecognition of investments in subsidiaries, joint ventures and associates, net	081	-	-	-
14. Gains or losses on derecognition of non-financial assets, net	082	-	-	-
Lease income			588	(588)
15. Other operating income	083	1,017	614	403
16. Other operating expenses	084	73	-	73
17. TOTAL OPERATING INCOME; NET (AOP 069 - 070 - 071 + 072 + 073 - 074 + 075 to 083 - 084)	085	11,731	10,696	1,035
18. Administrative expenses	086	7,371	-	7,371
19. Contributions in cash to rehabilitation committees and deposit insurance schemes	087	117	-	117
Staff costs			(4,017)	4,017
20. Depreciation and amortisation	088	357	(357)	-
Other operating expenses		-	(3,725)	3,725
21. Gains or losses on changes, net	089	2	-	2
22. Provisions or reversal of provisions	090	639	-	639
23. Impairment or reversal of impairment of financial assets not carried at fair value through profit or loss	091	644	-	644
24. Impairment or reversal of impairment of investments in subsidiaries joint ventures and associates	092	-	-	-
25. Impairment or reversal of impairment of non-financial assets	093	8		8
26. Negative goodwill recognised in profit or loss	094	-	-	-
27. Share of profit or loss on investments in subsidiaries, joint ventures and associates accounted for using the equity method	095	-	-	-
28. Gains or losses on non-current assets and disposal group classified as held for sale not qualifying for classification as discontinued operations	096	-	-	-
29. PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS (AOP 085 - 086 to 088 088+ 089 to 093+ 094 to 096)	097	2,597	2,597	-
30. Tax expense or income relating to gains or losses on continuing operations	098	128	128	-
31. PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS (AOP 097 - 098)	099	2,469	2,469	-
32. Profit or loss after tax from discontinued operations (AOP 101 - 102)	100	-	-	-
32.1. Profit or loss before tax from discontinued operations	101	2,469	2,469	-
32.2. Tax expense or income relating to discontinued operations	102	-	-	-
33. PROFIT OR LOSS FOR THE YEAR (AOP 099 + 100; 104 + 105)	103	2,469	2,469	-
34. Attributable to minority (non-controlling) interest	104	-	-	-
35. Attributable to owners of the parent company	105	2,469	2,469	-

Differences in the items of the Income Statement published in the Annual Report and the items of the same report prepared according to the Decision of the CNB, as a rule, arise due to methodologically differently defined positions of income and expenses in those reports. For example, according to the CNB Decision, gains/losses from the purchase and sale of foreign exchange and spot transactions are shown in the position Gains or losses on financial assets and financial liabilities held for trading, net, while in the Annual Report they are shown in the position Gains less losses from trading in foreign currencies.

Cash flow statement reconciliation for 2023

in '000 EUR

Item		CNB Decision	Annual Report	Difference
Operating activities and adjustments				
1. Profit/loss before tax	001	2,597	2,597	-
2. Impairment losses and provisions	002	1,294	-	1,294
Net credit losses		-	738	(738)
Provisions and impairment		-	(555)	555
3. Depreciation and amortisation	003	500	357	143
4. Net unrealised gains/losses on financial assets and liabilities at fair value through profit or loss	004	(196)	-	(196)
Foreign exchange gains		-	(196)	196
5. Gains/losses on sale of tangible assets	005	(182)	-	(182)
6. Other non-cash items	006	(1,072)	-	(1,072)
Other (decrease) in cash flow		-	-	-
Interest received		-	(9,569)	9,569
Interest expense		-	538	(538)
Other non-cash items		-	33,062	(33,062)
Movements in assets and liabilities from operating activities				0
7. Deposits with CNB	007	(38,311)	(38,299)	(12)
8. Deposits with financial institutions and loans to financial institutions	008	-	-	-
9. Loans and advances to other customers	009	(13,699)	-	(13,699)
Decrease in loans and receivables		-	(11,086)	11,086
10. Securities and other financial instruments at fair value through other comprehensive income	010	(27,221)	-	(27,221)
11. Securities and other financial instruments held for trading	011	-	-	-
12. Securities and other financial instruments not actively traded but measured at fair value through profit or loss	012	-	-	-
13. Securities and other financial instruments mandatorily carried at fair value through profit or loss	013	-	-	-
14. Securities and other financial instruments carried at amortised cost	014	186,975	-	186,975
15. Other assets from operating activities	015	(105,721)	-	(105,721)
Decrease/(increase) in other assets		-	(448)	448
(Decrease) in other current liabilities		-	187	(187)
Increase/decrease in operating liabilities		-	-	-
16. Deposits from financial institutions	016	(384)	-	(384)
Increase in liabilities to banks		-	(30)	30
17. Transaction accounts of other customers	017	(50,009)	-	(50,009)
18. Savings deposits of other customers	018	10,812	-	10,812
19. Term deposits of other customers	019	(4)	-	(4)
(Decrease) in deposits		-	(6,974)	6,974
20. Derivative financial liabilities and other trading liabilities	020	-	-	-
21. Other liabilities	021	170	-	170
22. Collected interest from operating activities	022	8,476	-	8,476
Interest received		-	406	(406)
23. Dividend received from operating activities	023	-	-	-
24. Interest paid from operating activities	024	(68)	-	(68)
Interest paid		-	(84)	84
25. Income tax paid	025	-	-	-
A) Net cash flows from operating activities (AOP 001 to 025)	026	(26,043)	(26,043)	3,313

in '000 EUR

Item		CNB Decision	Annual Report	Difference
Investing activities				
1. Proceeds from sale/payments for purchases/of tangible and intangible assets	027	(149)	-	(149)
Purchase of property, equipment and intangible assets		-	-	-
Proceeds from sale of foreclosed assets		-	182	(182)
2. Proceeds from sale/payments for purchases/investments in subsidiaries, joint ventures and associates	028	-	-	-
3. Proceeds from collection/payments for purchases/of securities and other financial instruments from investing activities	029	-	-	-
4. Dividends received from investing activities	030	-	-	-
5. Other proceeds/payments from investing activities	031	-	-	-
Payments for purchases of financial assets at fair value through profit or loss		-	-	-
Sale of financial assets at fair value through other comprehensive income		-	-	-
Proceeds from sale of financial assets at fair value through profit or loss		-	-	-
B) Net cash flows from investing activities (AOP 027 to 031)	032	(149)	182	(331)
Financing activities				
1. Net increase/decrease in borrowings from financing activities	033	(44)	-	(44)
Repayment of borrowings		-	3	(3)
Lease payments		-	(166)	166
2. Net increase/decrease in issued debt securities	034	-	-	-
3. Net increase/decrease in instruments of additional capital	035	-	-	-
4. Share capital increase	036	-	-	-
5. Dividend paid	037	-	-	-
6. Other proceeds/payments from financing activities	038	(3,101)	-	(3,101)
C) Net cash flows from financing activities (AOP 033 to 038)	039	(3,145)	(163)	(2,982)
D) Net increase / decrease in cash and cash equivalents (AOP 026+032+039)	040	(29,337)	(29,337)	-
Cash and cash equivalents at beginning of year	041	39,732	39,732	-
Effects of foreign currency exchange rate fluctuations on cash and cash equivalents	042	67	67	-
Cash and cash equivalents at end of year (AOP 040+041+042)	043	10,462	10,462	-

Mismatches of items in the income statement disclosed in the Annual Report in relation to the structure and contents prescribed in CNB's decision mainly arise due to the different methodologies used to prepare these reports, i.e. due to differently presented input data for the calculation of cash flows by category.

Reconciliation of the Statement of Comprehensive Income and Statement of Changes in Equity

The Statement of comprehensive income and the Statement of changes in equity prepared under the CNB standard do not differ from the Annual Report.

In accordance with Article 164 of the Credit Institutions Act, the Bank is obliged to disclose the following data relating to the previous financial year:

1. Banking and financial services provided, the nature of its activities and the geographic location of services provision;
2. Total income;
3. Number of employees on a full-time equivalent basis;
4. Amount of profit tax; and
5. Amount of state subsidies received.

Ad.1.

In accordance with the Credit Institutions Act, the Bank engages in the following banking and financial services in the country and abroad:

- Receiving cash deposits,
- Granting loans and other placements on its own behalf and for its own account,
- Issuing means of payment in the form of electronic money,
- Issuing guarantees and other commitments,
- Factoring,
- Finance leasing,
- Lending, including customer loans, mortgage loans and financing commercial transactions (including forfeiting),
- Trading on its own behalf and for its own account or on its own behalf and for the account of the client: money market instruments and other transferable securities, foreign currencies, including currency exchange, financial futures and options, currency and interest rate instruments,
- Payment transactions in the country and abroad in accordance with special laws,
- Collection, analysis and provision of information on the creditworthiness of legal entities and natural persons who perform activities independently,
- Issuing and management of payment instruments,
- Rental of safe deposit boxes,
- Representation in insurance,
- Receipt and transfer of orders in relation to one or more financial instruments,
- Execution of orders on behalf of clients,
- Trading for own account,
- Underwriting services, i.e. the sale of financial instruments with a purchase obligation,
- Underwriting Services, i.e. the sale of financial instruments without a purchase obligation,
- Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash management and security instruments,
- Providing loans to investors to allow carrying out transactions with one or more financial instruments, if the transactions involve a company that grants loans,
- Foreign exchange services, if related to the provision of investment services,
- Services related to underwriting or selling financial instruments with a purchase obligation.

In accordance with the National Classification of Activities, the activities of Croatia banka are defined as: 64.19 Other monetary mediation.

In 2023, Croatia banka performed its services in the Republic of Croatia.

Ad.2.
In 2023, Croatia banka realised a total net income of EUR 11.626 thousand.

Ad.3.
As at 31 December 2023, Croatia banka had 152 employees based on the number of hours of work, but at the end of 2023 the actual number of employees was 167.

Ad. 4.
Profit tax is based on taxable income for the year and comprises current and deferred tax. In 2023, the Bank realised a tax gain of EUR 1,010 thousand. No profit tax was paid as the Bank used the tax relief from previous periods. The amount reported under profit tax relates to net deferred tax assets on prepaid/paid benefits.

Ad.5.
In 2023, Croatia banka did not receive any state subsidies.

NAME AND REGISTERED OFFICE

Name	Croatia banka d.d.
Address	Roberta Frangeša Mihanovića 9 10110 Zagreb
Legal form	Joint stock company
Country of registration	Croatia
Entity registration number	080007370
Entity identification number	32247795989
Website	www.croatiabanka.hr
Telephone	0800 57 57
Fax	01 2391 244
E-mail:	info@croatiabanka.hr
IBAN:	HR0324850031000009027

BUSINESS NETWORK

City	Address	Telephone	E-mail
Commercial centre Čakovec	Ulica Ivana Mažuranića 2 40000 Čakovec	040 310 160	cakovec@croatiabanka.hr
Commercial centre Osijek	Ulica Josipa Jurja Strossmayera 4 31000 Osijek	031 203 001	osijek@croatiabanka.hr
Commercial centre Pula	Istarska ulica 14 52100 Pula	052 451 202	pula@croatiabanka.hr
Commercial centre Slavonski Brod	Trg Ivane Brlić Mažuranić 15 35000 Slavonski Brod	035 442 112	slavonski.brod@croatiabanka.hr
Commercial centre Split	Gundulićeva 26A 21000 Split	021 539 795	split@croatiabanka.hr
Commercial centre Vinkovci	Duga ulica 2 32100 Vinkovci	032 331 377	vinkovci@croatiabanka.hr
Commercial centre Virovitica	Trg kralja Zvonimira 10 33000 Virovitica	033 725 441	virovitica@croatiabanka.hr
Commercial centre Vukovar	Josipa Jurja Strossmayera 5 32000 Vukovar	032 450 520	vukovar@croatiabanka.hr
Commercial centre Zagreb	R.F. Mihanovića 9 10110 Zagreb Poslovni toranj Sky Office	01 2391 174	zagreb@croatiabanka.hr
Šubićeva Outlet, Zagreb	Šubićeva 67 10000 Zagreb	01 4623 024	subiceva@croatiabanka.hr
Sky Office Outlet, Zagreb	R.F. Mihanovića 9 10110 Zagreb	01 2391 294	poslovnica.sky.office@croatiabanka.hr
Županja Outlet	Strossmayerova 5 32270 Županja	032 831 051	zupanja@croatiabanka.hr