KentBank d.d.

ANNUAL REPORT FOR THE YEAR 2023

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

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MANAGEMENT BOARD REPORT

1.About the Bank

In 1998, Štedionica Brod was founded which grew into Banka Brod d.d. in 2002 with its headquarters in Slavonski Brod.

In July 2011, the Süzer Holding took over Banka Brod d.d. and the name of the Bank was changed to Kentbank ("the Bank") and moved its headquarters to Zagreb. The Bank was repeatedly recapitalized throughout the years by the shareholder and the last increase of paid in capital was completed in 2022 in the amount of EUR 5,001 thousand amounting to total capital of EUR 51,758 thousand. The Bank does not have its own treasury shares and the Bank does not have any subsidiaries.

2.About the Süzer Group

The Süzer Group was established in Gaziantep in 1952, as a local construction and trading company. The Group grew by rapid, yet balanced expansion beginning in the 1960's and the 1970's in the fields of construction, tourism and foreign trade. With the liberalization of the Turkish economy starting in the 1980s the Group embarked on a new phase of expansion, becoming in due course one of the few Turkish companies whose foreign trade volume exceeds one billion dollars. Today Süzer Group represents Turkey in the international field and has partnerships with world-wide leaders in their own sectors and is one of the leading groups of Turkey with a sustainable growth mission, an innovative vision and domestic, as well as foreign investments.

The Süzer Group portfolio covers a wide range of sectors including real estate development, finance, tourism, service and energy. In Turkey, Süzer Group owns the Ritz Carlton Hotel and worldwide known Nobu Restaurant in Istanbul. Group is operating in Turkey with Kent Finans Factoring in financial sector and its energy portfolio is represented by a majority share of Bahçeşehir Gas Distribution Inc., which is the first private company dealing with natural gas distribution in Turkey.

3 Business activities of the Bank

KentBank provides banking services based on the activities registered in the court register, comprising corporate and retail banking. In an effort to strengthen and improve its position on the market, the Bank continuously works on development of new services and products, while improving the quality of existing products and services.

At the end of 2017 the Bank opened Representative office in Istanbul with the goal to strengthen business cooperation between Turkey and Croatia. Through Turkish Desk in Zagreb and Representative office in Istanbul, KentBank enables small, medium and big companies full access to comprehensive financial solutions as well as access to the international banking products and services.

2023 was a continuation of the strategy adopted at the end of 2020. The strategy is mainly based on focusing on affluent retail and SME clients and having a balanced loan portfolio structure accordingly. The Bank also adopted business processes in accordance with the new strategy and improved treasury and trading operations. In 2023, Bank also successfully finalized the process and received license from the regulators for the basic derivative instruments (FX swap and IR Swap).

4 Operations of the Bank in 2023

In 2023, the Banking sector witnessed the biggest interest rate hike cycle in this century. Triggered by the mentioned cycle, global Banking industry had a turmoil in the beginning of the year. However, it soon became quite clear that this turmoil would not spread to European banking system.

The Bank's one of the main targets in 2023 was to converge to market averages in terms of liquidity indicators. As a result of the strong focus on this area, on 31 December 2023, the total assets of the Bank amounted to EUR 728 million, representing an increase of 35% compared to prior year. In the structure of assets, loans and receivables from customers represents highest share (46%), cash and deposits at CNB and banks represent share of 35%, marketable securities represent share of 17%, while other assets represent share of 2%.

Loans to customer recorded an increase of 12% compared to 2022, with loans amounting to EUR 338 million on 31 December 2023. The ratio between the corporate and the retail gross loans at the end of 2023 was 54% - 46% (2022: 53% - 47%).

Total deposits from customers amounted to EUR 537 million, representing an increase of 24% compared to 31 December 2022. The ratio between term and current deposits at the end of 2023 was 39% - 61%, while at the end of 2022 it was 49% - 51%. Deposits from customers represent 94% of total deposits and represent an increase of 22% compared to 31 December 2022. Deposits from banks and financial institutions represent an increase of 75% compared to 31 December 2022.

In the structure of the Bank's funding sources, deposits represent 74% of total sources of funds, loans from financial institutions at 14% and the Bank's capital represent 9% of total sources of funds. Also, in the last quarter of 2023, the Bank received a sub-ordinated loan from the shareholder in the amount of EUR 10 million.

In 2023, the Bank generated EUR 24,6 million of interest income, while the interest expenses amounted to EUR 5 million. Net interest income amounted to EUR 19,5 million and it increased by 54% comparing to the previous year. Net income from fees and commissions in 2023 amounted to EUR 4,5 million, which is an increase of 44% compared to the previous year as a result of the strong focus on this area.

In the structure of income, net interest income has share of 79%, net fee and commission income 18%, while other revenues have share of 3%.

Total operating income amounted to EUR 24,8 million, representing an increase of 29% compared to 2022.

Total general and administrative expenses amounted to EUR 16,3 million, which is an increase of 17% compared to the previous year as a result of an increase in employee costs and the investments made in line with the bank's strategy. The cost / income ratio of the Bank was 66% (2022: 72%).

Impairment losses and provisions amounted to EUR 0,4 million, thanks to the strong collection performance for NPLs occurred in previous years and due to lower level of new NPLs. It is also important to mention the first ever collective NPL sale in the Bank's history. The whole portfolio subject to the mentioned sale was 100% provisioned and inherited mostly from Banka Brod and beginning of the last decade.

Banks' profit after tax amounted to EUR 6,6 million, reflected in Bank's profitability indicators return on assets (ROAA) is 1.04% and return on equity (ROAE) 10.87%.

MANAGEMENT BOARD REPORT (CONTINUED)
KEY INDICATORS

Values in 000 EUR	2023	2022	23 vs.22	2021	2020	2019
Income Statement	**1.1. - 31.12.**	**1.1. - 31.12.**	**%**	**1.1. - 31.12.**	**1.1. - 31.12.**	**1.1. - 31.12.**
Net interest income	19.522	12.675	**54%**	11.050	9.967	10.471
Net fee&commission income	4.526	3.151	**44%**	2.445	1.575	1.625
Other income	753	3.389	**-78%**	2.831	2.208	2.657
Total operating income	24.801	19.216	**29%**	16.326	13.749	14.753
Operating expense	(16.286)	(13.898)	**17%**	(11.365)	(9.637)	(9.614)
Total impairment losses	(436)	(144)	**202%**	(381)	(3.168)	(2.451)
Profit after tax	6.604	4.201	**57%**	3.744	782	2.412
Balance Sheet	**31.12.**	**31.12.**	**%**	**31.12.**	**31.12.**	**31.12.**
Marketable securities	123.719	90.010	**37%**	89.421	69.334	66.606
Loans to customers	338.016	302.266	**12%**	241.444	205.171	194.725
Deposits from financial inst.	32.130	18.400	**75%**	17.982	21.694	21.109
Deposits from customers	504.974	415.011	**22%**	334.917	274.740	251.878
Shareholder's equity	64.036	57.432	**11%**	48.386	41.002	36.055
Total assets	727.953	540.386	**35%**	447.447	386.933	334.333
Key Ratios and Indicators	**31.12.**	**31.12.**	**%**	**31.12.**	**31.12.**	**31.12.**
ROAA after tax	1.04%	0.85%	**0.19 pp**	0.90%	0.22%	0.73%
ROAE after tax	10.87%	7.95%	**2.92 pp**	8.37%	2.17%	7.15%
Cost/Income ratio	65.7%	72.3%	**(-) 6.6 pp**	69.6%	70.1%	65.2%
NPL ratio	1.59%	4.08%	**(-) 2.49 pp**	5.15%	7.93%	8.30%
NPL coverage ratio	67%	64%	**3 pp**	64%	84%	77%
Liquidity coverage ratio	220%	147%	**73 pp**	145%	144%	143%
Regulatory Capital	69.360	53.507	**30%**	44.636	39.028	39.461
Total risk weighted assets (RWA)	373.212	325.224	**15%**	285.667	223.787	229.094
Tier 1 capital ratio	15.90%	16.45%	**(-) 0.55 pp**	15.77%	17.79%	15.04%
Total capital ratio	18,58%	16.45%	**2.13 pp**	15.77%	17.79%	17.22%
Other	**31.12.**	**31.12.**	**% / No**	**31.12.**	**31.12.**	**31.12.**
Employees (FTE)	246	232	**6%**	208	182	170
Branches & business centers	17	16	**1**	16	17	17

5 Development plan

The basic strategic direction of the Bank is by strengthening capital to achieve continuous growth of the banking activities which will ensure the preservation of the loan portfolio quality, good liquidity management practice and capital adequacy, business cost optimization, decrease in NPL, i.e. income growth and profit realization.

The key concept of the operations of the Bank is an individual approach to clients, as well as flexibility and efficiency in decision-making in relation to the larger banking system.

Strategic objectives

- Raising the market share and strengthening the competitiveness of the Bank on the market;
- Maintenance of good asset quality with focus on Retail and SME lending with collateralized loans;
- Maintaining and securing liquidity and funding sources;
- Continuous development and strengthening of the Bank's digital services;
- With the introduction of new products, establish the KentBank as a flexible, efficient and innovative bank that creates value for shareholders, clients, employees and the environment in which it works and operates;
- 'Cross border' - presence in the global market.

Financial risk management

The operations of the Bank are exposed to various types of risks, which arise from the uncontrollable character of the financial market. The Bank tries to control and minimize them. The most significant types of financial risks to which the Bank is exposed are the credit risk, the liquidity risk, market risk and operational risk. The market risk includes the risk of change of interest rates, the risk of change of foreign exchange rates and the change of market value of securities.

a) Credit risk

Credit risk management is described in notes 26, 27 and 31b to the financial statements.

b) Liquidity risk

Liquidity risk management is described in notes 28 and 31c to the financial statements.

c) Market risk

Market risk management is described in notes 29, 30 and 31d to the financial statements.

d) Operational risk management

Operational risk management is described in note 31f to the financial statements.

Supervisory Board

During 2023, there were no changes in the composition of the Supervisory Board of the Bank and the Board consisted of five members. Their term of office is two years and they may be reappointed.

The powers of the Supervisory Board are governed by the Articles of Association of the Bank and by the Operating Procedures Manual of the Supervisory Board, in accordance with the applicable provisions of the Companies Act and the Credit Institutions Act.

The members of the Supervisory Board are as follows:

Mehmet Gani Sonmez	President of the Supervisory Board
Nurgün Eyüboğlu	Deputy President of the Supervisory Board
Zdenko Adrović	Supervisory Board Member
Gürol Baloğlu	Supervisory Board Member
Jasna Širola	Supervisory Board Member

MANAGEMENT BOARD REPORT (CONTINUED)

Management Board

In accordance with the provisions of the Articles of Association of the Bank, the Management Board may consist of up to five (5) members. The members of the Management Board, including the President of the Management Board, may be appointed by the Supervisory Board for a term of up to five (5) years, with possibility of re-election. Only the person who meets the conditions prescribed by the Credit Institutions Act, the Companies Act and the Decision on Suitability of the Croatian National Bank (CNB) may be appointed member of the Management Board with prior approval from the Croatian National Bank.

The Management Board has rights, duties and obligations prescribed by the Companies Act, the Credit Institutions Act and the Articles of Association of the Bank. The Management Board manages the operations of the Bank and its assets and it has the responsibility and the powers to take all the actions and make all the decisions necessary for successful management of the operations of the Bank and its performance.

The members of the Management Board in office from 1 January 2023 to the date of issuance of these financial statements, are as follows:

Hasan Ecesoy	President of the Management Board
Damir Brkić	Management Board Member
Aleksandra Cvetković	Management Board Member
Nikolina Cvitanović	Management Board Member

The Management Board, together with the Bank's team, will continuously work on improving the management system of the business processes, the risk management system, the expansion of the product range and the branch network, increasing the Bank's market share and enhancing the overall stability and reputation of the Bank.

For and on behalf of KentBank d.d.

Hasan Ecesoy
President of the Management Board

Kent Bank d.d.
Zagreb 1.1

Damir Brkić
Member of the Management Board

Aleksandra Cvetković
Member of the Management Board

Nikolina Cvitanović
Member of the Management Board

Responsibilities of the Management and Supervisory Boards for the preparation and approval of the annual report

The Management Board of the Bank is required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Bank and of the results of their operations and cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

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

The Management Board is responsible for the submission to the Supervisory Board of its annual report on the Bank together with the annual financial statements for acceptance. If the Supervisory Board approves the annual financial statements, they are deemed confirmed by the Management Board and Supervisory Board.
The Management Board is also responsible for the preparation and content of the management report in accordance with the Croatian Accounting Act.

The Management Board is also responsible for the preparation and fair presentation of the supplementary information prepared in accordance with the Decision of the Croatian National Bank on the Structure and Content of the Annual Financial Statements of credit institutions, dated 26 April 2018 (Official Gazette 42/18), 9 November 2020 (Official Gazette 122/20), 5 November 2021 (Official Gazette 119/21) and 8 September 2022 (Official Gazette 108/22).

The financial statements as well as the schedules prepared in accordance with the Decision of the Croatian National Bank on the Structure and Content of the Annual Financial Statements of credit institutions, dated 26 April 2018 (Official Gazette 42/18), 9 November 2020 (Official Gazette 122/20), 5 November 2021 (Official Gazette 119/21) and 8 September 2022 (Official Gazette 108/22) with the reconciliation to statutory financial statements were authorized by the Management Board on 27 March 2024 for issue to the Supervisory Board and are signed below to signify this.

For and on behalf of KentBank d.d.

Hasan Ecesoy
President of the Management Board

Kent Bank d.d.
Zagreb

Damir Brkić
Member of the Management Board

Aleksandra Cvetković
Member of the Management Board

Nikolina Cvitanović
Member of the Management Board

Independent Auditors' report to the shareholder of KentBank d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KentBank d.d. ("the Bank"), which comprise the statement of financial position of the Bank as at 31 December 2023, and the statements of comprehensive income, cash flows and changes in equity of the Bank for the year then ended, and notes, comprising material accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

Impairment of loans to and receivables from customers

As at 31 December 2023, gross loans to and receivables from customers: EUR 345,441 thousand, related impairment allowance: EUR 7,425 thousand and impairment loss recognised in the income statement: EUR 302 thousand (31 December 2022, gross loans to and receivables from customers: EUR 313,536 thousand, impairment allowance: EUR 11,270 thousand and release of impairment loss recognised in the income statement: EUR 348 thousand).

Refer to Note 3 Accounting policies (Financial instruments), Note 4 Significant accounting estimates and judgements (Classification of exposures in risk categories and determination of impairment losses), Note 27 Credit portfolio quality and Note 15 Loans to and receivables from customers.

Key audit matter	How our audit addressed the matter
Impairment allowances represent the Management Board's best estimate of the expected credit losses ("ECLs") within the loans and advances at the reporting date. We focused on this area as the determination of impairment allowances requires a significant judgment from the Management Board. The Bank calculates allowances for credit losses in accordance with IFRS 9 Financial Instruments, based on the ECL model with dual-measurement approach, under which the impairment allowance is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether or not there has been a significant increase in credit risk since initial recognition. The impairment allowances for the performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) are determined by modelling techniques ("collective impairment allowance") relying on key parameters, including the probability of default (PD) and loss given default (LGD), taking into account historical experience, identification of exposures with a significant deterioration in credit quality, forward-looking information and management judgment incorporated into the model assumptions. Expected credit losses for non-performing exposures (Stage 3) exceeding EUR 66 thousand individually and individually non-significant exposures secured by hard collateral (as defined by the Croatian National Bank ("the CNB")), are determined on an individual basis by means of a discounted cash flow analysis. The process involves reliance on a number of significant subjective assumptions, including those in respect of the probable sale proceeds from the related collateral and minimum period for collateral disposal.	Our audit procedures in this area included, among others: — Inspecting the Bank's ECL impairment provisioning methods and models, and assessing its compliance with the relevant regulatory and financial reporting framework; — Making relevant inquiries of the Bank's risk management and information technology (IT) personnel to update our understanding of the loan impairment process, IT applications used therein, as well as key data sources and assumptions in the ECL model. Also, testing of IT control environment for data security and access, assisted by our own IT specialists; — Testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of loans and advances, including those over the identification of loss events and default, appropriateness of classification of exposures into performing and non-performing, calculation of days past due and calculation of the impairment allowances; In addition, for loss allowances calculated on a collective basis: — Obtaining an understanding of the key internal rating models for corporate loans, and assessing the relevance and reliability of the key data used therein; — Obtaining the relevant forward-looking information and key macroeconomic forecasted variables used in the Bank's ECL assessment. Independently assessing the information by means of corroborating inquiries of the Management Board and by reference to publicly available sources; — Assessing whether the definition of significant increase in credit risk and an event of default are appropriate and whether the staging criteria were consistently applied; — Challenging selected key parameters within the collective ECL model, such as the probability of default (PD) and loss given default (LGD) by reference to, among other things, our own analysis of the Bank's data on past default occurrence and realized losses on those defaults;

Independent Auditors' report to the shareholder of KentBank d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

Impairment of loans to and receivables from customers *(continued)*

Due to the above factors, including the significantly higher estimation uncertainty stemming from the current volatile economic outlook, slowing economic growth and rising interest rates we considered impairment of loans to be associated with a significant risk of material misstatement in the financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.	For impairment allowances calculated individually: — For a risk-based sample of exposures critically assessing the existence of any triggers for classification to Stage 2 or Stage 3, by reference to the underlying evidence (loan files), through inquiries of the loan officers and credit risk management personnel and by considering business operations of the respective customers as well as market conditions and historical debt service; — For exposures with Stage 3 triggers identified, challenging key assumptions applied in the estimates of future cash flows used in the impairment calculation, such as discount rates, collateral values and realization period, and performing respective independent recalculations, where relevant. For all impairment allowances: — Critically assessing the overall reasonableness of the impairment allowances, including both the share of the gross non-performing exposure in total gross exposure and the non-performing loans provision coverage; — Evaluating the accuracy and completeness of the financial statement disclosures relating to expected credit losses against the requirements of the relevant financial reporting framework.

Independent Auditors' report to the shareholder of KentBank d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Other Information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management Report, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether the Management Report has been prepared in accordance with the requirements of Article 21 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared, in all material respects, in accordance with the requirements of Article 21 of the Accounting Act.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements which are presented fairly, in all material respects in accordance with EU IFRS, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditors’ report to the shareholder of KentBank d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Auditors’ Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Independent Auditors' report to the shareholder of KentBank d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

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

Report on Other Legal and Regulatory Requirements

Pursuant to the Decision of the Croatian National Bank on the Structure and Content of the Annual Financial Statements of credit institutions (Official Gazette 42/2018, 122/2020, 119/2021, 108/2022), the Management Board of the Bank has prepared the schedules ("the Schedules"), which comprise an alternative presentation of the statement of financial position as of 31 December 2023, and of the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a reconciliation ("the Reconciliation") of the Schedules with the financial statements. The Management Board of the Bank is responsible for the Schedules and the Reconciliation. The financial information in the Schedules is derived from the financial statements on which we have expressed an opinion as set out above.

We were appointed by those charged with governance on 30 March 2023 to audit the financial statements of KentBank d.d. for the year ended 31 December 2023. Our total uninterrupted period of engagement is three years, covering the period from 1 January 2021 to 31 December 2023.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 27 March 2024;
- for the period to which our statutory audit relates, we have not provided any prohibited non-audit services referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

KPMG Croatia d.o.o. za reviziju
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

27 March 2024

KPMG Croatia
d.o.o. za reviziju
Eurotower, 17. kat
Ivana Lučića 2a, 10000 Zagreb

Katarina Kecko
Director, Croatian Certified Auditor

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Statement of financial position
As at 31 December 2023

	Notes	31 December 2023	31 December 2022
		EUR 000	EUR 000
ASSETS			
Cash and current accounts with banks	12	19,889	129,417
Financial assets at amortized cost	13a)	119,378	88,254
Financial assets held for trading	13b)	4,341	1,756
Loans to and receivables from customers	15	338,016	302,266
Placements with other banks	14	234,372	7,627
Property, plant and equipment	16a)	5,603	5,698
Right-of-use asset	16b)	2,636	2,555
Intangible assets	16c)	2,090	1,896
Foreclosed assets	17	86	87
Deferred tax asset	11b)	277	-
Other assets	18	1,265	830
TOTAL ASSETS		**727,953**	**540,386**
LIABILITIES			
Current accounts and deposits from banks and financial institutions	19a)	32,130	18,400
Current accounts and deposits from customers	19b)	504,974	415,011
Interest-bearing borrowings	19c)	105,141	35,778
Provisions for liabilities and charges	20	977	914
Income tax liability		894	369
Other liabilities	21	9,749	12,483
Subordinated liabilities	22	10,052	
Total liabilities		**663,917**	**482,955**
EQUITY			
Ordinary share capital	23,23a)	51,758	51,793
Legal reserves	23,23b)	627	381
Retained earnings	23	11,651	5,257
Fair value reserve	23,23c)	-	-
Total equity		**64,036**	**57,431**
TOTAL LIABILITIES AND EQUITY		**727,953**	**540,386**

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

Statement of changes in shareholders' equity

As at 31 December 2023

EUR 000	Ordinary share capital (Note 23a)	Legal reserves (Note 23b)	Retained earnings (Note 23)	Fair value reserve (Note 23c)	Total
Balance at 1 January 2022	46,788	326	1,112	50	48,275
Change in fair value of financial assets at fair value through other comprehensive income, net of amounts realised and deferred tax	-	-	-	(50)	(50)
Total other comprehensive income/(loss)	-	-	-	(50)	(50)
Profit for the year	-	-	4,202	-	4,202
Total comprehensive income / (loss)	-	-	4,202	(50)	4,152
Transactions with owners recognized directly in equity:					
Transfer to legal reserves	-	56	(56)		-
Increase in issued share capital	5,005	-	-		5,005
Balance at 31 December 2022	**51,793**	**381**	**5,257**	**0**	**57,432**
Balance at 1 January 2023	**51,793**	**381**	**5,257**	**0**	**57,432**
Change in fair value of financial assets at fair value through other comprehensive income, net of amounts realised and deferred tax	**-**	**-**	**-**	**-**	**-**
Total other comprehensive income/(loss)	**-**	**-**	**-**	**-**	**-**
Profit for the year	**-**	**-**	**6,604**	**-**	**6,604**
Total comprehensive income / (loss)	**-**	**-**	**6,604**	**-**	**6,604**
Transactions with owners recognized directly in equity:					
Transfer to legal reserves	(36)	246	(210)	-	-
Increase in issued share capital	**-**	**-**	**-**	-	**-**
Balance at 31 December 2023	**51,758**	**627**	**11,651**	**-**	**64,036**

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

Income statement

For the year ended 31 December 2023

	Notes	2023	2022
		EUR 000	*EUR 000*
Interest income and similar income	5	24,553	13,724
Interest expense and similar charges	6	(5,031)	(1,048)
Net interest income		**19,522**	**12,676**
Fee and commission income	8a)	5,300	3,756
Fee and commission expense	8b)	(774)	(605)
Net fee and commission income		**4,526**	**3,151**
Net realized gains from financial assets at fair value through other comprehensive income	9a)	-	336
Net losses on derecognition of financial assets measured through FVTPL		12	(4)
Net gains from translation of monetary assets and liabilities and foreign exchange spot trading	9b)	698	2,996
Other income	9c)	43	62
		753	**3,390**
Total income		**24,801**	**19,217**
Depreciation and amortization	16a);16b);16c)	(1,979)	(1,713)
Staff costs	10a)	(9,591)	(7,991)
Other administrative expenses	10b)	(4,716)	(4,194)
Total general and administrative expenses		**(16,286)**	**(13,898)**
Impairment losses and provisions	7a	(395)	(143)
Provisions for court cases	7b	(41)	(1)
PROFIT BEFORE TAX		**8,079**	**5,175**
Income tax expense	11	(1,474)	(973)
PROFIT FOR THE YEAR		**6,604**	**4,202**

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

Income statement
For the year ended 31 December 2023

	2023 *EUR 000*	2022 *EUR 000*
PROFIT FOR THE YEAR	6,604	4,202
Other comprehensive income, net of income tax		
Change in fair value of financial assets at fair value through other comprehensive income, net of amounts realized and deferred tax	-	(50)
Other comprehensive loss for the year	**-**	**(50)**
TOTAL COMPREHENSIVE INCOME	**6,604**	**4,152**

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

Income statement

For the year ended 31 December 2023

	Note	2023	2022
		EUR 000	*EUR 000*
Cash flow from operating activities			
Profit before tax		**8,079**	**5,175**
Depreciation and amortization	16a),16b),16c)	1,979	1,713
Impairment losses and provisions	7	412	144
Write off and sale of tangible and intangible assets	16a),16b),16c)	220	57
Changes in operating assets and liabilities			
(Increase) or decrease in obligatory reserve and compulsory treasury bills with Croatian National Bank		-	18,966
Increase in placements with other banks		(226,780)	(2,617)
Increase in loans to and receivables from customers		(50,074)	(72,408)
(Increase) or decrease in other assets		(467)	244
(Decrease) or increase in deposits from banks and financial institutions		13,736	459
Increase in current accounts and deposits from customers		92,131	81,496
Increase in other liabilities and provisions		(2,943)	4,426
Income tax paid		(1,226)	(1,194)
Interest paid		(2,174)	(630)
Interest received		15.474	13,226
Net cash from operating activities		***(151,663)***	***49,057***
Cash flow from investment activities			
Payments for purchases of financial assets at amortized cost		(52,453)	(32,000)
Proceeds from redemption of financial investments at amortised cost		19,898	
Payments for purchases of financial investments held for trading		(8,369)	(1,756)
Proceeds from redemption of financial investments held for trading		5,784	-
Payments for purchases of financial assets at fair value through other comprehensive income		-	-
Proceeds from sale and redemption of financial assets at fair value through other comprehensive income		-	31,070
Payments for purchase of property, plant and equipment and intangible assets	16a),16b),16c)	(1,335)	(2,634)
Receipts from sale of property, plant and equipment		1	22
Net cash from investment activities		***(36,474)***	***(5,298)***
Cash flow from financing activities			
Receipts from issued share capital		-	5,006
Receipts from interest-bearing borrowings	20d)	207,811	17,798
Repayments of interest-bearing borrowings	20d)	(138,448)	(18,262)
Payments for the principal portion of the lease liability	20d),22	(836)	(702)
Receipt of subordinated liabilities		10,052	
Net cash from financing activities		***78,579***	***3,840***
Net (decrease) / increase of cash and cash equivalents		(109,528)	47,599
Cash and cash equivalents as at 1 January		129,417	81,818
Cash and cash equivalents as at 31 December	12	**19,889**	**129,417**

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

Notes to the financial statements (continued)

1. General information

KentBank d.d. (hereinafter: the Bank), with its headquarters in Zagreb, Gundulićeva 1, was established in the Republic of Croatia and provides commercial banking services. The Bank is entered in the register of the Commercial Court in Zagreb. The Bank's parent company is SUZER HOLDING Anonim Sirketi and the majority stockholder is Mr. Mustafa Suzer.

2. Basis for preparation of the financial statements

a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRS").

These are the Bank's first financial statements prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. With certain exceptions, IFRS 1, First-time Adoption of International Financial Reporting Standards, requires retrospective application of the standards and interpretations effective as at 31 December 2023 for the preparation of the first IFRS statement of financial position as at 1 January 2022 and throughout all periods presented in its first IFRS financial statements.

In preparing these financial statements, the Bank did not have any material mandatory exceptions and did not apply any optional exemptions to the retrospective application of any IFRS standards.

For all periods up to and including the year ended 31 December 2022, financial statements were prepared in accordance with statutory accounting requirements for banks in the Republic of Croatia. At the time, the statutory accounting requirements for banks in the Republic of Croatia were based on the International Financial Reporting standards as adopted in the EU as stipulated in the Accounting Act and in accordance with the specific local CNB's banking regulations. Until the end of 2019, there were differences between statutory accounting requirements and IFRS, as the specific local regulations were impacting measurement of eligible exposures carried at amortised cost classified in Stage 1 and Stage 2 for which loss allowances could not be less than 0.8% of the gross carrying amount of eligible exposures, including exposures to financial institutions and sovereigns.

In the financial statements for the year ended 31 December 2022 prepared in accordance with the statutory accounting requirements for banks in the Republic of Croatia – the balances as at 31 December 2022 and 31 December 2021, as well as 2022 income statement and statement of cash flows were aligned with IFRS, in all material respects. Therefore, there was no need to adjust amounts reported previously in the financial statements prepared in accordance with the statutory accounting requirements for banks in the Republic of Croatia in preparing the Bank's first IFRS financial statements.

The financial statements are prepared on a going concern basis which assumes the Bank will continue its business operations in the foreseeable future.

Notes to the financial statements (continued)

2. Basis for preparation of the financial statements (continued)

a) Statement of Compliance (continued)

The principal accounting policies applied in the preparation of these financial statements are summarised below. The Bank has consistently applied the following accounting policies to all periods presented in these consolidated financial statements. Where specific accounting policies are aligned with accounting principles set out in International Financial Reporting Standards (“IFRS” or “Standards”), reference may be made to certain Standards in describing the accounting policies of the Bank. Unless otherwise stated, these references are to Standards as issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union (“EU”) applicable as at 31 December 2023.

These financial statements were approved by the Management Board on 27.03.2024. and submitted them to the Supervisory Board for adoption.

Application of new and revised International Financial Reporting Standards

Except for the changes below, the Bank has consistently applied the accounting policies as set out in the Notes below to all periods presented in these financial statements.

Effective standards, amendments to standards and implementations – adopted in 2023

In 2023 the following standards, amendments or interpretations came into force:

IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020);

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021);

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021);

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021);

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023)

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021).

Adoption of these standards and amendments has not determined substantial effects on the amounts recognized in balance sheet or income statement or impact on disclosure of accounting policies.

2. Basis for preparation of the financial statements (continued)

II Standards, amendments to standards and interpretations issued but not yet effective

a) Statement of Compliance (continued)

The standards, amendments to standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

Until 31 December 2023, the European Commission endorsed the following changes to the Accounting principles applicable to reporting, these were not effective for preparation of 2023 financial statements:

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current, Classification of Liabilities as Current or Non-current - Deferral of Effective Date and Non-current Liabilities with Covenants (issued on 23 January 2020, 15 July 2020 and 31 October 2022 respectively),
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022).
- As at 31 December 2023 the IASB issued the following standards, amendments, interpretations or revisions, whose application is subject to completion of the endorsement process by the competent bodies of the European Commission, which is still ongoing:
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023),
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023).

These standards, are not expected to significantly affect the Bank's financial statements.

b) Basis of measurement

These financial statements are prepared on an amortized or historical cost basis except for financial assets recognized on the fair value through profit and loss.

c) Judgments and estimates

In preparing the financial statements, the Management Board has made judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, disclosure of commitments and contingencies 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 results of which form the basis of making the judgments 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 recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgments of management in the implementation of standards which have a risk of significant adjustment in the following year are described in Note 4.

2. Basis for preparation of the financial statements (continued)

II Standards, amendments to standards and interpretations issued but not yet effective (continued)

d) Functional and reporting currency

The financial statements are presented in euro ("EUR") which is the Bank's functional and presentational currency. Amounts are rounded to the nearest thousand, unless indicated otherwise.

Starting from 1 January 2023 the Republic of Croatia changed its currency from Croatian kuna ("HRK") to Euro ("EUR") and Euro ("EUR") became the functional and presentational currency in 2023. There are no material impacts on these financial statements from change in functional and presentational currency in 2023.

The Government of Republic in Croatia adopted the Decision on the Announcement of introduction of the Euro as the official currency in the Republic of Croatia (published in Official Gazette No 85/22). With the aforementioned decision, the euro became the official monetary unit and legal tender in the Republic of Croatia on 1 January 2023. The fixed conversion rate is set at HRK 7.53450 for one Euro. The introduction of Euro as the official currency in the Republic of Croatia represents a change in the Bank's functional currency. The comparative amounts for the year 2022 were therefore converted into euro using the official conversion rate of 7,5345. There are no material impacts on these financial statements from change in functional and presentational currency in 2023.

3 Accounting policies

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

a) Interest income and expense

Interest income and expenses are recognized in the income statement for all interest-bearing instruments using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank does not consider future credit losses. The calculation includes all fees and percentage points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income is recognized depending on the degree of credit risk of a financial instrument and for financial assets classified in Stage 1 and Stage 2 (performing) - when calculating interest income, the EIR is applied to the gross carrying amount of financial assets, and for financial assets allocated to Stage 3 the interest is suspended. Suspended interest represents an already charged interest on an asset for which an individual impairment has been recognized (non-performing). At the time of reclassification into uncollectable receivables, the Bank impairs the full amount of accrued uncovered interest at the expense of the income statement and suspends further calculation in the balance sheet and keeps the suspended interest off-balance until the debtor makes a cash payment.

For purchased or originated credit-impaired financial assets decreased for credit losses - POCIs, the EIR adjusted for credit risk at the amortized cost of the POCI assets is applied in the calculation of interest income.

b) Fee and commission income and expense

Fee and commission income and expense are recognized in the income statement when the related service is provided. Fee and commission income and expense mainly comprise fees receivable for guarantees and letters of credit issued by the Bank on behalf of customers, and fees for domestic and foreign payment transactions.

c) Defined contribution pension plans

The Bank pays contributions to obligatory pension funds on a mandatory contractual basis calculated as percentage of gross salaries. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as staff costs in profit or loss as they accrue.

3 Accounting policies (continued)

d) Short term and long term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability for bonus is recognized in the amount expected to be paid under short-term cash bonuses based on the Company's formal plan and when past practice has created a valid expectation by management/key employees that they will receive a bonus as a result of past service provided by the employee and the obligation can be estimated reliably.

The Bank also recognized a liability for other employees' benefits in the amount expected to be paid under jubilee awards based on the management decision.

e) Foreign currencies

Transactions in foreign currencies are translated into euro ("EUR") at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are re-measured at each reporting date at the official mid spot foreign exchange rate of the Croatian National Bank ruling on the reporting date or at the Bank's selling rate if the placement is contracted accordingly.

Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated in EUR at the foreign exchange rates ruling at the dates when the fair values were determined.

Non-monetary assets and items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated. Foreign currency differences arising on translation are recognized in profit or loss, except for differences arising on the translation of at fair value through other comprehensive income equity instruments, which are recognized in other comprehensive income (refer below).
Changes in the fair value of monetary (debt) securities denominated in or linked to foreign currency classified as asset recognized through fair value in other comprehensive income are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences are recognized in income as a part of the foreign exchange gains or losses on the revaluation of monetary assets and liabilities presented within financial income or financial expense in the profit or loss. Other changes in the carrying amounts are recognized in other comprehensive income.

Official mid spot exchange rates effective as at 31 December 2023 were:

1.1050 = 1 USD;
0.9260 = 1 CHF.

Official mid spot exchange rates effective as at 31 December 2022 were:

1.0666 = 1 USD;
0.9847 = 1 CHF.

3 Accounting policies (continued)

f) Financial instruments

Classification

On initial recognition, financial assets are classified as assets at amortized cost, assets at fair value through other comprehensive income (FVOCI) and assets at fair value through profit and loss (FVTPL)

Financial assets are measured at amortized cost if they meet both of the following conditions and if they are not designated at fair value through profit and loss (FVTPL):

- The purpose of a business model is to hold assets in order to collect contractual cash flows (HTC);
- The contractual terms of a financial asset presume cash flows that are solely principal and interest payments (SPPI), at specific dates.

A debt instrument is measured at fair value through other comprehensive income (FVOCI) if it meets both of the following conditions and if it is not designated at fair value through profit and loss account (FVTPL):

- The purpose of the business model is the holding of assets for the purpose of collecting contractual cash flows and the sale of financial assets (HTC&S); and
- contractual terms of financial assets presume cash flows that are solely principal and interest repayment (SPPI), at specific dates.

In the initial recognition of an investment in equity instruments that are not held for trading, the Bank may irrevocably decide to display subsequent changes in fair value through other comprehensive income. This choice is made on the basis of a particular investment.

All other financial assets are classified as measured at fair value through profit or loss (FVTPL).

In addition, at initial recognition, the Bank may irrevocably designate financial assets at fair value through profit or loss (FVTPL), although it meets the measurement requirements at amortized cost or at fair value through other comprehensive income (FVOCI), if this eliminates or substantially reduces the accounting mismatch that would arise if contrary.

3.Accounting policies (continued)

f) Financial instruments (continued)

Business Model Assessment

The Bank determines the objective of the asset's business model because it best represents the way in which assets are managed and the Bank's management is reported. Information considered includes:

- management policies and portfolio objectives and implementation of these policies in practice;
- assessing the performance of the portfolio and reporting to the management of the Bank;
- risks affecting the performance of the business model (and financial assets within that business model) and the risk management strategy; and
- frequency, volume and time of sales in previous periods, reasons for the sale and expectations of future sales activities.

Financial assets held for trading and whose performance is assessed on the basis of fair value are measured at fair value through profit and loss account, as it is not held for the purpose of collecting the contracted cash flows nor for collecting contractual cash flows and for sale.

The Bank's retail and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprise mortgages, overdrafts, unsecured personal lending and credit card facilities. Sales of loans from these portfolios are very rare.

Certain debt securities are held by the Bank in a separate portfolio for long-term yield. The Bank considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows until maturity.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely principal and interest payments

In order to assess whether contractual cash flows are solely payments of principal and interest, the principal is defined as the fair value of financial assets at initial recognition. Interest is defined as compensation for the time value of money and credit risk associated with the outstanding principal amount over a specified period of time and for other basic risks and costs of lending (eg liquidity risk and administrative costs) and as a profit margin.

When assessing whether the contractual cash flows are solely principal and interest payments (SPPI), the Bank considers the contractual terms of the instrument. This includes assessing whether a financial asset contains a contractual term that could change the time or amount of contractual cash flows so that it would not meet the SPPI requirement. When assessing, the Bank considers:

- potential events that would change the amount and time of cash flows;
- terms of prepayment and extension; and
- features that alter the consideration of the time value of money (eg periodic interest rate reset).

3 Accounting policies (continued)

f) Financial instruments (continued)

Loans and advances to customers

The “Loans and advances to customers” caption in the statement of financial position includes loans and advances measured at amortised cost; initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank’s financial statements.

Financial assets measured at amortised cost

Financial investments measured at amortised cost are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. These include debt securities.

Other financial liabilities

Other financial liabilities comprise all financial liabilities which are not designated at fair value through profit or loss. Other financial liabilities include current accounts and deposits from financial institutions and customers and various payables.

Reclassification

Financial assets are not reclassified after initial recognition, except in the period after the change in the financial model for the financial asset management.

If the Bank reclassifies financial assets, it is obliged to apply the reclassification from the date of reclassification. The Bank does not restate previously recognized profit, loss (including profit or loss due to impairment) or interest.

If the Bank reclassifies a financial asset from the category at fair value through other comprehensive income to the category at amortized cost, the financial asset is reclassified at its fair value on the reclassification date. However, cumulative gains or losses previously recognized in other comprehensive income are removed from equity and adjusted to the fair value of the financial asset at the date of reclassification. Consequently, financial assets are measured at the date of reclassification as if they had always been measured at amortized cost. The effective interest rate and the measurement of expected credit losses are not adjusted due to the reclassification.

3.Accounting policies (continued)

f) Financial instruments (continued)

Reclassification (continued)

According to IFRS 9 – B4.4.1, reclassifications are expected to be:

- very infrequent,
- are determined by the entity's senior management,
- result from external or internal changes,
- must be significant to the entity's operations,
- demonstrable to external parties and
- will occur only when an entity either begins or ceases to perform an activity that is significance to its operations.

The Bank performed reclasiffication of financial assets out of FV through OCI as of 31 of October 2022. The effects of the reclasiffication are disclosed in the Note 13.

Recognition and derecognition

The Bank derecognises a financial asset, such as a loan to customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI (Purchased or originated credit-impaired).

When assessing whether or not to derecognise a loan to a customer, amongst others, apart from quantitative factors, the bank considers the following: change in currency of the loan, introduction of an equity feature, change in counterparty, whether the modification is such that the instrument no longer meets the SPPI criterion.

Derecognition of financial assets other than for substantial modification

A financial asset (or, a portion thereof or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as “pass-through” arrangements that result in derecogntion if the Bank: (i) has no obligation to make payments unless it collects equivalent amounts from the assets, (ii) is prohibited from selling or pledging the assets and (iii) has an obligation to remit any cash it collects from the assets without material delay.

4.Accounting policies (continued)

f) Financial instruments (continued)

Recognition and derecognition (continued)

Derecogntion of financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. If the terms of a financial liability are significantly modified, the Bank will cease recognising that liability and will instantaneously recognise a new financial liability, with new terms and conditions. Realised gains and losses from the disposal of financial instruments are calculated by using the weighted average cost method.

Initial and subsequent measurement

Financial assets and liabilities are recognized initially at their fair value plus, except from the financial assets at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, the Bank measures financial assets valued at fair value through other comprehensive income at their fair value. Loans and receivables, investments measured at amortized cost and other financial liabilities are measured at amortized cost.

Gains and losses

Gains and losses from a change in the debt instruments at fair value through other comprehensive income are recognized directly in a fair value reserve within equity and are disclosed in the statement of changes in equity and reserves.

Impairment losses, foreign exchange gains and losses, interest income, amortization of premium or discount on an effective-interest-rate basis on monetary assets are recognised in the income statement.

Foreign exchange differences on non-monetary equity instruments classified as assets valued at fair value through other comprehensive income are recognised in other comprehensive income.

Dividend income is recognized in the income statement when the right to receive has been established. Upon sale or other derecognition of assets valued at fair value through other comprehensive income, any cumulative gains of losses on the instrument are transferred to the income statement. Gains or losses arising from financial assets and financial liabilities carried at amortised cost may also arise, and are included in the income statement when a financial instrument is derecognised or when its value (in the case of assets) is impaired.

Determination of fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability also reflects its non-performance risk.

3.Accounting policies (continued)

f) Financial instruments (continued)

Determination of fair value of financial instruments

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

The Bank recognises the transfer between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

g) Impairment of financial assets

The Bank recognizes loss allowances for "expected credit losses" (hereinafter: ECL) on the following financial instruments that are not measured at fair value through profit or loss (FVTPL):
-debt instruments;

-financial guarantee contracts issued;

-loan commitments issued and

-loans and advances to customers.

The Bank measures impairment losses at an amount equal to lifetime expected credit losses (ECL), except for the following, for which they are measured as 12-month expected credit loss (ECL):

-debt securities for which it was determined to have a low credit risk at the reporting date; and

-other financial instruments for which credit risk has not significantly increased since their initial recognition.

Notes to the financial statements (continued)

3.Accounting policies (continued)

g) Impairment of financial assets (continued)

12-month expected credit losses (ECL) are the portion of expected credit loss (ECL) that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month expected credit loss (ECL) is recognized are referred to as “Stage 1 financial instruments”

Life-time expected credit losses (ECL) are the expected credit losses (ECL) that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime expected credit loss (ECL) is recognized but which are not credit-impaired are referred to as “Stage 2 financial instruments” Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired. Financial instruments for which lifetime ECL are recognized and that are credit-impaired are referred to as ‘Stage 3 financial instruments’.

Measurement of ECL

For the calculation of impairment, the Bank has been aligned with Decision on the classification of the exposures into risky groups and the manner on determining credit losses. Based on the CNB Decision, the Bank adopted the Rulebook on the classification of the exposure of the Bank into risk categories defining the rules for assessing the deterioration of credit risk and for determining 12-month and lifetime expected credit losses, factoring in macroeconomic projections reflecting the credit cycle (such as GDP growth rate and unemployment rate). New models had been developed based on statistical segmentation of the portfolio and creation of homogeneous clusters of clients according to their underlying risk .

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

– financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

– financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

– undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and

– financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

3.Accounting policies (continued)

g) Impairment of financial assets (continued)

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost, debt financial assets carried at FVOCI and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;

– a breach of contract such as a default or past-due event;

– the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

– The market's assessment of creditworthiness as reflected in bond yields.

– The rating agencies' assessments of creditworthiness and

– The country's ability to access the capital markets for new debt issuance.

If there is objective evidence that an impairment loss on loans and receivables or financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate or in accordance with the percentage prescribed by the CNB in certain eligible circumstances. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan or financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For exposures classified as Stage 1, expected credit loss (ECL) is calculated as the product of 12-month probability of default (PD) multiplied with the loss given default (LGD) and the exposure at default (EAD).

For exposures classified as Stage 2, lifetime expected credit loss (ECL) is calculated as the product of the corresponding multi-annual probability of default (i.e. the corresponding PD for the remaining years of loan repayment) multiplied by the loss given default (LGD) and the exposure at default (EAD).

3.Accounting policies (continued)

g) Impairment of financial assets (continued)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

When a loan is uncollectible, it is written off against the related impairment allowance account. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognized as reversals of impairment losses in the income statement.

When possible, the Bank implements loan restructuring rather than initiate enforcement action. This may include the extension of repayment period and other changes in credit conditions. After changing conditions, any further impairment calculation is made with the original effective interest rate applicable prior to changing conditions. The management continuously monitors restructured loans with regards to the fulfillment of the new conditions and security of future payments. These loans are subject to further regular testing of impairment on an individual or group basis (if they are not individually assessed as impaired or if they belong to the portfolio of collectively provisioned loans) using the original effective interest rate.

h) Specific financial instruments

Placements with other banks

Placements with other banks are classified as loans and receivables and are carried at amortised cost less any impairment losses.

Loans to customers

Loans and advances are presented net of impairment allowances to reflect the estimated recoverable amounts.

Current accounts and deposits from banks and customers

Current accounts and deposits from banks and customers are classified as other liabilities and stated at amortised cost.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Notes to the financial statements (continued)

3.Accounting policies (continued)

i) Property and equipment

Property and equipment are held for use in the supply of services or administrative purposes.

Items of property and equipment are shown at cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The Bank capitalizes the cost of replacing part of such an item when it is probable that future economic benefits embodied with the item will flow to the Bank and the cost of the item can be measured reliably. All other expenditures on repairs and maintenance are expensed as incurred.

Depreciation is calculated on a straight-line basis to write down the cost of such assets to their residual values over their estimated useful life. Land and assets under construction are not depreciated. The estimated useful lives are as follows:

	2023 *years*	**2022** *years*
Buildings	10-50	10-50
Electronic equipment and computers	4-5	4-5
Other equipment	2-10	2-10
Furniture and vehicles	4-6	4-5

The residual value of assets, depreciation method and useful lives are reviewed and adjusted, if necessary, at each reporting date. The net carrying value of an asset is immediately impaired to the recoverable amount if the carrying value of the asset is higher than the estimated recoverable amount. Gains and losses from sale are measured as the difference between the collected amount and the net carrying value, and recognised in the income statement. From 2014, the Bank applies component approach for newly acquired buildings.

j) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is provided on a straight- line basis to write down the cost of assets to their residual values over their estimated useful life.

The estimated useful lives are as follows:

	2023 *years*	**2022** *years*
Software and licences	4-5	4-5
Leasehold improvements	up to 5	up to 5

Leasehold improvements are amortised over the shorter of the life of the lease or 5 years. Costs incurred in order to enhance or extend the benefits of computer software programmes beyond their original specifications and lives which can be measured reliably are capitalised to the original cost of the software. All other maintenance is expensed as incurred.

Notes to the financial statements (continued)

3.Accounting policies (continued)

k) Impairment of non-financial assets

The recoverable amount of non-financial assets, other than deferred tax assets is the higher of the asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest groups of assets that generate separately identifiable cash inflows (cash-generating units).
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

l) Foreclosed assets

Foreclosed assets are stated at lower of the net recoverable value of property and the value of the related receivables. The carrying value of these assets approximates their market value.

m) Leases

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets

Right-of-use assets
The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.
Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Leasehold 5 to 10 years
- Motor vehicles and other equipment 2 to 5 years

The right-of-use assets are presented within Note 16b.

3 Accounting policies (continued)

m) Leases (continued)

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate.

n) Provisions for liabilities and charges

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

The management determines the sufficiency of provisions on the basis of insight into specific items, current economic circumstances, risk characteristics of certain transaction categories, as well as other relevant factors. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

o) Off-balance-sheet commitments and contingent liabilities

In the ordinary course of business, the Bank enters into credit-related commitments which are recorded in off-balance sheet accounts, such as guarantees, commitments to extend credit and letters of credit and undrawn loan commitments. ‘Financial guarantees’ are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. ‘Loan commitments’ are firm commitments to provide credit under pre-specified terms and conditions. Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognized less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. The Bank has issued no loan commitments that are measured at FVTPL. Liabilities arising from financial guarantees and loan commitments are included within provisions.

p) Income tax

The income tax charge is based on taxable profit 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 other comprehensive income/equity, in which case it is recognised in other comprehensive income/equity. 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 years.

3 Accounting policies (continued)

p) Income tax (continued)

Deferred taxes are calculated by using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured by using the tax rates expected to apply to taxable profit in the period in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the reporting date.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or liabilities in the statement of financial position. Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At each reporting date, the Bank reassesses unrecognised potential deferred tax assets and the carrying amount of recognised deferred tax assets.

r) Ordinary share capital and reserves

Ordinary share capital is denominated in EUR at its nominal value. The amounts paid for repurchase of ordinary share capital, including direct costs, are recognised as a decrease in equity and classified as treasury shares.

s) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, current accounts with banks and amounts due from banks on demand or with an original maturity of three months or less.

t) Treasury shares

Acquisition of treasury shares is conducted in cases envisaged by the Companies Act, in order to eliminate contingent losses. Redeemed treasury shares are recognised at acquisition cost. Any positive difference created by the sale of treasury shares at a price higher than the acquisition cost is recognised as a capital gain, and any negative difference generated below the cost of acquisition is recognised as a capital loss.

Notes to the financial statements (continued)

4.Significant accounting estimates and judgments

Accounting estimates and judgments

The Bank makes estimates and assumptions about uncertain events, including estimates and assumptions about the future. The estimation of impairment losses in the Bank's credit risk portfolio represents the major source of estimation uncertainty. This and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Significant judgments made in determining the most appropriate methodology for estimating the fair value of financial instruments carried at fair value are also described below.

Classification of exposures in risk categories and determination of impairment losses

The Bank shall classify portfolio in risk categories according to the credit risk in accordance with IFRS 9 for the following types of instruments:

- Financial assets carried at amortized costs,
- Financial assets carried at fair value through other comprehensive income except for equity instruments and
- Loan commitments and financial guarantees.

Throughout the whole contract period the Bank observes and estimates customers' creditworthiness and classifies it into risk categories based on all three indicators:

i. Customer's creditworthiness;
ii. Customer's ability to meet the obligations towards the Bank;
iii. Collaterals quality per each exposure.

Risk categories "A-1" and "A-2"

Classification for risk category A (performing exposures) is only for those customers who are not in the status of default. Risk category A has following risk subcategories:

i. A-1 (Stage 1) if after the initial recognition of customers' exposure credit risk has not increased significantly;
ii. A-2 (Stage 2) if after the initial recognition of customers' exposure credit risk has increased significantly

The Bank has taken the orderliness of the debtor in settling due obligations as a mandatory indicator; if the debtor is late for paying its due exposures to the Bank for longer than 30 days, but still within the deadlines not exceeding 90 days, the Bank shall classify it to the risk subcategory A-2. Additional indicators are used for the requirements of determining the significantly increased credit risk:

i. The debtor has been assigned WL2 monitoring status.
ii. Deterioration of the internal and external credit rating/quality.

4. Significant accounting estimates and judgments (continued)

Classification of exposures in risk categories and determination of impairment losses (continued)

For exposures classified as A-1 (stage 1), expected credit loss (ECL) is calculated as the product of 12-month probability of default (PD) multiplied with the loss given default (LGD) and the exposure at default (EAD). For exposures classified as A-2 (stage 2), lifetime expected credit loss (ECL) is calculated as the product of the corresponding multi-annual probability of default (i.e. the corresponding PD for the remaining years of loan repayment) multiplied by the loss given default (LGD) and the exposure at default (EAD).

The calculation of PD is based on statistical segmentation of the portfolio and creation of homogeneous clusters of clients according to their underlying credit risk. The segments in question are Retail and Corporate/SME. The structure of the models and the overall modelling process is largely similar for both segments. The segmentation is divided depending on the debtors internal rating, level of income, industry, product and collateral.

The model consists of two parts. The first part entails modelling PD values, while the second parts consists of modelling the FLI adjustments for the PD values.

The first part consists of several steps. The first step for both segments is the creation of homogeneous clusters according to their underlying risk. This clustering is conducted based on a set of predefined variables. Those variables are then sliced into bins and each variable is judged for its predictivity. If the variable's predictivity is high enough, the variable enters the final model. Once all the predictive variables are isolated, clusters are determined based on those variables and their respective binning.

The next step is estimation of Through the Cycle (TtC) PD values. For the Retail segment, TtC PD values have been estimated as the long-term average default rates. Due to the low number of observations, and especially defaults in the Corporate/SME segment, a Bayesian model was used.

Lifetime PD should reflect all relevant factors that affect this probability, i.e. in addition to including historical data based on PD and DR (default rate) statistics, it is necessary to include macroeconomic forecasts in the future period, all with the aim of making ECL projections as realistic as possible.

In order to introduce the concept of forward looking information (FLI), the bank converts the calculated PD from TTC (Through-the-Cycle) to PIT PD (Point-in-Time). This is done by introducing macroeconomic variables.

The bank used available data sources at the time of initial model development to project the values of macroeconomic variables for the next three years. The bank chose three scenarios and assigned the probability of occurrence to the basic scenario 60%, the pessimistic one 30%, and the optimistic one 10%. If significantly changed circumstances occur, it is necessary to recalibrate the FLI assessment, i.e. the value of the macroeconomic variables and/or the probability of the scenario occurring, without delay.

The adequacy of all estimates for PD parameters is evaluated by the Bank at least once a year when the bank's management board decides whether the existing models best reflect the credit risk of the portfolio or whether the models need to be updated. Considering the current geopolitical (mostly wars in Ukraine and Gaza) and macroeconomic situation (mostly recession in Germany and still heightened inflation, which is reflected in higher interest rates), the management board decided to keep the existing PD models as they better reflect the credit risk of the portfolio. Below are shown scenarios and macroeconomic variables that were used to test the estimates of PD parameters, and the ones that were used in the actual PD models and that were in implementation as of 31 December 2023.

Notes to the financial statements (continued)

4. Significant accounting estimates and judgments (continued)

Classification of exposures in risk categories and determination of impairment losses (continued)

Scenarios and macroeconomic variables used to evaluate PD models are presented below.

scenario	scenario_weight	macro_variable	2023	2024	2025	2026
optimistic	10%	gdp_yoy	2,9%	3,0%	3,0%	3,0%
		unemployment	6,3pp	5,8pp	5,4pp	5,6pp
baseline	60%	gdp_yoy	2,9%	2,6%	2,6%	2,6%
		unemployment	6,3pp	6,0pp	5,6pp	5,8pp
pesimistic	30%	gdp_yoy	2,9%	-2,3%	0,0%	0,7%
		unemployment	6,3pp	8,1pp	6,6pp	6,7pp

Scenarios and macroeconomic variables used in PD models as of 31 December 2023 are presented below.

scenario	scenario_weight	macro_variable	2022	2023	2024	2025
optimistic	10%	gdp_yoy	5,5%	3,0%	5,0%	5,0%
		unemployment	6,3pp	5,1pp	5,1pp	5,1pp
baseline	60%	gdp_yoy	5,5%	1,0%	1,7%	2,4%
		unemployment	6,3pp	6,3pp	5,9pp	5,8pp
pesimistic	30%	gdp_yoy	5,5%	-3,2%	0,0%	0,7%
		unemployment	6,3pp	6,7pp	6,7pp	6,7pp

Below is a sensitivity analysis if there is a change in the assumptions in the scenario:

		2024	2025	2026
Pesimistic scenario	GDP growth	3,0%	3,0%	3,0%
	Unemployment rate	5,8pp	5,4pp	5,6pp
Optimistic scenario	GDP growth	-2,3%	0,0%	0,7%
	Unemployment rate	8,1pp	6,6pp	6,7pp

Notes to the financial statements (continued)

4. Significant accounting estimates and judgments (continued)

Classification of exposures in risk categories and determination of impairment losses (continued)

In case the bank implemented two above shown scenarios in forward looking element within PD models, the effect on provisions would be shown as in the table below.

	The Bank		Retail		Legal Entites	
	Relative change of provisions	Absolute change of provisions (in ths EUR)	Relative change of provisions	Absolute change of provisions (in ths EUR)	Relative change of provisions	Absolute change of provisions (in ths EUR)
Pesimistic scenario	8,03%	348	4,53%	55	9,41%	292
Optimistic scenario	-8,57%	-371	-10,59%	-130	-7,78%	-242

Bearing in mind the complexity of the IFRS 9 standard in terms of LGD model development on the one hand, as well as the size of the Bank, the relatively simple portfolio structure and a small number of data on the other hand, the Bank uses the LGD parameters defined by the Basel Framework. In accordance with its estimate of LGD parameters, the Bank adds a conservative factor of 5 pp.

The values of LGD parameters used by the Bank are as follows:

- Retail collateralized - 40%
- Retail uncollateralized - 80%
- Legal entities - 50%
- Banks - 45%
- Sovereigns - 45%
- Loans secured with a special-purpose deposit - 15%, and those fully secured by deposit – 0%

The exposure at default (EAD) is gross book value of exposure at the reporting date, with the implementation of Credit Conversion Factor (CCF) of 20% and 50% for guarantees (in line with Regulation 575/2013) during 2022 (previously, the Bank used CCF of 100%). The Bank performed analysis of called payments under guarantees during previous ten years, and the amount that converted from offbalance sheet items to balance sheet items is significantly less than implemented CCFs.

4. Significant accounting estimates and judgments (continued)

Classification in risk categories in line with regulatory requirements

Risk groups "B" and "C"

Exposure to the customers classified as in default are classified in risk subcategory B-1 or worse and appropriate impairment is recognized. Impairment according to the risk subcategory B-1 must be at least 2%.

Exceptionally, the Bank may estimate that impairment of exposure to a customer in the status of default in risk subgroup B-1 is less than 2%, but the Bank shall take into account the likelihood or probability of credit loss in a way that reflects the probability of the credit loss and likelihood of a lack of credit loss, even if the likelihood of credit loss is very small.

Risk category B – partly recoverable exposure which are classified into three subcategories, depending on the percentage of the impairment losses recognized in relation to the nominal carrying amount:

B1 – when the level of impairment and provisions does not exceed 30% of the exposure amount;

B2 – when the level of impairment and provisions amounts to more than 30% (minimum 30.01%) and not more than 70% of the exposure amount;

B3 – when the level of impairment and provisions is more than 70% (minimum 70.01%) and less than 100% of the exposure amount.

The Bank classifies its exposures into two groups: small loan portfolio (group of related exposures below 66 thousand EUR) and individually significant exposures (group of related exposures exceeding 66 thousand EUR). Impairment of small loan portfolio is assessed for impairment on collectively basis.

In accordance with Decision on the classification of the exposures into risk categories and the method of determining credit losses (Official Gazette 114/2017,110/2018) the Bank will assess credit risk or recovery of placements on a small loan portfolio basis and act in accordance with the criteria of days-past due buckets applicable to partially recoverable placements on an individual basis.

Classification and impairment levels for small loan portfolio

RISK GROUP	IMPAIRMENT	NUMBER OF DAYS
B 1	10%	91-120
B 1	20%	121-180
B 2	30%	181-210
B 2	40%	211-230
B 2	50%	231-250
B 2	60%	251-270
B 3	70%	271-300
B 3	80%	301-330
B 3	90%	331-365
C	100%	More than 365

4. Significant accounting estimates and judgments (continued)

Classification in risk categories in line with regulatory requirements (continued)

Classification and impairment levels for small loan portfolio (continued)

The level of impairment of individually significant exposures classified into risk categories B and C is determined as a probability weighted difference between the gross carrying amount of an individual exposure and the present value of estimated debtor's future cash flows discounted by applying the effective interest rate.

The Management Board believes that both individual and collective impairment losses and provisions are sufficient.

Legal cases

The Bank performs a risk classification of lawsuits taking into consideration the following principles: legal grounds of the claim; prior legal practice; opinions of relevant outsourced attorneys and other independent legal or other experts.

Lawsuits are classified into two groups: where the Bank expects a fully successful outcome and where the Bank expects to lose the case.

The Management Board believes that the provisions for legal cases are sufficient at the reporting date.

Taxation

The Bank provides for tax liabilities in accordance with the tax laws of the Republic of Croatia. Tax returns are subject to the approval of the tax authorities which are entitled to carry out subsequent inspections of a taxpayer’s records.

Fair value hierarchy

Fair value hierarchy is presented in Note 32.

Notes to the financial statements (continued)

5. Interest income and similar income

a) Interest income analyzed by product:

	2023	2022
	EUR 000	*EUR 000*
Interest income calculated using the effective interest method		
Interest income from loans to and receivables from customers	15,442	12,254
Interest income from financial investments at amortized cost	4,534	1,360
Interest income from financial assets at fair value through other comprehensive income	-	42
Interest income from deposits	4,528	67
	24,504	*13,723*
Other interest income		
Interest income from financial investments held for trading	49	1
	49	*1*
TOTAL	**24,553**	**13,724**

b) Interest income analyzed by sectors:

	2023	2022
	EUR 000	*EUR 000*
Companies	11,920	6,931
Individuals (retail)	6,510	5,730
Central government and local authorities	5,646	721
Financial institutions	474	336
Other	3	6
TOTAL	**24,553**	**13,724**

6. Interest expense and similar charges

a) Interest expense analyzed by product:

	2023	2022
	EUR 000	*EUR 000*
Interest expense from term deposits	4,130	714
Interest expense from demand deposits	44	21
Interest expense from borrowings	826	168
Other	31	145
TOTAL	**5,031**	**1,048**

Notes to the financial statements (continued)

6. Interest expense and similar charges (continued)

b) Interest expense analyzed by sector:

	2023	2022
	EUR 000	*EUR 000*
Interest expense to individuals (retail)	1,866	424
Interest expense to financial institutions	1,590	346
Interest expense to non-residents	784	149
Interest expense to companies	759	21
Other	32	8
TOTAL	**5,031**	**1,048**

7. Impairment losses and provisions

a) Impairment losses and provisions

				2023
				EUR 000
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Impairment of loans to and receivables from customers (Note 15c)	(294)	(382)	374	(302)
Impairment of placements with other banks (Note 14)	(35)	-	-	(35)
Impairment of other assets (Note 18a)	-	1	(35)	(34)
Impairment of financial investments held to maturity (Note 13b)	(15)	37	-	22
Provisions for off-balance-sheet exposure to credit risk (Note 20b)	(26)	44	(4)	14
Other impairment	(60)	-	-	(60)
TOTAL	**(430)**	**(300)**	**335**	**(395)**

				2022
				EUR 000
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Reversal of impairment of loans to and receivables from customers (Note 15c)	182	140	26	348
Impairment of placements with other banks (Note 14)	-	-	-	-
Impairment of other assets (Note 18a)	-	-	(22)	(22)
Impairment of financial investments at amortised cost (Note 13b)	20	(42)	-	(22)
Provisions for off-balance-sheet exposure to credit risk (Note 20b)	(200)	(38)	(209)	(447)
TOTAL	**2**	**60**	**(205)**	**(143)**

Notes to the financial statements (continued)

7. Impairment losses and provisions (continued)

	2023	2022
	EUR 000	*EUR 000*
	Total	**Total**
Provisions for court cases (Note 20)	(41)	(1)
TOTAL	**(41)**	**(1)**

8. Fee and commission income and expense

a) Fee and commission income

	2023	2022
	EUR 000	*EUR 000*
Payment transaction fees	2,763	2,424
Letter of credit and guarantee fees	2,245	1,087
Other banking services	292	245
TOTAL	**5,300**	**3,756**

b) Fee and commission expenses

	2023	2022
	EUR 000	*EUR 000*
Card business	317	244
Domestic banks	257	170
Payment transaction	184	168
Domestic clients	12	15
Croatian National Bank	4	8
TOTAL	**774**	**605**

9a. Net realised gains from financial assets at fair value through other comprehensive income

	2023	2022
	EUR 000	*EUR 000*
Domestic sovereign bonds at fair value through other comprehensive income	-	377
Foreign sovereign bonds at fair value through other comprehensive income	-	(41)
TOTAL	**-**	**336**

Notes to the financial statements (continued)

9b. Net losses from translation of monetary assets and liabilities and foreign exchange spot trading

	2023	2022
	EUR 000	*EUR 000*
Net gains/(losses) from translation of monetary assets and liabilities		
- items denominated in foreign currency	(121)	(276)
- items linked to foreign currency	(2)	338
Net gain from foreign exchange spot trading	821	2,934
TOTAL	**698**	**2,996**

9c. Other income

	2023	2022
	EUR 000	*EUR 000*
Income from invoiced notaries expenses	20	22
Net gain from sale of assets	-	7
Income from operating lease	2	3
Income from reversal of provisions	-	-
Other	21	30
TOTAL	**43**	**62**

Notes to the financial statements (continued)

10. Staff costs and other administrative expenses

a) Staff costs

	2023	2022
	EUR 000	*EUR 000*
- Net salaries to employees	5,150	4,370
- Contributions, taxes and surtaxes from salaries	2,433	2,010
- Contributions on salaries	1,179	992
- Other	829	619
TOTAL	**9,591**	**7,991**

Staff costs include EUR 1,453 thousand (2022: EUR 1,216 thousand) of defined pension contributions payable into obligatory pension plans.

During 2023, average number of employees was 258 (2022: 243).

b) Other administrative expenses

	2023	2022
	EUR 000	*EUR 000*
Other services	1.085	817
Maintenance expenses	856	696
Intellectual services	421	448
Costs of deposit insurance	167	304
Material costs and similar charges	320	301
Mail and phone expenditure	204	211
Marketing and advertisement expenditure	354	198
Rent expenses	182	173
Insurance and protection expenses	157	121
Other expenditure	970	925
TOTAL	**4,716**	**4,194**

The total amount of fees paid by the Bank to the audit company, the independent auditor for audit services for the year 2023 is EUR 89 thousand (for the year 2022 it was EUR 88 thousand).

Notes to the financial statements (continued)

11 Income tax

	2023	2022
	EUR 000	*EUR 000*
Current income tax expense	1,751	973
Deferred income tax credit	(277)	-
Total Income tax expense	**1,474**	**973**
Accounting profit before tax	**8,078**	**5,175**
Income tax at 18% (2022: 18%)	1,454	931
Non-deductible expenses	126	141
Non-taxable income	(106)	(99)
Income tax for the year	**1,474**	**973**
Income tax expense recognised in profit or loss	**1,474**	**973**
Effective income tax rate	**18%**	**19%**

a) changes in Deffered tax asset

			2023
			EUR 000
	Opening balance 1 January	Recognised in profit or loss	Closing balance 31 December
FVTPL financial assets	-	(4)	(4)
Deferred fees	-	(237)	(237)
Accrued expenses	-	(36)	(36)
TOTAL	**-**	**(277)**	**(277)**

The Bank started recognizing deferred tax asset in 2023.

12. Cash and cash equivalents

	31 December 2023 *EUR 000*			31 December 2022 *EUR 000*		
	EUR	Foreign currency	Total	HRK	Foreign currency	Total
Current accounts with the CNB	5,002	196	5,198	105,978	14,231	120,209
Current accounts with other banks	388	776	1,164	-	4,057	4,057
Cash in hand	13,112	415	13,527	4,133	1,078	5,211
ECL allowance	-	-	-	(53)	(7)	(60)
TOTAL	**18,502**	**1,387**	**19,889**	**110,058**	**19,359**	**129,417**

In 2023, the Bank placed all surplus in liquidity in an overnight deposit with the CNB (2023: EUR 212 million).

Notes to the financial statements (continued)

13.Financial investments

a) Financial investments at amortised cost

	31 December 2023	31 December 2022
	EUR 000	*EUR 000*
Domestic sovereign bonds	38,341	34,348
Foreign sovereign bonds	68,962	33,439
Foreign corporate bonds	8,010	13,443
Domestic sovereign T-bill	1,977	4,998
Factoring – receivables from companies	590	1,967
Factoring – receivables from state and local authorities	63	208
Bills of exchange – companies	1,720	131
ECL allowance	(285)	(281)
TOTAL	**119,378**	**88,254**

In 2022, the bank reassessed the business model of managing the securities portfolio and came to the conclusion that there had been a change in the business model. The aforementioned changes were mainly driven by Croatia's entry into the Eurozone in 2023, regulatory changes, but also changes in the organizational structure of the Bank, including changes to the planning, monitoring and organization of the Treasury. Taking into account that the EURO becomes the local currency, which already in 2022 has resulted in the easing of monetary policy (with a reduction in the ratio of required reserves of the Croatian National Bank), easier management of the foreign exchange position and greater access to ECB financing, which overall reduces the need to dispose of securities for liquidity management Banks except in stressful situations.

Taking into account the aforementioned reasons, at 31.10.2022, the Bank moved all securities from the HTC&S portfolio to the HTC portfolio. The aforementioned decision was considered in the context of meeting the criteria for changing the business model in accordance with the requirements of IFRS 9. The securities were reclassified at their fair value adjusted for the amount in the reserve recognized in equity, and as a result the value of the bonds was changed prospectively as if they were always measured at amortized cost.

Notes to the financial statements (continued)

13.Financial investments (continued)

a) Financial investments at amortised cost (continued)

If the reclassification process was not performed as of 31.10.2022, total FV of HTC&S portfolio and amounts recognized in OCI would have been:

	31. Dec 2022	31. Dec 2023
FV	60,491	49,585
OCI	-4,019	-2,080

Movement in impairment allowance against financial investments at amortised cost:

	2023	2022
	EUR 000	*EUR 000*
Balance at 1 January	**281**	**21**
Release for the year (Note 7)	(22)	(22)
Reclassification		281
Write off	26	
Balance at 31 December	**285**	**281**

b) Financial investments held for trading

	31 December 2023	31 December 2022
	EUR 000	*EUR 000*
Foreign sovereign bonds	4,341	1,756
TOTAL	**4,341**	**1,756**

14. Placements with other banks

	31 December 2023	31 December 2022
	EUR 000	*EUR 000*
Placements with other domestic banks - in EUR	224,085	2,880
Placements with other domestic banks - in foreign currency with original maturity up to 3 months	466	3,011
Placements with other domestic banks - in foreign currency with original maturity over 3 months	9,867	3,097
ECL allowance	(46)	(1,361)
TOTAL	**234,372**	**7,627**

Notes to the financial statements (continued)

14. Placements with other banks (continued)

a) Movement in impairment allowance against placements with other banks in EUR:

	2023	2022
	EUR 000	*EUR 000*
Balance at 1 January	(1,361)	(1,361)
Release/(Charge) recognized in profit or loss (note 7)	(35)	-
Write off	1,350	-
Balance at 31 December	**(46)**	**(1,361)**

15. Loans to and receivables from customers

a)Analysis according to types of loans

	31 December 2023	31 December 2022
	EUR 000	*EUR 000*
Short-term loans:		
Companies	23,533	37,318
Retail customers	5,290	4,163
Other customers	19,858	4,318
Total short-term loans	**48,681**	**45,799**
Long-term loans:		
Companies	136,258	116,375
Retail customers	152,774	144,704
Other customers	7,728	6,658
Total long-term loans	**296,760**	**267,737**
Total short-term and long-term loans	**345,441**	**313,536**
Impairment allowance	(7,425)	(11,270)
TOTAL	**338,016**	**302,266**

The classification above is based on original contractual maturity, while the remaining contractual maturities are analyzed in Note 29.

Notes to the financial statements (continued)

15. Loans to and receivables from customers (continued)

b)Loans by industry/product

	31 December 2023	31 December 2022
	EUR 000	*EUR 000*
Services	52,629	40,875
Manufacturing	46,584	43,357
Trade	13,279	15,543
Construction	24,618	23,468
Tourism	12,836	12,754
Agriculture	12,275	15,672
Other	19,335	8,337
Gross corporate	***181,556***	***160,006***
Cash loans	58,765	59,422
Housing loans	58,229	56,596
Tourist loans	12,937	7,599
Overdraft	852	1,156
Mortgage loans	417	505
Credit card receivables	691	771
Other	26,178	22,828
Retail gross	***158,069***	***148,877***
Other gross	***5,816***	***4,654***
Total gross	**345,441**	**313,536**
Impairment allowance	**(7,425)**	**(11,270)**
TOTAL	**338,016**	**302,266**

Notes to the financial statements (continued)

15. Loans to and receivables from customers (continued)

c) Impairment allowance for loans and receivables from customers

				2023 *EUR 000*
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2023	**283,667**	**16,847**	**13,022**	**313,536**
New assets originated or purchased	117,187	669	245	118,101
Assets derecognised or repaid (excluding write offs)	(48,277)	(1,701)	(3,772)	(53,750)
Transfers to Stage 1	(14,907)	13,846	1,061	-
Transfers to Stage 2	2,501	(2,648)	147	-
Transfers to Stage 3	-	809	(809)	-
Collection	(26,066)	(2,050)	(631)	(28,747)
Amounts written off	-	-	(3,699)	(3,699)
Foreign exchange adjustments	-	-	-	-
At 31 December 2023	**314,105**	**25,772**	**5,564**	**345,441**

				2022 *EUR 000*
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2022	**211,948**	**27,581**	**13,256**	**252,785**
New assets originated or purchased	136,404	2,787	993	140,184
Assets derecognised or repaid (excluding write offs)	338	338	338	1,014
Transfers to Stage 1	6,127	(6,053)	(74)	-
Transfers to Stage 2	(5,398)	5,824	(426)	-
Transfers to Stage 3	(1,288)	(646)	1,934	-
Collection	(64,464)	(12,984)	(2,600)	(80,048)
Amounts written off	-	-	(401)	(401)
Foreign exchange adjustments	-	-	2	2
At 31 December 2022	**283,667**	**16,847**	**13,022**	**313,536**

				2023 *EUR 000*
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2023	2.180	731	8.359	11.270
New assets originated or purchased	947	24	62	1.033
Assets derecognised or repaid (excluding write offs)	(386)	(37)	(7.545)	(7.968)
Transfers to Stage 1	1.009	(800)	(209)	-
Transfers to Stage 2	(17)	75	(58)	-
Transfers to Stage 3	-	(60)	60	-
Net Increase / (Reversal) of provisions	(1.432)	1.419	6.645	6.632
Amounts written off	-	-	(3.543)	(3.543)
Foreign exchange adjustments	-	-	-	-
At 31 December 2023	**2.301**	**1.352**	**3.771**	**7.424**

Notes to the financial statements (continued)

15. Loans to and receivables from customers (continued)

c) Impairment allowance for loans and receivables from customers

				2022
				EUR 000
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2022	**1,797**	**1,519**	**8,580**	**11,896**
New assets originated or purchased	972	92	138	1,202
Assets derecognised or repaid (excluding write offs)	(298)	(320)	(770)	(1,388)
Transfers to Stage 1	488	(266)	(222)	-
Transfers to Stage 2	(40)	164	(124)	-
Transfers to Stage 3	(2)	(34)	36	-
Net Increase / (Reversal) of provisions	(736)	(424)	998	(162)
Amounts written off	-	-	(276)	(276)
Foreign exchange adjustments	-	-	(2)	(2)
At 31 December 2022	**2,180**	**732**	**8,359**	**11,270**

Net impairment charge for loans to and receivables from customers is included in the analysis within Note 7 Impairment losses and provisions and is recognized in profit or loss.

Notes to the financial statements (continued)

16. Property, plant and equipment and intangible assets

a) Movement in property, plant and equipment in thousand EUR

	Land	Buildings	Equipment	Furniture and vehicles	Assets under construction	Total
Cost						
Balance at 1 January 2023	**1**	**5,620**	**2,644**	**904**	**81**	**9,250**
Additions	-	10	176	126	223	535
Transfer	-	-	102	202	(304)	-
Write-off and disposals	-	(34)	-	-	-	(34)
Balance 31 December 2023	**1**	**5,596**	**2,922**	**1,232**	**-**	**9,751**
Depreciation						
Balance as at 1 January 2023	**-**	**1,345**	**1,758**	**449**	**-**	**3,552**
Charge for the year	-	152	331	117	-	600
Write-off and disposals	-	(4)	-	-	-	(4)
Balance 31 December 2023	**-**	**1,493**	**2,089**	**566**	**-**	**4,148**
Net carrying amount 1 January 2023	**1**	**4,275**	**886**	**455**	**81**	**5,698**
Net carrying amount 31 December 2023	**1**	**4,103**	**833**	**666**	**-**	**5,603**

16. Property, plant and equipment and intangible assets (continued)

a) Movement in property, plant and equipment in thousand EUR (continued)

	Land	Buildings	Equipment	Furniture and vehicles	Assets under construction	Total
Cost						
Balance at 1 January 2022	56	5,413	2,576	695	361	9,101
Additions	-	236	272	281	(212)	577
Transfer	-	-	68	-	(68)	-
Write-off and disposals	(55)	(29)	(272)	(72)	-	(428)
Balance 31 December 2022	**1**	**5,620**	**2,644**	**904**	**81**	**9,250**
Depreciation						
Balance as at 1 January 2022	-	1,210	1,779	443	-	3,432
Charge for the year	-	154	248	77	-	479
Write-off and disposals	-	(19)	(269)	(71)	-	(359)
Balance 31 December 2022	**-**	**1,345**	**1,758**	**449**	**-**	**3,552**
Net carrying amount 1 January 2022	**56**	**4,203**	**797**	**252**	**361**	**5,669**
Net carrying amount 31 December 2022	**1**	**4,275**	**886**	**455**	**81**	**5,698**

Notes to the financial statements (continued)

16. Property, plant and equipment and intangible assets (continued)

b) Movement in right-of-use assets thousand EUR

	Buildings	Motor vehicles	**Total**
Cost			
Balance at 1 January 2023	4,225	310	4,535
Additions	959	86	1,045
Disposal	(912)	-	(912)
Balance 31 December 2023	**4,272**	**396**	**4,668**
Depreciation			
Balance as at 1 January 2023	1.868	112	1,980
Charge for the year	707	67	774
Disposal	(674)	(48)	(722)
Balance 31 December 2023	**1,901**	**131**	**2,032**
Net carrying amount 1 January 2023	**2,357**	**198**	**2,555**
Net carrying amount 31 December 2023	**2,371**	**265**	**2,636**

Notes to the financial statements (continued)

16. Property, plant and equipment and intangible assets (continued)

b) Movement in right-of-use assets thousand EUR

	Buildings	Motor vehicles	**Total**
Cost			
Balance at 1 January 2022	2,999	229	3,228
Additions	1,248	81	1,329
Disposal	(22)	-	(22)
Balance 31 December 2022	**4,225**	**310**	**4,535**
Depreciation			
Balance as at 1 January 2022	1,203	69	1,272
Charge for the year	665	43	708
Disposal	-	-	-
Balance 31 December 2022	**1,868**	**112**	**1,980**
Net carrying amount			
1 January 2022	**1,796**	**160**	**1,956**
Net carrying amount			
31 December 2022	**2,357**	**198**	**2,555**

Notes to the financial statements (continued)

16. Property, plant and equipment and intangible assets (continued)

c) Movement in intangible assets in thousand EUR

	Leasehold improvements	Software	Assets under construction	**Total**
Cost				
Balance at 1 January 2023	1,662	2,465	291	4,418
Additions	708	85	6	799
Transfer	-	105	(105)	-
Write off	-	-	-	-
Balance 31 December 2023	**2,370**	**2,655**	**192**	**5,217**
Amortisation				
Balance as at 1 January 2023	1,172	1,350	-	2,522
Charge for the year	183	422	-	605
Write off	-	-	-	-
Balance 31 December 2023	**1,355**	**1,772**	**-**	**3,127**
Net carrying amount 1 January 2023	**490**	**1,115**	**291**	**1,896**
Net carrying amount 31 December 2023	**1,015**	**883**	**192**	**2,090**

Assets in preparation is related to Core system improvements and investment into new business application for managing the financing process.

Notes to the financial statements (continued)

16. Property, plant and equipment and intangible assets (continued)

c) Movement in intangible assets in thousand EUR (continued)

	Leasehold improvements	Software	Assets under construction	**Total**
Cost				
Balance at 1 January 2022	1,723	1,550	797	4,070
Additions	323	168	258	747
Transfer	-	763	(763)	-
Write off	(384)	(17)	-	(401)
Balance 31 December 2022	**1,662**	**2,465**	**291**	**4,418**
Amortisation				
Balance as at 1 January 2022	1,387	1,004	-	2,391
Charge for the year	163	363	-	526
Write off	(378)	(17)	-	(396)
Balance 31 December 2022	**1,172**	**1,350**	**-**	**2,522**
Net carrying amount 1 January 2022	**336**	**546**	**797**	**1,679**
Net carrying amount 31 December 2022	**491**	**1,114**	**290**	**1,896**

Notes to the financial statements (continued)

17. Foreclosed assets

	31 December 2023 *EUR 000*	31 December 2022 *EUR 000*
Properties acquired in exchange for uncollectible receivables	86	87
TOTAL	**86**	**87**

The book value of the foreclosed assets approximates the fair value of these assets.

18. Other assets

	31 December 2023 *EUR 000*	31 December 2022 *EUR 000*
Receivables for fees and commissions	629	325
Prepaid expenses	409	265
Receivables for advances	71	144
Receivables from customers	18	9
Other receivables	232	258
Impairment allowance	(94)	(171)
TOTAL	**1,265**	**830**

a) Movement in impairment allowance against other assets

	2023 *EUR 000*	2022 *EUR 000*
Balance at 1 January	**171**	**154**
Charge	45	32
Reversal	(11)	(9)
Net charge recognized in profit or loss (Note 7)	*34*	23
Write off	(111)	(5)
Balance at 31 December	**94**	**171**

Notes to the financial statements (continued)

19. Current accounts and deposits and interest-bearing borrowings

a) Current accounts and deposits from banks and financial institutions

EUR 000

	EUR	Foreign currency	**31 December 2023 Total**	HRK	Foreign currency	**31 December 2022 Total**
Term deposits	2,776	1,812	**4,588**	10,284	3,602	**13,886**
Current accounts	26,392	1,150	**27,542**	504	4,010	**4,514**
TOTAL	**29,168**	**2,962**	**32,130**	**10,788**	**7,612**	**18,400**

b) Current accounts and deposits from customers

ba) Current accounts from customers

EUR 000

	EUR	Foreign currency	**31 December 2023 Total**	HRK	Foreign currency	**31 December 2022 Total**
Corporate	58,469	5,530	**63,999**	68,497	60,461	**128,958**
Retail	126,054	1,558	**127,612**	34,407	46,120	**80,527**
State and other institutions	10,289	-	**10,289**	6,430	3,537	**9,967**
Total current accounts	194,812	7,088	**201,900**	109,334	110,118	**219,452**

bb) Term deposits from customers

EUR 000

	EUR	Foreign currency	**31 December 2023 Total**	HRK	Foreign currency	**31 December 2022 Total**
Retail	217,633	16,467	**234,100**	31,848	113,958	**145,806**
Corporate	67,976	-	**67,976**	27,425	22,098	**49,523**
State and other institutions	998	-	**998**	229	2	**231**
Total term deposits	286,607	16,467	**303,074**	59,502	136,058	**195,560**

Notes to the financial statements (continued)

19. Current accounts and deposits and interest-bearing borrowings (continued)

b) Current accounts and deposits from customers (continued)

bc) Total current accounts and term deposits from customers

EUR 000

			31 December 2023			31 December 2022
	EUR	Foreign currency	**Total**	HRK	Foreign currency	**Total**
Retail	276,102	21,997	**298,099**	66,255	160,078	**226,333**
Corporate	194,030	1,558	**195,588**	95,922	82,560	**178,482**
State and other institutions	11,287	-	**11,287**	6,658	3,538	**10,196**
TOTAL	481,419	23,555	**504,974**	168,835	246,176	**415,011**

c) Interest-bearing borrowings

	31 December 2023	31 December 2022
	EUR 000	*EUR 000*
Repo loan	82,574	27,307
Borrowings from Croatian Bank for Reconstruction and Development	22,567	8,400
TOTAL	**105,141**	**35,778**

Long term repo loans in the amount EUR 27,208 are contracted with original maturity up to five years with interest rates 0,25%. (2022: EUR 27,307 up to five years with interest rate 0,25%), Domestic bonds are used as collateral (note 15a). Short term repo loans in the amount EUR 55,000 with original maturity of one week tenor are contracted with ECB with interest rate of 4,5%.

d) Net cash from financing activities

	1 January 2023	Cash flow	Foreign exchange movement	Changes in fair values	Other	31 December 2023
Short-term loans	(35,608)	(69,169)	-	-	-	(104,777)
Long-term loans	(169)	(195)	-	-	-	(364)
Lease liabilities	(2,622)	(836)		-	759	(2,699)
Total liabilities	**(38,399)**	**(70,200)**	**-**	**-**	759	**(107,840)**

Notes to the financial statements (continued)

19Current accounts and deposits and interest-bearing borrowings (continued)

d)Net cash from financing activities (continued)

	1 January 2022	Cash flow	Foreign exchange movement	Changes in fair values	Other	31 December 2022
Short-term loans	(36,147)	532	5	-	-	(35,609)
Long-term loans	(95)	(69)	(5)	-	-	(170)
Lease liabilities	(2,016)	(702)	-	-	96	(2,622)
Total liabilities	**(38,258)**	**(142)**	**-**	**-**	**96**	**(38,401)**

20 Provisions for liabilities and charges

	31 December 2023	31 December 2022
	EUR 000	***EUR 000***
Provisions for off-balance-sheet exposure to credit risk (Note 26)	875	885
Provisions for legal cases initiated against the Bank	42	29
Other provisions	60	-
TOTAL	**977**	**914**

Movements in provisions are included in the analysis in Note 7 Impairment losses and provisions and are recognized in profit or loss.

a) Movements in provisions for legal cases initiated against the Bank:

	2023	2022
	EUR 000	***EUR 000***
Balance at 1 January	**213**	**28**
Increase in provisions	7	1
Release of unused amounts	-	-
Net charge recognized in profit or loss (Note 7)	7	1
Used during year	-	-
Balance at 31 December	**220**	**29**

Notes to the financial statements (continued)

20 Current accounts and deposits and interest-bearing borrowings (continued)

b) Movements in provisions for identified losses on off-balance-sheet exposure to credit risk

	2023	2022
	EUR 000	*EUR 000*
Balance at 1 January	**885**	**437**
Charge for off-balance sheet provisions recognised in profit or loss (Note 7)	(14)	447
Write offs	5	1
Balance at 31 December	**876**	**885**

21.Other liabilities

	31 December 2023	31 December 2022
	EUR 000	*EUR 000*
Liabilities for loan prepayments	895	4,630
Liabilities for leasing	2,700	2,622
Liabilities for closed accounts	2,579	2,443
Liabilities to employees	1,226	1,220
Liabilities to suppliers	478	424
Liabilities for taxes and contributions	39	31
Other liabilities	1,832	1,113
TOTAL	**9,749**	**12,483**

Liabilities for closed accounts represents accounts that are being closed due to customers death or customers who are not being evaluated under the Anti-Money Laundering Act. The most significant items of other liabilities refer to collected revenues from fees for overdraft facilitites in the amount of EUR 368 thousand and card liabilities in the amount of EUR 222 thousand.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2023	2022
	EUR 000	*EUR 000*
Balance at 1 January	**2,622**	**2,016**
Additions	1,176	1,307
Interest	30	23
Payments	(836)	(702)
Disposals	(292)	(21)
Balance at 31 December	**2,700**	**2,623**

Notes to the financial statements (continued)

22 Subordinated liabilities

The Bank has borrowed a subordinated loan in the amount of EUR 10 million from Süzer Holding, with the maturity of 6 years at a fixed interest rate of 6.25% and it was approved by the Croatian National Bank in December 2023.

23. Equity

	31 December 2023	31 December 2022
	EUR 000	***EUR 000***
Ordinary share capital (Note 23a)	51,758	51,793
Legal and capital reserves (Note 23b)	627	381
Retained earnings	11,651	5,257
Fair value reserve (Note 23c)	-	-
TOTAL	**64,036**	**57,431**

a) Ordinary share capital

Ordinary share capital amounts to EUR 51,758 thousand (31 December 2022: EUR 51,793 thousand) and is divided into 102,694 ordinary shares (31 December 2022: 102,698 shares) with a nominal value of EUR 504,00 each.

The shareholder structure was as follows:

Shareholder	ISIN	**Number of ordinary shares at 31 December 2023**	**% of the ordinary share capital**	**Number of ordinary shares at 31 December 2022**	**% of the ordinary share capital**
SÜZER HOLDING A.S.	BRBA-R-A	102,694	100.00	102,694	100.00
TOTAL		**102,694**	**100.00**	**102,694**	**100.00**

b) Legal and capital reserves

Legal reserves represent accumulated transfers from retained earnings in accordance with the Croatian Company Law, which stipulates that a minimum of 5% of current profits is transferred to undistributable legal reserves, until such reserves along with other capital reserves reach a minimum of 5% of the issued capital. The legal reserve can be used for covering losses from previous years if the losses are not covered from the profit of the current year, or if there are no other available reserves.

Notes to the financial statements (continued)

23. Equity (continued)

	31 December 2023 *EUR 000*	31 December 2022 *EUR 000*
Legal reserves	585	339
Capital reserves	42	42
TOTAL	**627**	**381**

c) Fair value reserve

Fair value reserve does not have any balance at 31.12.2023.

	2023 *EUR 000*	2022 *EUR 000*
Balance at 1 January	**-**	**50**
Gross fair value reserve at 1 January	-	(288)
Deferred tax	-	277
Accumulated impairment	-	61
Net gains/(losses) from change in fair value of financial assets at fair value through other comprehensive income	-	480
Deferred tax (charge)/gain on net losses from change in fair value of financial assets at fair value through other comprehensive income	-	87
Net gains on disposal of financial assets at fair value through other comprehensive income - transfer to income statement	-	(336)
Net impairment charge recognised in profit or loss	-	-
Gross fair value reserve change	-	-
Deferred tax change	-	-
Impairment allowance change	-	-
Fair value reserve reversal due to reclassification	-	(281)
Balance at 31 December	**-**	**-**

24. Related parties transactions

The Bank considers that it has an immediate related-party relationship with its key shareholders and their direct and indirect subsidiaries, the Supervisory Board members, Management Board members and other executive management (together "key management personnel"), close family members of key management personnel, and entities controlled by key management personnel or their close family members, in accordance with the definitions contained in International Accounting Standard 24 "Related Party Disclosures".

The majority owner of the Bank is Süzer Holding Anonim Sirketi which is headquartered in Turkey, The Bank entered into banking transactions with the majority owner during the year, generating income and expense for the year, and assets and liabilities at year end.

Related party transactions as at and for the year ended 31 December 2023 and 31 December 2022 were as follows:

SÜZER HOLDING	**31 December 2023**	**31 December 2022**
	EUR 000	***EUR 000***
Loans to and receivables from customers	107	-
Other receivables	-	-
	107	**-**
Received deposits		
Current accounts	410	46
Term deposits	4,060	4,862
Subordinated liabilities	10,052	-
Other liabilities (off balance for credit cards)	320	315
	14,842	**5,223**

SÜZER HOLDING	**2023**	**2022**
	EUR 000	***EUR 000***
Interest income on loans to and receivables from customers	5	1
Other income	5	1
	10	**2**
Expenses on received deposits		
Current accounts	-	-
Term deposits	(309)	(60)
	(309)	**(60)**

24. Related parties transactions (continued)

Key management personnel	31 December 2023	31 December 2022
	EUR 000	*EUR 000*
Loans to and receivables from customers	384	558
Other receivables	-	-
	384	**558**
Received deposits		
Current accounts	52	250
Term deposits	392	654
Other liabilities (Off balance for credit cards)	48	46
	492	**950**

	2023	2022
	EUR 000	*EUR 000*
Interest income on loans to and receivables from customers	18	17
Other income	2	2
	20	**19**
Expenses on received deposits		
Term deposits	(8)	(1)
	(8)	**(1)**

Compensation to key management personnel was:

	2023	2022
	EUR 000	*EUR 000*
- Net salaries to key management personnel	1,513	1,153
- Contributions, taxes and surtaxes from salaries	365	272
- Contributions on salaries	850	624
- Other	37	16
	2,765	**2,065**

The key management personnel in the Bank are the members of the Management and Supervisory Board, procurators and executive directors and other senior management. The expense of contributions paid to mandatory pension funds in the year ended 31 December 2023 for key management personnel amounted to EUR 332 thousand (for year ended 31 December 2022: EUR 252 thousand).

Total amount of management compensation is related to salary paid and benefit in kind on the monthly basis and it does not include long-term or bonus arrangements or termination rights.

25. Contingencies and commitments

Commitments include guarantees and unused overdraft facilities on current accounts of retail customers.

				31 December 2023 *EUR 000*
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Issued guarantees and letter of intent	177,047	6,059	430	183,536
Issued letters of credit	300	0	0	300
Unused overdraft facilities	29,719	284	8	30,011
TOTAL	**207,066**	**6,343**	**438**	**213,847**
Provisions for off-balance-sheet exposure to credit risk (Note 22)	(635)	(23)	(218)	(876)
TOTAL	**206,431**	**6,320**	**220**	**212,971**

				31 December 2022 *EUR 000*
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Issued guarantees and letter of intent	95,409	6,351	430	102,190
Issued letters of credit	24			24
Unused overdraft facilities	49,680	829	8	50,517
TOTAL	**145,113**	**7,180**	**438**	**152,731**
Provisions for off-balance-sheet exposure to credit risk (Note 22)	(603)	(68)	(214)	(885)
TOTAL	**144,510**	**7,112**	**224**	**151,846**

26. Maximum exposure to credit risk and concentration of credit risk

a) Maximum exposure to credit risk

	Note	31 December 2023 EUR 000	31 December 2022 EUR 000
Current accounts with the CNB and other banks	12	6,363	124,206
Placements with other banks	14	234,372	7,627
Financial investments at amortised cost	13a)	119,378	88,254
Financial assets held for trading	13b)	4,341	1,756
Loans to and receivables from customers	15a)	338,016	302,266
Other assets	18	856	566
Total exposure to credit risk from balance-sheet items		**703,326**	**524,675**
Exposure to credit risk from off balance sheet items is as follows:			
Guarantees and letters of intent	25	182,935	101,768
Letters of credit	25	298	24
Unused overdraft facilities	25	29,738	50,054
Total exposure to credit risk from off-balance-sheet items		**212,971**	**151,846**
TOTAL		**916,297**	**676,521**

b) Concentration of credit risk

Concentration of credit risk towards State and local authorities

	Note	31 December 2023 EUR 000	31 December 2022 EUR 000
Current account with the CNB	12	5,198	120,209
Financial investments at amortised cost	13a)	40,380	39,252
Other receivables		30	18
Impairment allowance		(23)	(27)
TOTAL		**45,585**	**159,453**

26. Maximum exposure to credit risk and concentration of credit risk (continued)

The impairment allowance presented in the above table relates to expected credit losses calculated on the related balances, which is in these financial statements offset against loans to and receivables from customers and is presented for illustrative purpose only.

Apart from exposures towards state and local authorities, the maximum exposure to credit risk towards one customer (including groups of related parties) at the end of 2023 amounted to EUR 13,542 thousand (2022: EUR 11,858 thousand).

27. Credit portfolio quality

The Bank applies an internal system of assessment of portfolio quality based on the assessment system prescribed by the CNB. The tables below present the credit quality by class of financial asset and ageing analysis of due outstanding receivables.

Collateral and other security instruments

The amount and type of the necessary collateral depends on the assessment of counterparty credit risk. The Bank has defined guidelines for acceptance of the type of collateral and evaluation of collateral.

Basic types of collateral are:

- Deposits
- Mortgages over real estate
- Charges over movable property
- Guarantees.

In the following tables, category other customers and companies from note 17 are included within corporate.

Notes to the financial statements (continued)

27. Credit portfolio quality (continued)

As at 31 December 2023

	Neither past due nor impaired				
	Low-risk grades	Standard and sub-standard grades	Past due but not impaired	Specifically impaired	Total
	EUR 000	*EUR 000*	*EUR 000*	*EUR 000*	*EUR 000*
Current accounts with banks (Note 12)	-	6,363	-	-	**6,363**
Financial investments at amortised cost (Note 13a)	-	119,378	-	-	**119,378**
Financial assets held for trading (Note 13b)	-	4,341	-	-	**4,341**
Placements with other banks (Note 14)	-	234,372	-	-	**234,372**
Loans to and receivables from customers (Note 15a)	**-**	**333,173**	**3,050**	**1,793**	**338,016**
* retail	-	183,150	1,287	554	**184,991**
* corporate and other	-	150,023	1,763	1,239	**153,025**
Other assets	-	856	-	-	**856**
TOTAL	**-**	**698,483**	**3,050**	**1,793**	**703,326**

As at 31 December 2022

	Neither past due nor impaired				
	Low-risk grades	Standard and sub-standard grades	Past due but not impaired	Specifically impaired	Total
	EUR 000	*EUR 000*	*EUR 000*	*EUR 000*	*EUR 000*
Current accounts with banks (Note 12)	-	124,206	-	-	**124,206**
Financial investments at amortised cost (Note 13a)	-	88,254	-	-	**88,254**
Financial assets held for trading (Note 13b)	-	1,756	-	-	**1,756**
Placements with other banks (Note 14)	-	7,627	-	-	**7,627**
Loans to and receivables from customers (Note 15a)	**-**	**296,363**	**1,240**	**4,663**	**302,266**
* retail	-	156,939	665	3,482	**161,086**
* corporate and other	-	139,424	575	1,181	**141,180**
Other assets	-	566	-	-	**566**
TOTAL	**-**	**518,772**	**1,240**	**4,663**	**524,675**

27. Credit portfolio quality (continued)

Gross exposure (per Stages)				31 December 2023 EUR000
	Stage 1	Stage 2	Stage 3	Total
Current accounts with the CNB and other banks	6,362	-	-	**6,362**
Placements with other banks	234,418	-	-	**234,418**
Financial investments at amortised cost	117,599	2,064	-	**119,663**
Financial assets held for trading	4,341	-	-	**4,341**
Loans to and receivables from customers	**314,105**	**25,772**	**5,564**	**345,441**
Other assets	1,107	8	150	**1,265**
Total exposure to credit risk from balance-sheet items	**677,932**	**27,844**	**5,714**	**711,490**
Exposure to credit risk from off balance sheet items is as follows:				
Guarantees and letters of intent	177,047	6,059	430	**183,536**
Letters of credit	300	0	0	**300**
Unused overdraft facilities	29,719	284	8	**30,011**
Total exposure to credit risk from off balance-sheet items	**207,066**	**6,343**	**438**	**213,847**
Total exposure to credit risk from balance and off balance-sheet items	**884,998**	**34,187**	**6,152**	**925,337**

Notes to the financial statements (continued)

27. Credit portfolio quality (continued)

Gross exposure (per Stages)				31 December 2022 *EUR 000*
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Current accounts with the CNB and other banks	124,266	-	-	**124,266**
Placements with other banks	7,631	-	1,357	**8,988**
Financial investments at amortised cost	86,631	1,904	-	**88,535**
Financial assets held for trading	1,756		-	**1,756**
Loans to and receivables from customers	283,667	16,847	13,022	**313,536**
Other assets	824	6	-	**830**
Total exposure to credit risk from balance-sheet items	**504,775**	**18,757**	**14,380**	**537,912**
Exposure to credit risk from off balance sheet items is as follows:				
Guarantees and letters of intent	95,409	6,351	430	102,190
Letters of credit	24	0	0	24
Unused overdraft facilities	49,680	829	8	50,517
Total exposure to credit risk from off balance-sheet items	**145,113**	**7,180**	**438**	**152,731**
Total exposure to credit risk from balance and off balance-sheet items	**649,888**	**25,937**	**14,818**	**690,643**

27. Credit portfolio quality (continued)

Collateral and other credit enhancements held

The table below sets out the carrying amount of secured exposures and the value of identifiable collateral (mainly residential and commercial property) held against loans and advances to customers measured at amortised cost. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against:

	Carrying amount EUR 000	Collateral EUR 000	31 December 2023 Unsecured EUR 000	Carrying amount EUR 000	Collateral EUR 000	31 December 2022 Unsecured EUR 000
Loans and advances to customers at amortised cost						
Corporate						
Stage 1 and Stage 2	144,535	67,671	14,328	137,836	62,671	10,337
Stage 3	554	255	-	3,467	2,132	15
	145,089	**67,926**	**14,328**	**141,303**	**64,802**	**10,352**
Retail						
Stage 1 and Stage 2	113,519	57,256	39,886	113,962	62,309	27,407
Stage 3	651	138	588	572	287	609
	114,170	**57,394**	**40,474**	**114,534**	**62,596**	**28,016**
Total	**259,259**	**125,320**	**54,802**	**255,837**	**127,398**	**38,368**

The table below show the market value of collateral:

Type of collateral	**Market value of collateral**	
EUR 000	**31.12.2023**	**31.12.2022**
Commercial property	59,207	54,025
Cash deposits	12,201	19,425
Movable property	6,453	671
Other types of collateral	16,488	5,450
Residential property	30,970	47,827
Total	**125,319**	**127,398**

Assets obtained by taking possession of collateral

Bank had realized new repossessions in amount of EUR 1 thousand of assets in order to settle existing exposures during 2023 therefore the balance of the repossessed assets at the end of 2023 was 202 thousand EUR gross book value or 0,9 thousand EUR net book value.

28. Maturity profile of assets and liabilities

Assets and liabilities are allocated within time buckets according to their remaining contractual maturity period.

As at 31 December 2023 ***EUR 000***

ASSETS	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
Cash and current accounts with banks	19,889	-	-	-	-	**19,889**
Financial investments at amortised cost	1,825	541	14,267	20,313	82,432	**119,378**
Financial investments held for trading		-			4,341	**4,341**
Loans to and receivables from customers	24,315	14,691	59,503	74,959	164,548	**338,016**
Placements with other banks	234,002	70	300	-	-	**234,372**
Property, plant and equipment	-	-	-	-	5,603	**5,603**
Right of use assets	65	130	585	1,172	684	**2,636**
Intangible assets	-	-	-	-	2,090	**2,090**
Foreclosed assets	-	-	-	-	86	**86**
Deferred tax asset	-	-	277	-	-	**277**
Other assets	1,265	-	-	-	-	**1,265**
TOTAL ASSETS	**281,361**	**15,432**	**74,932**	**96,444**	**259,784**	**727,953**
LIABILITIES						
Current accounts and deposits from banks and financial institutions	13,507	15,599	3,024	-	-	**32,130**
Current accounts and deposits from customers	215,031	28,169	198,284	45,020	18,470	**504,974**
Interest-bearing borrowings	55,386	401	2,552	33,734	13,068	**105,141**
Subordinated liability	0	0	0	0	10,052	**10,052**
Provisions for liabilities and charges	-	-	-	-	977	**977**
Income tax liability	-	-	894	-	-	**894**
Lease liability	65	132	594	1,197	712	**2,700**
Other liabilities	7,049	-	-	-	-	**7,049**
TOTAL LIABILITIES	**291,038**	**44,301**	**205,348**	**79,951**	**43,279**	**663,917**
EQUITY						
TOTAL EQUITY	**-**	**-**	**-**	**-**	**64,036**	**64,036**
TOTAL LIABILITIES AND EQUITY	**291,038**	**44,301**	**205,348**	**79,951**	**107,315**	**727,953**
MATURITY GAP	**(9,677)**	**(28,869)**	**(130,416)**	**16,493**	**152,469**	**-**
Issued guarantees and letter of intent	29,381	8,638	55,780	72,435	17,302	**183,536**
Issued letters of credit	-	185	114	-	-	**299**
Unused overdraft facilities	6,180	558	9,057	5,042	9,173	**30,010**
TOTAL OFF-BALANCE SHEET	**35,561**	**9,381**	**64,951**	**77,477**	**26,475**	**213,845**

Notes to the financial statements (continued)

28.Maturity profile of assets and liabilities (continued)

ASSETS	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
Cash and current accounts with banks	129,417	-	-	-	-	129,417
Financial investments at amortised cost	11	5,153	14,560	28,382	40,148	88,254
Financial investments held for trading	-	1,756	-	-	-	1,756
Loans to and receivables from customers	16,511	20,418	43,786	69,981	151,570	302,266
Placements with other banks	5,734	1,593	300	-	-	7,627
Property, plant and equipment	-	-	-	-	5,698	5,698
Right of use assets	61	121	495	1,206	672	2,555
Intangible assets	-	-	-	-	1,896	1,896
Foreclosed assets	-	-	-	-	87	87
Other assets	830	-	-	-	-	830
TOTAL ASSETS	152,564	29,041	59,141	99,569	200,071	540,386
LIABILITIES						
Current accounts and deposits from banks and financial institutions	6,109	3,4670	3,910	4,911	-	18,400
Current accounts and deposits from customers	228,164	37,195	74,889	60,826	13,937	415,011
Interest-bearing borrowings	21	248	1,205	29,305	4,999	35,778
Provisions for liabilities and charges	-	-	-	-	914	914
Income tax liability	-	-	369	-	-	369
Lease liability	60	123	505	1,250	684	2,622
Other liabilities	9,861	-	-	-	-	9,861
TOTAL LIABILITIES	244,215	41,036	80,878	96,292	20,534	482,955
EQUITY						
TOTAL EQUITY	**-**	**-**	**-**	**-**	57,431	57,431
TOTAL LIABILITIES AND EQUITY	244,215	41,036	80,878	96,292	77,965	540,386
MATURITY GAP	(91,651)	(11,995)	(21,737)	3,277	122,106	-
Issued guarantees and letter of intent	13,576	9,669	24,129	29,914	24,902	102,150
Issued letters of credit	-	24	-	-	-	24
Unused overdraft facilities	8,427	4,613	6,865	14,075	16,537	50,517
TOTAL OFF-BALANCE SHEET	22,003	14,306	30,994	43,989	41,439	152,731

The table above is based on contractual maturity of financial instruments. Although there is a significant gap up to 1 year, the bank expects that substantial part of demand deposit will remail stable, based on internal model with which the bank defines "stable" and "unstable" deposits. When determining "stable" and "unstable" deposits, the balance of demand deposits at the end of the month in the period of the last 5 years is observed. For each year, the monthly minimum and maximum balance during the year is calculated separately. After calculating the minimum and maximum balances during the year, they are put in the ratio (MIN/MAX). From the obtained ratios for the last 5 years, the average is taken, which represents "stable" deposits. The obtained average is "rounded" to a smaller number of multiples of 5 (or in some cases even more) for a more conservative approach and easier distribution of deposits over a period of up to 5 years. Stable deposits are then distributed over a period of 1 to 5 years, while unstable deposits are distributed from 0 to 1 year.

28. Maturity profile of assets and liabilities (continued)

Analysis of undiscounted cash flow of financial liabilities by remaining contracted amounts:

As at 31 December 2023 EUR ***000***

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
LIABILITIES						
Current accounts and deposits from banks and financial institutions	13,509	15,698	3,050	0	0	**32,257**
Current accounts and deposits from customers	215,081	28,372	199,384	45,492	18,581	**506,910**
Interest-bearing borrowings	55,386	401	2,552	33,734	13,068	**105,141**
Provisions for liabilities and charges	0	0	0	0	10,104	**10,104**
Subordinated liability	0	0	0	0	977	**977**
Income tax liability	0	0	894	0	0	**894**
Lease liability	65	132	594	1,197	712	**2,700**
Other liabilities	7,049	0	0	0	0	**7,049**
TOTAL LIABILITIES	**291,090**	**44,603**	**206,474**	**80,423**	**43,442**	**666,032**
OFF-BALANCE SHEET	**35,561**	**9,381**	**64,951**	**77,477**	**26,475**	**213,845**

As at 31 December 2022 ***EUR 000***

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
LIABILITIES						
Current accounts and deposits from banks and financial institutions	6,112	3,478	3,988	4,912	-	**18,490**
Current accounts and deposits from customers	228,191	37,278	75,153	61,048	14,048	**415,718**
Interest-bearing borrowings	21	248	1,205	29,305	4,999	**35,778**
Provisions for liabilities and charges	-	-	-	-	914	**914**
Income tax liability	-	-	369	-	-	**369**
Lease liability	60	123	505	1,250	684	**2,622**
Other liabilities	9,860	-	-	-	-	**9,860**
TOTAL LIABILITIES	**244,245**	**41,127**	**81,220**	**96,515**	**20,645**	**483,753**
OFF-BALANCE SHEET	**22,003**	**14,306**	**30,994**	**43,989**	**41,439**	**152,731**

Notes to the financial statements (continued)

29.Exposure to foreign currency risk

Foreign currency structure of the balance sheet is presented in the following tables:

As at 31 December 2023 ***EUR 000***

ASSETS	EUR (and EUR linked)	USD	CHF	Other currencies	HRK	Total
Cash and current accounts with banks	18,506	188	181	581	433	**19,889**
Financial investments at amortised cost	109,648	9,730	-	-	-	**119,378**
Financial investments held for trading	4,341	0	-	-	-	**4,341**
Loans to and receivables from customers	332,641	5,375	0	0	-	**338,016**
Placements with other banks	224,078	6,801	2,343	1,150	-	**234,372**
Property, plant and equipment	5,603	-	-	-	-	**5,603**
Right of use assets	2,636	-	-	-	-	**2,636**
Intangible assets	2,090	-	-	-	-	**2,090**
Foreclosed assets	86	-	-	-	-	**86**
Deferred tax asset	277	-	-	-	-	**277**
Other assets	1,265	-	-	-	-	**1,265**
TOTAL ASSETS	**701,171**	**22,094**	**2,524**	**1,731**	**433**	**727,953**
LIABILITIES						
Current accounts and deposits from banks and financial institutions	29,168	1,811	-	1,151	-	**32,130**
Current accounts and deposits from customers	481,426	20,293	2,434	821	-	**504,974**
Interest-bearing borrowings	105,141	-	-	-	-	**105,141**
Subordinated liability	10,052					**10,052**
Provisions for liabilities and charges	977	-	-	-	-	**977**
Income tax liability	894	-	-	-	-	**894**
Lease liability	2,700	-	-	-	-	**2,700**
Other liabilities	7,049	-	-	-	-	**7,049**
TOTAL LIABILITIES	**637,407**	**22,104**	**2,434**	**1,972**	**0**	**663,917**
EQUITY						
Ordinary share capital	51,758	-	-	-	-	**51,758**
Legal and other reserves	627	-	-	-	-	**627**
Retained earnings	11,651	-	-	-	-	**11,651**
TOTAL EQUITY	**64,036**	**-**	**-**	**-**	**-**	**64,036**
TOTAL LIABILITIES AND EQUITY	**701,443**	**22,104**	**2,434**	**1,972**	**-**	**727,953**
NET ASSETS/ LIABILITIES AND EQUITY	**(272)**	**(10)**	**90**	**(241)**	**433**	**-**

Notes to the financial statements (continued)

29.Exposure to foreign currency risk (continued)

As at 31 December 2022 ***EUR 000***

ASSETS	EUR (and EUR linked)	USD	CHF	Other currencies	HRK	Total
Cash and current accounts with banks	17,443	695	322	898	110,058	129,417
Financial investments at amortised cost	48,320	14,238	-	-	25,697	88,254
Financial investments held for trading	-	1,756	-	-	-	1,756
Loans to and receivables from customers	179,803	2,014	32	(4)	120,421	302,266
Placements with other banks	370	3,093	2,641	-	1,523	7,627
Property, plant and equipment	-	-	-	-	5,698	5,698
Right of use assets	-	-	-	-	2,555	2,555
Intangible assets	-	-	-	-	1,896	1,896
Foreclosed assets	-	-	-	-	87	87
Other assets	-	-	-	-	830	830
TOTAL ASSETS	245,936	21,796	2,995	894	268,766	540,386
LIABILITIES						
Current accounts and deposits from banks and financial institutions	7,609	3	-	-	10,788	18,400
Current accounts and deposits from customers	219,902	21,814	2,808	765	169,722	415,011
Interest-bearing borrowings	-	-	-	-	35,778	35,778
Provisions for liabilities and charges	-	-	-	-	914	914
Income tax liability	-	-	-	-	369	369
Lease liability	-	-	-	-	2,622	2,622
Other liabilities	-	-	-	-	9,860	9,860
TOTAL LIABILITIES	227,511	21,818	2,808	765	230,053	482,955
EQUITY						
Ordinary share capital	-	-	-	-	51,793	51,793
Legal and other reserves	-	-	-	-	381	381
Retained earnings	-	-	-	-	5,257	5,257
TOTAL EQUITY	-	-	-	-	57,432	57,432
TOTAL LIABILITIES AND EQUITY	-	21,818	2,808	765	-	-
NET ASSETS/ LIABILITIES AND EQUITY	18,424	(22)	187	129	(18,719)	-

Notes to the financial statements (continued)

29.Exposure to foreign currency risk (continued)

Sensitivity of profit and loss to exchange rate fluctuations

The table below represents sensitivity of the profit or loss to exchange rate fluctuations. The effect of exchange rate fluctuations is presented using highest daily EURUSD volatility and calculating the impact on the biggest long and short open EUR currency position, as follows:

Currency risk	2023
Maximum overall open foreign currency position including options (% of the regulatory capital)	2.91%
Open FX position including options in USD (% of the regulatory capital)	2.63%
Impact (loss) of the highest daily EUR/USD volatility (in thousands EUR)	(26)

Currency risk	2022
Maximum overall open foreign currency position including options (% of the regulatory capital)	49.36%
Open FX position including options in EUR (% of the regulatory capital)	48.62%
Impact (loss) of the highest daily EUR/HRK volatility (in thousands EUR)	(61)

Notes to the financial statements (continued)

30. Exposure to interest-rate risk

The following table shows sensitivity of Bank equity (economic value) to reasonable interest rate movements (parallel shift), on condition that all other variables are constant. The sensitivity presented below is prepared based on methodology used to prepare sensitivity report “EVKI” as reported to regulator (Croatian National Bank).

Key risk indicators - banking book (EUR ‘000)	**31.12.2023**	**31.12.2022**	**Reg limit**
▲ EVE 6 additional scenarios	-2,615	-3,204	
▲ EVE 6 additional scenarios / T1 capital	4.41%	5.99%	15%
Impact of +100bp interest rate change on net interest income (in 12m)	2,388	2,277	

6 additional scenarios ▲ EVE (EUR ‘000)	**31.12.2023**	**31.12.2022**
Parallel up	(2,091)	(1,196)
Parallel down	1,434	(1,602)
Steepener	(2,615)	(2,292)
Flattener	1,156	1,274
Short up	755	1,289
Short down	(1,532)	(3,204)
Max negative effect	(2,615)	(3,204)
Max negative effect (ABS) / T1 capital	4.41%	5.99%

Average effective interest rates

The average effective interest rates for interest-earning financial assets and interest-bearing financial liabilities during the year calculated on average quarterly balances for the Bank are as follows:

	2023 Effective interest rate	**2022 Effective interest rate**
Cash and current accounts with banks	0.00%	(0.11%)
Obligatory reserve with the CNB	-	-
Placements with other banks	0.23%	1.11%
Financial assets at fair value through other comprehensive income	0.00%	0.07%
Financial assets at amortised cost	3.92%	6.42%
Financial investments held for trading	1.48%	0.05%
Loans to and receivables from customers	4.86%	4.51%
Current accounts and deposits from banks and financial institutions	2.82%	0.33%
Current accounts from customers	0.02%	0.08%
Term deposits from customers	1.42%	0.39%
Interest–bearing borrowings	1.18%	0.47%
Subordinated liabilities	6.25%	-

Notes to the financial statements (continued)

31. Risk and capital management

Note 31 complements notes 26 to 30, whereby note 31 provides general risk management policies and principles, notes 26 to 30 provide quantitative disclosures of exposure to various risks.

a) Financial risk management

The operations of the Bank are exposed to various types of risk, which arise from the uncontrollable character of the financial market. The Bank tries to control and minimize the risks. The most significant types of financial risk to which the Bank is exposed are credit risk, liquidity risk and market risk. Market risk includes the risk of change of interest rates, risk of change of foreign exchange rates and change of market value of securities.

b) Credit risk

Credit risk is the most significant type of risk to which the Bank is exposed in its operations. Credit risk arises from the inability of the other party to service their liabilities as they fall due. The Bank monitors the exposure to credit risk and the quality of the portfolio on a regular basis.

Credit risk management is principally implemented through the selection of customers with good credit-standing and seeking adequate collateral.

In granting placements, the quality, i,e creditworthiness of the customer, is the main criteria. The Bank additionally reduces exposure to credit risk by securing placements with collateral. The Bank has established a Risk Assessment and Measurement Unit (in charge of regular credit risk management and monitoring. Risk Management Department also participates in the process of granting all significant placements, as well as in the process of approving the Bank's lending policies.

In measurement of credit risk of loans and advances to customers and banks, the Bank uses three major factors:

(i) the creditworthiness;
(ii) regular settlement of contractual obligations;
(iii) the quality of collateral, as explained below.

i) The Bank assesses creditworthiness through the calculation of the Debt service coverage ratio (DSCR), which represents the ratio of the available cash for the repayment of financial liabilities and amount of financial liabilities to be repaid on a monthly and/or annual basis.
In the context of creditworthiness assessment internal rating, calculated through an internal rating tool based on key financial indicators, is used as indicator of the Client’s quality.

ii) Settlement of obligations means payment of all obligations within contractual maturities, without establishing a new receivable.

(iii) The quality of the collateral is determined by marketability, protection of legal documentation and the possibility of enforcing collection.

31. Risk and capital management (continued)

b) Credit risk (continued)

The Bank structures the levels of credit risk by placing limits on the amount of risk accepted in relation to one borrower and a group of related parties, and industrial segments. Limits on the level of credit risk by industry sectors are regularly reviewed.

Exposure to credit risk is also managed by regular analysis of the ability of borrowers and potential borrowers to meet all obligations to the Bank and by changing lending limits where appropriate. The assessment of possible losses is monitored on a regular basis to enable timely identification of such placements and calculation of impairment losses.

The following table sets out the credit analysis for non-trading financial assets measured at amortised cost:

	PD	31 December 2023 Carrying amount EUR 000	PD	31 December 2022 Carrying amount EUR 000
Loans and advances to customers				
Corporate				
Grades 1-4: Strong	0.00-0.03	61,570	0.00-0.03	46,622
Grades 5-8: Higher Risk	0.03-0.12	66,102	0.03-0.12	68,250
Grades 9: Substantial Risk	0.13-0.16	1,777	0.13-0.16	121
No rating		93,684		80,940
		223,133		**195,933**
Retail		114,883		106,332
		114,883		**106,332**
Total		**338,016**		**302,265**

The following table sets out the credit quality of trading debt securities. The analysis has been based on combination external rating (Fitch, S&P, Moody's):

	PD	31 December 2023 Carrying amount EUR 000	PD	31 December 2022 Carrying amount EUR 000
Government bonds and treasury bills				
AAA - A3	0.0000-0.0006	1,649	0,0000-0,0006	5,891
BAA 1-3	0.0002-0.001	102,949	0,0002-0,001	59,612
BA1 and below	0.002-0.0316	8,879	0,002-0,0316	8,912
Total		**113,477**		**74,415**

31. Risk and capital management (continued)

	PD	31 December 2023 Carrying amount EUR 000	PD	31 December 2022 Carrying amount EUR 000
Corporate bonds				
AAA - A3	0.0000-0.0006	-	0.0000-0.0006	5,131
BAA 1-3	0.0002-0.001	-	0.0002-0.001	-
BA1 and below	0.002-0.0316	7,898	0.002-0.0316	8,157
Total		**7,898**		**13,288**

c) Liquidity risk

Liquidity risk represents the risk that the Bank will not be able to settle its liabilities as they fall due, and finance or liquidate assets on the basis of acceptable prices.

In order to ensure the quality of funding sources, the Bank funds itself from various sources: deposits of retail customers and legal entities, special participations, and share capital, which reduces dependence on only one source, and consequently liquidity risk.

The Bank prepares strategies in order to ensure that the needs of the Bank for cash funds in certain currencies are covered. The Bank's strategy is oriented towards ensuring adequate liquidity level which meets both estimated and unforeseen needs for cash funding. In case of an unforeseen need for cash funds, the Bank could take actions such as control of the Bank's credit activity, withdrawal of the available lines of credit and other necessary measures,

The Bank manages its assets and sources of funding taking into consideration financial flows, cash flows and concentrations, all with the aim of matching the cash inflows and outflows of the Bank. Such management includes the identification of known, expected and potential cash outflows and making different strategies of assets and liabilities management in order to ensure the needs of the Bank for cash inflows. Accordingly, liquidity risk management system includes: assessment and measurement of liquidity risk exposure, setting and monitoring limits as well as reporting on their utilization.

Liquidity risk management is achieved by operational short-term liquidity management and long-term liquidity management.

The Management Board of the Bank is responsible for liquidity risk management.

31. Risk and capital management (continued)

d) Market risk

- *Foreign currency risk* mainly arises from transactions in USD and CHF, or linked to USD, CHF and to a lesser extent, other currencies.

Control and mitigation of foreign currency risk is implemented by monitoring foreign currency deposit and simultaneous contracting of loans with foreign currency clause. Foreign currency risk is controlled on a daily basis, according to regulatory, but also internally determined limits of certain currencies. The Bank directs its business activities trying to minimize gaps between assets and liabilities denominated in foreign currency directly or with foreign currency clauses. The Bank manages its assets and liabilities by matching certain foreign currency assets with liabilities in order optimize the risk and profitability relationship due to currency movements. With introduction of euro in 2023, this risk has significantly decreased.

- *Interest rate risk* is the risk of change of the prices of financial assets as a result of the changes in interest rates. Interest rate risk is controlled through monitoring the interest rate sensitivity of assets and liabilities.

Risk management activities are mainly carried out in the context of the Bank's sensitivity to interest rate changes. Exposure to interest rate risk is the result of mismatch between assets and liabilities, which carry variable and /or fixed rates and / or reprice at a different time and it is monitored using the analysis of mismatch between assets and liabilities.

The objective of interest rate risk management is to ensure an optimal and stable net interest margin. In accordance with its asset and liability management policy, the Bank monitors the mismatch between assets and liabilities in the statement of financial position, using various criteria for possible change of interest rate. The calculation represents the amount of changes in the value of equity resulting from simultaneous changes in interest rates by 200 basis points. The above amount should be within 20% change of economic value of regulatory capital and at 31st December represents 3.02%.

- *Price risk* is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than fluctuations resulting from currency and interest rate), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

e) Capital management

The primary goals of the Bank related to capital management are alignment with all legal capital requirements, by concurrently retaining sufficient capital adequacy for the purpose of supporting business activity, in order to maximise the value for shareholders.

The Bank manages the structure of equity and risks arising from its business activity.

The Bank’s regulatory capital requirements were based on EU Regulation No 575/2013.

In 2023 The Bank's regulatory capital consists of Tier 1 capital (all qualifies as Common Equity Tier 1 (“CET1”) capital, which includes ordinary share capital, retained earnings, reserves and loss for the period after adjustment intangible assets together with Tier 2 capital (subordinated loan received from the shareholder)

31. Risk and capital management (continued)

e) Capital management (continued)

The table below summarises the composition of regulatory capital and ratios of the Bank (risk weighted assets have been unaudited as of the date of the issuance of these financial statements):

	Unaudited 31 December 2023 *EUR 000*	Audited 31 December 2022 *EUR 000*
Regulatory capital		
Issued ordinary share capital and preference shares	51,758	51,793
Reserves – legal	627	381
Retained earnings	8,049	5,257
Adjustment for intangible assets	(1,068)	(1,749)
Value adjustments due to the requirements for prudent valuation	(4)	(2)
Other comprehensive income	-	-
Subordinated liability	10,000	-
Total regulatory capital	**69,361**	**55,680**
Risk-weighted assets		
Credit risk-weighted assets	342,542	280,207
Exposure to operational risk	31,085	27,809
Exposure to currency risk	-	14,988
Total risk weighted assets	**373,627**	**323,004**
Common Equity Tier 1 capital ratio	**15.89%**	**17.24**
Tier 1 capital ratio	**15.89%**	**17.24**
Total capital adequacy ratio	**18.56%**	**17.24**

Prescribed minimal capital ratios in accordance with Article 92 of EU Regulation No 575/2013 are as follows:

- Common Equity Tier 1 capital ratio of 4.5% of the total risk exposure amount,
- Tier 1 capital ratio of 6% of the total risk exposure amount,
- Total capital ratio of 8% of the total risk exposure amount,

In addition to regulatory prescribed minimal capital adequacy ratios and in accordance with Articles 117 and 130 of CNB's Credit Institutions Act and Articles 129 and 133 of CRD IV, the Bank is also obliged to maintain specifically set capital buffers.

f) Operational risk management

Operational risk represents risk of loss due to inadequate or unsuccessful internal processes, employees or due to external events.

Responsibility for the implementation of operational risk management system and control of operational risk management at the level of the Bank is assigned to the Risk control function.

Notes to the financial statements (continued)

32. Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

Cash and balances with Croatian National Bank

The carrying value of cash and balances with the CNB approximate their fair value due to short-term maturity of these financial instruments.

Placements with other banks

Placements with other banks are stated at amortized cost. The fair value calculated by discounting the expected future cash flows of principal and interest is not significantly different from their book values in light of their short-term maturities.

Loans and advances

Fair value is based on a discounted cash flows using currently applicable interest rates on loans for similar terms or similar credit characteristics. Using the discounting method of cash flows and interest (assuming that the loan is repayable according to the agreed terms and taking into account the existing specific provisions), there is a difference between the fair value of the loan portfolio and the carrying amount. The fair value of loans to non-performing customers is estimated on the basis of a discounted cash flow analysis or the estimated value of the underlying security instrument. Estimated fair value of loans and advances to customers represents the discounted amount of expected future cash receipts. Expected future cash inflows are discounted using the market interest rate. Fair value of loans to customers as at 31 December 2023 amounted to EUR 335 million (31 December 2022: EUR 250 million). The fair value of loans and advances is based on valuation models and is categorised as Level 3.

Financial investments at amortised cost

The fair value of financial investments at amortised cost has at 31 December 2023 amounted to EUR 115 million.

Deposits from banks and customers

For demand deposits, fair value is taken to be the amount payable on demand at the reporting date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The value of long-term relationships with depositors is not taken into account in estimating fair values. There is no significant difference between the fair value of these deposits and their carrying value.

Interest-bearing borrowings

The fair value of interest – bearing borrowings has at 31 December 2023 amounted to EUR 108 milion.

Notes to the financial statements (continued)

32. Fair values (continued)

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly (indicative prices in active markets)
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There were no transfers between levels in 2023 and 2022.

				31 December 2023
Financial assets	**LEVEL 1** ***EUR 000***	**LEVEL 2** ***EUR 000***	**LEVEL 3** ***EUR 000***	**TOTAL** ***EUR 000***
Financial assets held for trading				
Foreign sovereign bonds	4,341	-	-	4,341
Total	**4,341**	**-**	**-**	**4,341**

				31 December 2022
Financial assets	**LEVEL 1** ***EUR 000***	**LEVEL 2** ***EUR 000***	**LEVEL 3** ***EUR 000***	**TOTAL** ***EUR 000***
Financial assets held for trading				
Foreign sovereign bonds	1,756	-	-	1,756
Total	**1,756**	**-**	**-**	**1,756**

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Financial assets	**31 December 2023** **Book value** ***EUR 000***	**31 December 2022** **Fair value** ***EUR 000***
Loans to and receivables from customers	338,016	335,206
Total	**380,016**	**335,206**

Financial liabilities	**31 December 2023** **Book value** ***EUR 000***	**31 December 2022** **Fair value** ***EUR 000***
Current accounts and deposits from customers	504,974	505,511
Total	**504,974**	**505,511**

Appendix 1 – Supplementary schedules for CNB

Croatian National Bank adopted on 10 May 2018 the Decision on the Structure and Content of the Financial Statements of Banks (Official Gazette 42/2018, 122/20, 119/2021 and 108/2022).

Supplementary schedules for the CNB prepared pursuant to the above Decision are presented below along with the reconciliation of the supplementary schedules for CNB with the statutory financial statements, prepared in accordance with IFRS EU.

Appendix 1 – Supplementary schedules for CNB

INCOME STATEMENT for the period 01.01.2023. to 31.12.2023.

Amounts in EUR

Position name	AOP code	Previous period	Current period
1	2	4	5
1.Interest income	**069**	13.863.260	25.180.784
2.Interest expenses	**070**	1.060.404	5.643.259
3.Expenses on share capital repayable on demand	**071**		
4.Dividend income	**072**		
5.Fee and commission income	**073**	4.128.649	5.292.988
6.Fee and commission expenses)	**074**	585.591	780.947
7.Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**075**	339.457	0
8.Gains or (-) losses on financial assets and liabilities held for trading, net	**076**	2.867.383	832.034
9.Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**077**		
10. Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	**078**		
11. Gains or (-) losses from hedge accounting, net	**079**		
12. Exchange differences [gain or (-) loss], net	**080**	-276.469	-122.866
13. Gains or (-) losses on derecognition of non-financial assets, net	**081**		
14. Other operating income	**082**	120.572	202.983
15. (Other operating expenses)	**083**	735.979	252.466
16. TOTAL OPERATING INCOME, NET (AOP 069 - 070 - 071 + 072 + 073 - 074 + 075 to 082 - 083)	**084**	**18.660.878**	**24.709.251**
17. Administrative expenses	**085**	11.654.158	14.232.371
18. Depreciation	**086**	1.712.788	1.979.218
19. Modification gains or (-) losses, net	**087**		
20. Provisions or (-) reversal of provisions	**088**	245.911	87.042
21. Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	**089**	-126.164	332.725
22. Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates	**090**		
23. Impairment or (-) reversal of impairment on non-financial assets	**091**		
24. Negative goodw ill recognised in profit or loss	**092**		
25. Share of the profit or (-) loss of investments in subsidaries, joint ventures and associates accounted for using the equity method	**093**		
26. Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	**094**		
27. PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**095**	**5.174.185**	**8.077.895**
28. Tax expense or (-) income related to profit or loss from continuing operations	**096**	973.190	1.474.007
29. PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS (AOP 095 - 096)	**097**	**4.200.996**	**6.603.888**
30. Profit or (-) loss after tax from discontinued operations (AOP 099 - 100)	**098**	0	0
30Profit or (-) loss before tax from discontinued operations	**099**		
30Tax expense or (-) income related to discontinued operations	**100**		
31. PROFIT OR (-) LOSS FOR THE YEAR (AOP 097 + 098; 102 + 103)	**101**	**4.200.996**	**6.603.888**
32. Attributable to minority interest [non-controlling interests]	**102**		
33. Attributable to owners of the parent	**103**		

Appendix 1 – Supplementary schedules for CNB

BALANCE SHEET AS AT 31.12.2023.
Amounts in EUR

Position name	AOP code	Previous period	Current period
1	2	4	5
Assets			
1.Cash, cash balances at central banks and other demand deposits	001	**136.673.667**	**232.589.394**
1.1 Cash on hand	002	5.210.939	13.723.111
1.2 Cash balances at central banks	003	121.671.997	217.712.077
1.3 Other demand deposits	004	9.790.731	1.154.206
2.Financial assets held for trading	005	**1.755.486**	**4.340.665**
2.1 Derivatives	006		
2.2 Equity instruments	007		
2.3 Debt securities	008	1.755.486	4.340.665
2.4 Loans and advances	009		
3.Non-trading financial assets mandatorily at fair value through profit or loss	010	**2**	**2**
3.1 Equity instruments	011	2	2
3.2 Debt securities	012		
3.3 Loans and advances	013		
4.Financial assets designated at fair value through profit or loss	014	**0**	**0**
4.2 Debt securities	015		
4.3 Loans and advances	016		
5.Financial assets at fair value through other comprehensive income	017	**0**	**0**
5.1 Equity instruments	018	0	0
5.1 Debt securities	019	0	0
5.2 Loans and advances	020	0	0
6.Financial assets at amortised cost	021	**391.089.419**	**479.603.852**
6.1 Debt securities	022	86.077.908	118.730.196
6.2 Loans and advances	023	305.011.511	360.873.656
7.Derivatives – Hedge accounting	024		
8.Fair value changes of the hedged items in portfolio hedge of interest rate risk	025		
9.Investments in subsidiaries, joint ventures and associates	026		
10. Tangible assets	027	**8.252.973**	**9.260.990**
11. Intangible assets	028	**1.896.015**	**1.068.718**
12. Tax assets	029	**625.053**	**276.657**
13. Other assets	030	**721.728**	**823.566**
14. Non-current assets and disposal groups classified as held for sale	031		
15. TOTAL ASSETS	032	**541.014.343**	**727.963.843**
Liabilities			
16. Financial liabilities held for trading	033	**0**	**0**
16.1 Derivatives	034		
16.2 Short positions	035		
16.3 Deposits	036		
16.4 Debt securities issued	037		
16.5 Other financial liabilities	038		
17. Financial liabilities designated at fair value through profit or loss	039	**0**	**0**
17.1 Deposits	040		
17.2 Debt securities issued	041		
17.3 Other financial liabilities	042		
18. Financial liabilities measured at amortised cost	043	**471.828.305**	**655.002.345**
18.1 Deposits	044	469.189.026	652.297.711
18.2 Debt securities issued	045		
18.3 Other financial liabilities	046	2.639.279	2.704.634
19. Derivatives – Hedge accounting	047		
20. Fair value changes of the hedged items in portfolio hedge of interest rate risk	048		
21. Provisions	049	**1.059.459**	**1.058.471**
22. Tax liabilities	050	**1.052.087**	**893.505**
23. Share capital repayable on demand	051		
24. Other liabilities	052	**9.643.005**	**6.974.148**
25. Liabilities included in disposal groups classified as held for sale	053		
26. TOTAL LIABILITIES	054	**483.582.857**	**663.928.470**
Capital			
27. Capital	055	**51.793.377**	**51.757.776**
28. Share premium	056		
29. Equity instruments issued other than capital	057		
30. Other equity	058		
31. Accumulated other comprehensive income	059	**0**	**0**
32. Retained earnings	060	**1.055.957**	**5.046.903**
33. Revaluation reserves	061		
34. Other reserves	062	**381.156**	**626.807**
35. (-) Treasury shares	063		
36. Profit or loss attributable to owners of the parent	064	**4.200.996**	**6.603.887**
37. (-) Interim dividends	065		
38. Minority interests [Non-controlling interests]	066		
39. TOTAL EQUITY	067	**57.431.486**	**64.035.373**
40. TOTAL EQUITY AND TOTAL LIABILITIES	068	**541.014.343**	**727.963.843**

Appendix 1 – Supplementary schedules for CNB

CASH FLOW STATEMENT - Indirect method in the period from 01.01.2023. to 31.12.2023.
Amounts in EUR

Position name	AOP code	Previous period	Current period
1	2	4	5
OPERATING ACTIVITIES AND ADJUSTMENTS			
1. Profit / (loss) before tax	001	4.200.996	6.603.888
2. Impairment	002	-1.127.750	332.725
3. Depreciation	003	1.712.788	1.979.218
4. Net unrealised profit/(loss) from financial assets and liabilities at fair value through income statement	004		
5. (Gains) / losses from sale of tangible assets	005		
6. Other non-monetary items	006		
Change from assets and liabilities from operating activities			
7. Deposits with CNB	007	18.975.578	0
8. Deposits at financial institiution and loans to fininancial institutions	008	0	
9. Loans to other clients	009	-60.916.840	-56.194.870
10. Financial assets at fair value through other comprehensive income	010	85.553.149	0
11. Financial assets held for trading	011	-1.755.486	-2.585.179
12. Non-trading financial assets mandatorily at fair value through profit or loss	012	0	0
13. Financial assets designated at fair value through profit or loss	013	0	0
14. Financial assets at amortised cost	014	0	0
15. Other assets from operating activities	015	-1.328.502	-578.804
Net increase/(decrease) in operating liabilities			
16. Deposits with banking institutions	016	0	0
17. Current accounts	017	75.263.586	-15.285.912
18. Saving accounts	018	227	236
19. Time deposits	019	6.057.942	129.125.669
20. Derivative financial liabilities and other financial liabilities held for sale	020	0	0
21. Other liabilities	021	3.202.473	-2.827.441
22. Unpaid interest from operating activities	022	0	0
23. Dividends received	023	0	0
24. Paid interest from operating activities	024	0	0
25. Paid income tax	025	0	0
A) Net cash inflow / (outflow) from operating activities (AOP 001 do 025)	026	**129.838.163**	**60.569.530**
INVESTMENT ACTIVITIES			
1. Cash receipts from (payments to acquire) tangible and intangible assets	027	-777.452	-1.335.562
2. Cash receipts from the disposal of (payments for the investment in) subsidiaries, associates and joint ventures	028	0	0
3. Cash receipts from sales of (cash payments to acquire) securities and other financial instruments from investment acitivities	029	-84.035.484	-32.652.288
4. Dividends received	030	0	0
5. Other receipts from(payments for) investments	031	618.830	65.356
B) Net cash inflow / (outflow) from investment activities (AOP 027 do 031)	032	**-84.194.107**	**-33.922.494**
FINANCIAL ACTIVITIES			
1. Net increase / (decrease) in received loans	033	-463.954	69.268.691
2. Net increase / (decrease) of issued debt securities	034	0	0
3. Net increase / (decrease) of subordinated and hybrid instruments	035	0	0
4. Proceeds from issue of share capital	036	5.005.641	0
5. (Dividends paid)	037	0	0
6. Other proceeds(payments) from financing activities	038	0	0
C) Net cash inflow / (outflow) from financial activities (AOP 033 do 038)	039	**4.541.687**	**69.268.691**
D) Net increase / (decrease) of cash and cash equivalents (AOP 026+032+039)	040	**50.185.743**	**95.915.727**
Cash and cash equivalents at the beginning of the year	041	86.487.924	136.673.667
Effect of currency exchange rate conversion on cash and cash equivalents	042		
Cash and cash equivalents at the end of the year (AOP 040+041+042)	043	**136.673.667**	**232.589.394**

Appendix 1 – Supplementary schedules for CNB

STATEMENT OF CHANGES IN EQUITY in the period from 1.1.2023. to 31.12.2023.

Amounts in EUR

Position name	AOP code	Atributable to shareholders of the Bank											Minority interest		Total equity and reserves
		Share capital	Share premium	Equity instruments issued except capital	Other equity holdings	Accumulated other comprehensive income	Retained earnings/loss	Revaluation reserves	Other reserves	Treasury shares	Profit / loss attributable to owners of the parent company	Dividends during the business year	Accumulated other comprehensive income	Other items	
1	2	4	5	6	7	8	9	10	11	12	13	14	15	16	17 (4 to16)
1. Balance at 1 January 202023	**01**	51.793.377	0	0	0	0	5.256.953	0	381.156	0	0	0	0	0	57.431.486
2. Effect of error correction	**02**														0
3. Changes in accounting policies	**03**														0
4. Restated balance at 1 January 2018 (001+002)	**04**	51.793.377	0	0	0	0	5.256.953	0	381.156	0	0	0		0	57.431.486
5. Issuance of ordinary shares	**05**														0
6. Issuance of Preferred Shares	**06**														0
7. Issuance of other equity instruments	**07**														0
8. Execution or expiration of other issued equity instruments	**08**														0
9. Converting Debt to Owners instruments	**09**														0
10. Reduction of capital	**10**	-35.601													-35.601
11. Dividends	**11**														0
12. Purchase of treasury shares	**12**														0
13. Sale or cancellation of treasury shares	**13**														0
14. Reclassification of Financial Instruments from equity instruments in liabilities	**14**														0
15. Reclassification of Financial Instruments from liabilities to equity instruments	**15**														0
16. Transfers between components of equity instruments	**16**						-210.050		245.651						35.601
17. Increase or decrease in ownership instruments as a result of business combination	**17**														0
18. Share-based payments	**18**														0
19. Other increase or decrease in ownership instruments	**19**														0
20. Total comprehensive income for the current year	**20**					0	6.603.888								6.603.888
Balance at 31 December 2023 (003+010+011+012+013+016)	**22**	51.757.776	0	0	0	0	11.650.791	0	626.807	0	0	0	0	0	64.035.374

Appendix 2
Reconciliation of the statutory financial statements with the suplementary schedules for CNB from Appendix 1

a) Comparison of profit and loss account

Statutory financial statements		Supplementary schedules for CNB				
Position name	**Amount in EUR '000**	**Position name**	**AOP code**	**Amount in EUR '000**	**Difference**	**Explanation of difference**
Interest and similar income	24.553	1. Interest income	**069**	25.181	- 628	EUR -6 thousand of Interest income from placements to non-banking financial institutions is presented w ithin Fees nad commision income for CNB reporting (Note 1), EUR -621 of Cancellation interest w ith premature deliverance of deposit is presented in interest expense in financial statmenets (Note 2), EUR -1 is rounding difference
Interest expense and similar charges	- 5.031	2. Interest expense	**070**	- 5.643	612	EUR -7 thousand of Expenses based on commissions/fees for banking services of residents is presented w ithin Fees nad commision expense for CNB reporting (Note 3) and EUR -2 thousand of Interest expenses banks is presented w ithin Other operating expenses for CNB reporting (Note 4) ; EUR 621 See Note 2,
		3.Expenses on share capital repayable on demand	**071**			
		4.Dividend income	**072**			
Fee and commission income	5.300	5.Fee and commission income	**073**	5.293	7	EUR 6 see Note 1 above, EUR 1 is rounding difference
Fee and commission expense	- 774	6.Fee and commission expenses)	**074**	- 781	7	EUR 7 Refer to Note 3 above,
Net realised gains from financial assets available for sale	-	7.Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**075**	-	-	EUR -123 thousand of foreign exchange differences in relation to dealing w ith foreign currencies reclassified to Exchange differences [gain or (-) loss], net for CNB reporting (Note 5), EUR 1 is rounding difference
Net gains from translation of monetary assets and liabilities, fixing of CHF rate and foreign exchange spot trading	698	8.Gains or (-) losses on financial assets and liabilities held for trading, net	**076**	832	- 122	
Net gains/(losses) on derecognition of financial assets measured through FVTPL	12	9.Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	**077**			
		10. Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	**078**	-		
		11. Gains or (-) losses from hedge accounting, net	**079**	-	-	
		12. Exchange differences [gain or (-) loss], net	**080**	- 123	123	Refer to Note 5 above
		13. Gains or (-) losses on derecognition of non-financial assets, net	**081**	-	-	
Other income	43	14. Other operating income	**082**	203	- 160	income from reversal of unused vacation day provision (EUR -145 thousand) included in staff costs in statutory financial statements. (Note 6). and EUR 16 thousand of Income from reversal of provisions for litigation initiated against the bank is presented w ithin Impairment losses and provisions in Financial statements (Note 7) Cost of sale of tangible asset (EUR -30 thousand) netted w ith income from sale in statutory financial statements (Note 8), -1 is rounding difference

Appendix 2
Reconciliation of the statutory financial statements with the suplementary schedules for CNB from Appendix 1 (continued)

a) Comparison of profit and loss account (continued)

Position name	Amount in EUR '000	Position name	AOP code	Amount in EUR '000	Difference	Explanation of difference
		15. (Other operating expenses)	**083**	- 252	252	Refer to Note 4, Note 8, and EUR 220 thousand of other expenses is presented in other administrative expenses in financial reporting (Note 9),
Staff costs	- 9.591				- 9.591	EUR -9,655 thousand of expenses for salaties, taxes and contribution and other expenses related to employees are presented w tihin Administrative expenses for CNB reporting (Note 10), EUR 145 thousand refer to Note 6 above, EUR -81 reservation for unused vacation are presented in Other administrative expense in Financial statements (Note 11),
Other administrative expenses	- 4.716	17. Administrative expenses	**085**	- 14.232	9.516	EUR 9,655 refer to Note 10 above EUR 81 refer to Note 11 above and EUR -220 refer to Note 9 above,
Depreciation and amortisation	- 1.979	18. Depreciation	**086**	- 1.979	-	
		19. Modification gains or (-) losses, net	**087**	-	-	
		20. Provisions or (-) reversal of provisions	**088**	- 87	87	EUR -40 of provisions and reversal of provisions for court cases and EUR -47 of other provision are presented in Impairment losses and provisions in Financial statements (Note12)
Impairment losses and provisions	- 437	21. Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	**089**	- 333	- 104	Refer to Note 8, and Note 12 above
		22. Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates	**090**		-	
		23. Impairment or (-) reversal of impairment on non-financial assets	**091**		-	
		24. Negative goodw ill recognised in profit or loss	**092**		-	
		25. Share of the profit or (-) loss of investments in subsidaries, joint ventures and associates accounted for using the equity method	**093**		**-**	
		26. Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	**094**	-		
PROFIT (LOSS) BEFORE TAX	**8.078**	**22. PROFIT/(LOSS) BEFORE TAX**		**8.079**	1	EUR 1 represents rounding difference
Income tax expense	- 1.474	**23. INCOME TAX**		- 1.474	-	
LOSS FOR THE YEAR	**6.604**	**24. PROFIT/(LOSS) FOR THE PERIOD**	**095**	**6.605**	**- 1**	EUR 1 represents rounding difference

Appendix 2
Reconciliation of the statutory financial statements with the suplementary schedules for CNB from Appendix 1 (continued)

a) Comparison of statement of financial position

nancial statements		Supplementary schedules for CNB				
e	Amount in EUR '000	Name of position	AOP code	Amount in EUR '000	Difference	Explanation of difference
		ASSETS				
Cash and current accounts with banks	19.889	**1.Cash, cash balances at central banks and other demand deposits**	001	**232.589**	212.700	EUR 234,372 placements to other banks is presented in Financial statements in Placemnets with other banks (Note 1), EUR -21,670 thousand of Placements with other banks is presented in Financial assets at amortised costs for CNB reporting (Note 2) -2 is rounding difference
		1.1 Cash on hand	002	13.723	0	
		1.2 Cash balances at central banks	003	217.712	0	
		1.3 Other demand deposits	004	1.154	0	
Obligatory reserve with Croatian National Bank and compulsory CNB bills	-				0	
Placements with other banks	234.372				234.372	EUR 234,372 refer to (Note 1)
Financial investments helld for trading	4.341	**2.Financial assets held for trading**	005	**4.341**	0	
		2.1 Derivatives	006	-	0	
		2.2 Equity instruments	007	-	0	
		2.3 Debt securities	008	4.341	0	
		2.4 Loans and advances	009	-	0	
		3.Non-trading financial assets mandatorily at fair value through profit or loss	010	**0**	0	
		3.1 Equity instruments	011	-	0	
		3.2 Debt securities	012	-	0	
		3.3 Loans and advances	013	-	0	
		4.Financial assets designated at fair value through profit or loss	014	**0**	0	
		4.2 Debt securities	015	-	0	
		4.3 Loans and advances	016	-	**0**	
Financial assets at fair value through other comprehensive income	-	**5.Financial assets at fair value through other comprehensive income**	017	**0**	**0**	
		5.1 Equity instruments	018	-	**0**	
		5.1 Debt securities	019	-	**0**	
		5.2 Loans and advances	020	-	**0**	
		6.Financial assets at amortised cost	021	**479.604**	**0**	
estments at amortised cost	119.378	6.1 Debt securities	022	118.730	**648**	EUR 647 of Factoring and reservation is presented in Loans and advances in CNB reporting (Note 3), 1 is rounding difference
Loans to and receivables from customers	338.016	6.2 Loans and advances	023	360.874	**-22.858**	EUR -21,670 thousand refer to Note 2 above, EUR -647 refer to Note 3 above, EUR -530 thousand of Recivables of Noninterest income and Accrued fees on Loans is presented in Other assets in Financial statements (Note 4), EUR -10 of deferred fees is presented in Ohter Llabilities in financial statement (Note 12) -2 is rounding difference
		7.Derivatives – Hedge accounting	024	**0**	**0**	
		8.Fair value changes of the hedged items in portfolio hedge of interest rate risk	025	**0**	**0**	
		9.Investments in subsidiaries, joint ventures and associates	026	**0**	**0**	
Foreclosed assets	86				**86**	EUR 86 of Foreclosed assets is Presented in Other assets in CNB reporting (Note 5)
Property, plant and equipment	5.603	**10. Tangible assets**	027	**9.261**	**-3.658**	EUR -2.636 of Tangamble assets presentted in CNB reporting is shown under Right of use assets (Note 6), EUR 1021 of Tangamble assets presentted in CNB reporting is shown under Intagible assts (Note 7)
Right of use assets	2.636				**2.636**	Refer to Note 6 above
Intangible assets	2.090	**11. Intangible assets**	028	**1.069**	**1.021**	Refer to Note 7 above
Deffered tax asset	277	**12. Tax assets**	029	**277**	**0**	
Other assets	1.265	**13. Other assets**	030	**824**	**441**	EUR 529 thousand refer to Note 4, EUR -86 refer to Note 5, -2 is rounding difference
		14. Non-current assets and disposal groups classified as held for sale	031	**0**	**0**	
ETS	**727.953**	**15. TOTAL ASSETS**	032	**727.964**	**-11**	

Appendix 2
Reconciliation of the statutory financial statements with the suplementary schedules for CNB from Appendix 1 (continued)

b) Comparison of statement of financial position (continued)

nancial statements		Supplementary schedules for CNB				
e	Amount in EUR '000	Name of position	AOP code	Amount in EUR '000	Difference	Explanation of difference
;		LIABILITIES				
		16. Financial liabilities held for trading	**033**	0	0	
		16.1 Derivatives	**034**	0	0	
		16.2 Short positions	**035**	0	0	
		16.3 Deposits	**036**	0	0	
		16.4 Debt securities issued	**037**	0	0	
		16.5 Other financial liabilities	**038**	**0**	0	
		17. Financial liabilities designated at fair value through profit or loss	**039**	0		
		17.1 Deposits	**040**	0		
		17.2 Debt securities issued	**041**	0		
		17.3 Other financial liabilities	**042**	0		
Subordinated liabilities	10.052				10.052	EUR 10,052 of Subordinated loan is presented under Financial liabilities at amortised cost (Note 8)
Current accounts and deposits from banks and financial ins	32.130	**18. Financial liabilities measured at amortised cost**	**043**	**655.002**		
Current accounts and deposits from customers	504.974	18.1 Deposits	**044**	652.298	-12.757	EUR -2,705 thousand of Payables for income distribution and Fees for deposits and Liabilities for leasing is presented tatements under Other Liabilities (Note 9), EUR -10,052 refer to Note 8 above
Interest-bearing borrowings	105.141	18.2 Debt securities issued	**045**	0		
		18.3 Other financial liabilities	**046**	**2.705**		
		19. Derivatives – Hedge accounting	**047**	**0**		
		20. Fair value changes of the hedged items in portfolio hedge of interest rate risk	**048**	**0**	0	
Provisions for liabilities and charges	977	**21. Provisions**	**049**	**1.058**	-81	EUR -81 of Accruals for unused vacation is presented in Financial statements as Other liabilites (Note 10),
Income tax liability	**894**	**22. Tax liabilities**	**050**	**894**	0	
		23. Share capital repayable on demand	**051**	**0**	0	
Other liabilities	9.749	**24. Other liabilities**	**052**	**6.974**	2.775	EUR 2,705 refer to Note 9 above, EUR 81 refer to Note 10 above, EUR -10 refer to Note 9, -190 refer to Note 11, -1 thousand is rounding difference
		25. Liabilities included in disposal groups classified as held for sale	**053**	**0**	0	
ties	**663.917**	**26. TOTAL LIABILITIES**	**054**	**663.928**	-11	
		EQUITY			0	
Issued share capital	51.758	**27. Capital**	**055**	51.758	0	
		28. Share premium	**056**	0	0	
		29. Equity instruments issued other than capital	**057**	0	0	
		30. Other equity	**058**	0	0	
serve	-	**31. Accumulated other comprehensive income**	**059**	**0**	0	
Accumulated loss	11.651	**32. Retained earnings**	**060**	5.047	6.604	Profit for the year is a separate line of equity for CNB reporting, 1 thousand is rounding difference
		33. Revaluation reserves	**061**	**0**	0	
Legal and other reserves	627	**34. Other reserves**	**062**	627	0	
		35. (-) Treasury shares	**063**	**0**	0	
		36. Profit or loss attributable to owners of the parent	**064**	6.604	-6.604	Profit for the year is a separate line of equity for CNB reporting 1 thousand is rounding difference
		37. (-) Interim dividends	**065**	0	0	
		38. Minority interests [Non-controlling interests]	**066**	**0**	0	
y	**64.036**	**39. TOTAL EQUITY**	**067**	**64.035**	1	
BILITIES AND EQUITY	**727.953**	**40. TOTAL EQUITY AND TOTAL LIABILITIES**	**068**	**727.964**	-11	

Appendix 3
Disclosures in accordance with Article 164 of the Credit Institutions Act

c) Comparison of cash flow statement

Differences in Cash and cash equivalents arise from different classification of items of statement of financial position for statutory reporting and CNB reporting as well as elimination of non-cash transactions from movements for statutory financial reporting purposes.

d) Comparison of statement of changes in equity

In statutory financial statements loss for the year and accumulated loss are both included in accumulated loss, while they are separately presented for CNB reporting.

e) Disclosure pursuant to Article 164 of the Credit Institutions Act

Pursuant to Article 164 of the Credit Institutions Act, the Bank discloses following information:

1) The Bank is licensed for the following services:
    - receiving deposits or other repayable funds from the public and extending credits out of these funds, for the Bank's own account,
    - receiving deposits or other repayable funds,
    - lending, including consumer lending, mortgage loans and, where permitted under a special law, financing of commercial transactions, including export finance based on the purchase at a discount without recourse of long-term, non-current, non-matured receivables collateralized with a financial instrument (forfaiting),
    - repurchase of receivables with or without recourse (factoring),
    - issue of guarantees or other sureties,
    - trading for its own account, or for the account of clients, in:
        - money market instruments,
        - negotiable securities,
        - foreign exchange, including currency exchange transactions,
    - payment processing services, in accordance with special laws,
    - services ancillary to lending, such as e.g. collection, analysis and provision of information on the creditworthiness of legal and natural persons conducting business,
    - renting safety deposit boxes,
    - intermediary services in money market transactions,
    - issuing of other payment instruments and their management if the provision of this services is not considered to be the provision of payments services in a way proscribed by other laws,
    - issuing of electronic money,
    - representing in insurance.
2) The total revenue of the Bank in 2023 amounted to EUR 24,801 thousand;
3) The Bank employs 268 full-time employees;
4) Profit before tax in 2023 amounted to EUR 8,078 thousand;
5) Income tax in 2023 amounted to EUR 1,474 thousand;
6) During 2023, the Bank did not receive public subsidies.